Clean TeQ Holdings Limited

ABN 34 127 457 916

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2018

Contents

Directors' Report

For the financial half-year ended 31 December 2018

The directors present their report, together with the financial statements, on the Consolidated Entity consisting of Clean TeQ Holdings Limited (referred to hereafter as the 'Parent Entity', 'the Company' or 'Clean TeQ') and the entities it controlled (referred to hereafter as the 'Consolidated Entity'), for the financial half-year ended 31 December 2018, referred to hereafter as the 'financial half-year', and the auditor's review report thereon.

Directors

The following persons were directors of Clean TeQ Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and Chief Executive Officer)

Li Binghan (Non-Executive Director)

Judith Downes (Non-Executive Director) – appointed 27 September 2018

Eric Finlayson (Non-Executive Director)

Ian Knight (Non-Executive Director)

Stefanie Loader (Non-Executive Director)

Michael Spreadborough (Non-Executive Director)

The Consolidated Entity announced on 27 September 2018 that Judith Downes, had been appointed as a Non-Executive Director of the Consolidated Entity with effect from 1 October 2018. Judith has over 20 years of accounting and senior management experience, with a strong background in finance, audit and risk management with large ASX listed companies, as well as strong experience in governance, equity and debt markets, acquisitions, divestments and financial reporting.

Judith's most recent executive position was as Chief Financial Officer at Alumina Limited, where she was responsible for finance, accounting, treasury, investor relations and taxation. Prior to this, she worked for Australia and New Zealand Banking Group Limited for 12 years across various financial and accounting roles including as Chief Financial Officer and Chief Operating Officer (Institutional Division).

Judith currently holds other Board roles including Chairman of Bank Australia, Non-Executive Director of ASX listed medical technology company ImpediMed Limited and as a member of the Commonwealth Government's Financial Reporting Council.

Principal activities

During the financial half-year the principal continuing activities of the Consolidated Entity consisted of:

- The ongoing development and use of the Clean-iX® resin technology for application in the extraction and purification of a range of resources in the mining industry including base metals, precious metals and rare earth elements and through the development of the Consolidated Entity's Clean TeQ Sunrise Project (formerly known as the 'Syerston Project') in New South Wales ('Metals Division'); and
- The ongoing development and commercialisation of the Company's proprietary Continuous Ionic Filtration ('CIF®'), Macroporous Polymer Adsorption ('MPA®') resin technologies and associated technology products and processes for application in the purification and recycling of industrial, municipal and mining waste waters ('Water Division').

There have been no significant changes in the nature of the Consolidated Entity's activities during the financial half-year.

Dividends

There were no dividends paid, recommended or declared during the current financial half-year or previous financial year.

Review of Operations

The loss after tax for the Consolidated Entity amounted to $9,116,000 (31 December 2017: loss after tax of $7,793,000).

During the financial half-year, the Consolidated Entity's revenue from continuing operations increased to $4,658,000 (31 December 2017: $1,435,000) primarily due to increases in interest received and contract income from Water Projects brought to account in the financial half-year.

The continuing development of the Clean TeQ Sunrise Project resulted in $22,519,000 of expenditure being capitalised as an exploration and evaluation asset during the financial half-year. This expenditure, along with the net cash outflows from operating activities of $9,344,000 (31 December 2017: net outflow $8,019,000), was financed largely from existing cash reserves.

The Consolidated Entity's net assets decreased during the financial half-year by $6,590,000 to $245,566,000 (30 June 2018: $252,156,000). Working capital, being current assets less current liabilities, amounts to a surplus of $111,813,000 (30 June 2018: $146,575,000 surplus), with cash reserves decreasing from $152,637,000 to $117,423,000 during the financial half-year.

Metals Division

During the financial half-year, the Consolidated Entity continued to progress the development of the Clean TeQ Sunrise Nickel-Cobalt-Scandium Project. Pre-development activities continue to be focused on project engineering and design, as well as ongoing work toward securing financing and offtake agreements required prior to a final investment decision.

