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Clean TeQ signs ground-breaking agreement to establish China water JV

The Clean TeQ Holdings Limited (ASX:CLQ) (**Clean TeQ** or **Company**) group, has executed a binding agreement with Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd (**'Hoyo'**) to form a Chinese incorporated joint venture (**'JV Company'**) which will pursue water treatment opportunities in China's Shanxi Province utilising Clean TeQ's water purification technology.

Clean TeQ and Hoyo have also reached in-principle agreement on the terms on which the JV Company will build, own and operate a Clean TeQ Continuous Ionic Filtration (**'CIF®'**) water treatment plant at an existing wastewater treatment facility owned and operated by Qixian Hoyo Waste Water Treatment Co., Ltd (**'Qixian'**) in Shanxi Province.

Hoyo and Qixian are both members of the Nanjing Hoyo Municipal Utilities Investment Administration Group (**'Hoyo Group'**). Hoyo Group is a large diversified private Chinese conglomerate which is active in a range of industries including pipeline construction, operation of urban sewage and waste water treatment plants, construction, aviation and manufacturing of agricultural machinery.

Clean TeQ's CEO Sam Riggall stated *"Clean TeQ has been diligently working for some time now to promote our technology and to establish and maintain key relationships in China. We are delighted to have formalised this important joint venture with such a well-established and innovative partner in Hoyo Group. The deployment of our proprietary technology for water recovery and recycling on a value accretive basis is a very positive development. We look forward to building this joint venture into a sustainable and profitable business."*

Chairman of Hoyo Group, Victor Lu, stated *"Hoyo Group's vision is to create development strategies that bring benefits to all parties involved. By amalgamating the strengths of companies that are leaders in their own fields, combined with Hoyo's core competencies in the field of municipal infrastructure, we will create more sustainable and enhanced urban environments. The partnership with Clean TeQ will add significant technical capability to our municipal water treatment business and expand market opportunities. We are very excited by the potential offered by Clean TeQ's novel and cost-effective technology in the rapidly growing Chinese water purification and reuse market."*

The JV Company, Shanxi Hoyo Clean TeQ Environmental Company Ltd, is to be owned 50:50 by Clean TeQ and Hoyo and will be capitalised through equity contributions of US\$600,000 from each of the parties. Clean TeQ will fund its share of the equity contributions from cash reserves currently on hand. The start-up capital contributions are expected to be sufficient to build the first project and fund modest overheads of the JV Company until it becomes cashflow positive.

Clean TeQ and Hoyo have also reached in-principle agreement on the terms for the JV Company's initial project contract, which is to build, own and operate a CIF® water treatment plant to treat up to 13,000 tonnes of effluent per day for a 20 year period. The proposed project contract provides for the JV Company to be paid a service fee per tonne of water treated, subject to a minimum payment for 9,000 tonnes per day. Clean TeQ has actively pursued a build, own and operate business model, targeting generation of long term sustainable cashflows and favourable economic returns.

Design and engineering of the plant has commenced, with procurement of materials and construction of the plant anticipated to begin in October 2016 subject to the following:

- 1) Completion of the establishment and registration of the JV Company in China;
- 2) Negotiation and execution by JV Company and Qixian of the final binding project contract;
- 3) Obtaining standard Chinese regulatory approvals (construction, environmental etc); and,
- 4) The parties making the required equity contributions to fund the JV Company.

Utilising Clean TeQ's innovative continuous ion exchange technology, the proposed CIF® plant will upgrade treated effluent from an existing wastewater treatment plant to surface discharge quality water for beneficial use in a recreational water park.

China has a severe water scarcity problem. Its resources of freshwater, around 2,000 cubic meters per capita, are one-third of the global average. About 300 million people in China, almost a quarter of its population, drink contaminated water every day. At least one-third of China's lakes and rivers are unfit for human use, and 73% of the watersheds that supply water to China's 30 fast-growing cities face medium to high pollution levels.



Source: qz.com

The potential market in China for the application of Clean TeQ's technology is therefore very large, and the parties have already identified a number of potential future projects. It is the intention of both Hoyo and Clean TeQ that the JV Company will be used as a platform to pursue additional water purification project opportunities in the region utilising Clean TeQ's water purification technology. The formation of the joint venture with Hoyo is complementary to Clean TeQ's overall China strategy which includes

continuing to progress the formal establishment and operation of a joint venture with SIDRI. Both SIDRI and Clean TeQ are continuing to work together to market the Company's technology and to seek commercialisation opportunities.

The proposed project at the Qixian facility is an important milestone for Clean TeQ as it represents the first commercial application of the CIF[®] technology for upgrading of treated effluent. Treated effluent can be a valuable source of fresh water if contaminants are reduced to meet appropriate standards. Western countries have typically adopted membrane technology to meet these standards but at a cost which is not sustainable in the Chinese market.

Clean TeQ has been working in China for over two years and is focused on the rapid growth markets of wastewater reuse and nutrient recovery. Clean TeQ, along with our partners in China, has identified the value in municipal wastewater effluent as a source of freshwater for industrial, agricultural and recreational reuse. Extensive trials have confirmed that Clean TeQ's CIF[®] process provides water at a quality and price-point that is able to unlock the latent value of wastewater in this market.

By applying the most cost effective technology to water treatment for reuse we can meet the price expectations of customers and provide an attractive return on invested funds. Given the number of wastewater treatment plants in China that are in close proximity to potential users in the agricultural and industrial sectors, the opportunity to secure additional future contracts is strong.

Clean TeQ Water is focused on water recycling opportunities where increasing the availability of fresh water adds value to local economies and improves the quality of life.

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About Clean TeQ Holdings Limited (ASX:CLQ) – Based in Melbourne, Clean TeQ, using its proprietary Clean-iX[®] continuous ion exchange technology, is a leader in resource recovery and industrial water treatment.

For more information about Clean TeQ please visit the Company's website at www.cleanteq.com.

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