Following the release of the Definitive Feasibility Study ('DFS') in June 2018, the Consolidated Entity published on 7 August 2018 an update to the National Instrument 43-101 Technical Report for the Clean TeQ Sunrise Project ('NI 43-101 Technical Report'). The Technical Report, prepared by SRK Consultants, supported the outcomes of the DFS which demonstrated the Project's strong technical and economic potential.

The Consolidated Entity successfully conducted a further test work program on Sunrise nickel/cobalt ore at the pilot plant in Perth. The objective of the test work was to gather additional operating and detailed design data prior to the project entering the engineering phase, and to provide the operational readiness team with a valuable opportunity to deepen their understanding of the flowsheet. Results from the test work program confirmed the very high metal extractions and recoveries of the proposed Sunrise processing plant. In some cases, performance results demonstrated during the testwork program surpassed the base case operating assumptions used in the DFS and the NI 43-101 Technical Report.

A significant milestone was achieved in the appointment of Metallurgical Corporation of China Ltd ('MCC') as a key project delivery partner. On 30 August 2018, the Consolidated Entity announced that it had signed a Heads of Agreement ('HOA') with MCC for a fixed-price Engineer-Procure-Construct ('EPC') contract covering detailed engineering and construction of the Clean TeQ Sunrise processing plant. The MCC scope (processing plant) is approximately two-thirds of the total estimated capital development cost of the Project.

Selecting an EPC delivery model and the appointment of MCC is expected to deliver significant benefits to the Project, including:

- The ability to leverage MCC's strong experience in the design, construction and operation of lateritic nickel/cobalt mining, processing and refining operations;
- Decreasing the financial and project execution risk to Clean TeQ via the transfer of risk to MCC through the EPC contracting arrangements;
- Providing enhanced opportunities for low cost procurement and pre-assembly through MCC's extensive network of suppliers; and,
- Potential to increase the debt-carrying capacity of the Project and opening up additional opportunities for Chinese-sourced financing to support development of Clean TeQ Sunrise.

Following announcement of the HOA, the Consolidated Entity and MCC signed a Front-End Engineering and Design ('FEED') contract. Under the FEED contract, MCC and one of its subsidiaries, China ENFI Engineering Corporation ('ENFI'), will work with the Consolidated Entity's owners' team to manage project scope, critical design criteria and equipment and materials selection during the FEED phase, prior to commencement of the EPC phase.

The FEED contract defines a prescribed scope of work and deliverables for the FEED phase which will be provided to the Consolidated Entity by MCC based on an agreed schedule of rates. A key deliverable from MCC from the current FEED phase is an update of the fixed EPC contract price for the construction of the Sunrise Project process plant, which is required for the Consolidated Entity to approve a Final Investment Decision to proceed with the construction of the Project.

Discussions will be progressed throughout the FEED phase to agree the definitive fixed-price EPC contract for detailed engineering and construction of the process plant infrastructure, based on the summary terms and conditions contained in the HOA. Several critical commercial aspects of the EPC contract have already been agreed as part of the HOA negotiation, with a final detailed and binding EPC contract containing a final lump-sum price expected to be agreed during 2019.

The handover of the engineering information to MCC has now been completed. FEED works have now begun with parts of the Sunrise process plant EPC scope now underway. Work has also commenced on establishing project management and procurement systems, as well as integrating key MCC personnel into the owner's team office in Perth.

In addition, the Consolidated Entity commenced work with MCC to prepare an update to the overall project delivery schedule, including the timeline for completion of the FEED phase currently underway, as well as the project construction schedule and plant commissioning.

Early works are progressing with the engineering portion of the water pipeline underway. Completion of engineering will allow the detailed pipeline route to be finalised and necessary approvals gained from local government authorities.

On 20 December 2018, the Consolidated Entity announced that approval had been granted for all of the modifications (Modification 4) to the Development Application for the Project by the New South Wales Independent Planning Commission ('IPC').

Modification 4 allows the Consolidated Entity to implement a number of improvements designed to optimise and further de-risk the Clean TeQ Sunrise operation which were detailed in the June 2018 Definitive Feasibility Study. The key features of Modification 4 include amendments to the processing plant design and layout, mine plan and general logistics, diversification of water supply via approval to access surface water from the Lachlan River as well as consent to produce up to 100,000 tonnes per annum of ammonium sulphate for sale as a by-product. These are important changes which will enable the Project to more effectively respond to the rapidly growing global demand for nickel and cobalt.

The approval follows a period of extensive consultation with local residents and communities across the Shires of Parkes, Lachlan and Forbes, as well as working through a formal process with the IPC. It also concludes the final outstanding modification under application, with Modification 6 having been approved in May 2018.

During the financial half-year, the Consolidated Entity continued to engage with a range of investors and offtake partners regarding potential project financing and offtake agreements. The Consolidated Entity continues to see strong interest in the Project from participants at all levels of the global electric vehicle supply chain and remains confident of delivering a project financing solution prior to a final investment decision in 2019.

Discussions to date have contemplated various transactions which align with the project financing strategy of the Consolidated Entity. These include potential project joint ventures, a sale of strategic interests in the project and/or metal streaming, or production prepayment, transactions. Technical and commercial due diligence and site visits have been conducted and discussions have been highly encouraging.

In addition to these discussions, the four mandated lead arranger ('MLA') banks – Societe Generale, National Australia Bank, Natixis and Industrial and Commercial Bank of China ('ICBC') – continued to work towards arranging and syndicating a finance facility including debt finance, working capital and other credit facilities.

The debt financing will be contingent upon completion of a successful due diligence process, agreement of terms and conditions, credit approval and syndication, the process of which began in the financial half-year.

Water Division

The Clean TeQ Water Division continues to promote and demonstrate our Continuous Ion Exchange Technology ('CIF®') with a particular emphasis on the Chinese water market, the largest and most rapidly growing water treatment market in the world. Continuous Ion Exchange ('CIF®') provides a water treatment solution to many Chinese industries including power, mining, oil and gas and municipal.

During the financial half-year, the joint venture between Clean TeQ and Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd ('Hoyo') has continued to work on water treatment opportunities in China's Shanxi Province utilising the Consolidated Entity's CIF® proprietary technology. The JV Company was awarded an initial contract to build, own and operate a water treatment plant, using this technology to treat up to 13,000 tonnes of effluent per day for a 20-year period at a waste water treatment plant owned by Hoyo. The contract allows for the JV Company to be paid a service fee of 1RMB per tonne of water treated, subject to a minimum payment for 9,000 tonnes per day.

The joint venture's work towards delivering a 13,000 tonne per day waste water treatment plant in Qi County, China, remains in the detailed design phase with construction now expected to commence during the second quarter of 2019.

The Consolidated Entity, via its wholly owned subsidiary Clean TeQ Water Pty Ltd, is also executing a significant contract with Multotec Process Equipment Pty Ltd ('Multotec') to design, procure and commission a Clean TeQ CIF® wastewater treatment solution at a minerals processing plant currently being constructed in Oman ('Oman Contract').

The Oman Contract is valued in excess of US$400,000 and includes a technology fee and payments for engineering, equipment and resin supply and commissioning support. The CIF® waste water treatment plant will treat waste water from a flue gas desulphurisation scrubber at a minerals processing plant at Port of Sohar Free Zone, Sultanate of Oman.

Construction of the mineral processing plant, to which the Clean TeQ waste water treatment plant is attached, was completed during the third quarter of 2018. The Consolidated Entity is currently waiting for the mineral processing plant to be fully commissioned before adequate waste water can be available for complete final commissioning and hand over. This final commissioning phase is expected during the first quarter of 2019.

In the Democratic Republic of Congo, the Consolidated Entity is currently delivering a $2,000,000 contract to design, supply and commission a metals processing plant using the Consolidated Entity's proprietary Continuous Ion Exchange processing. As with the Oman contract, the project is being delivered to Multotec. The Consolidated Entity completed construction of key equipment at the metals processing plant during the financial half-year. Final electrical works are expected to be completed during early 2019, with commissioning to follow shortly thereafter.

Fosterville Gold Mine Pty Ltd ('Fosterville') has engaged the Consolidated Entity to design, supply and commission a two million litre-per-day Clean TeQ DeSALx® mine water treatment plant. The Fosterville Gold Mine is located in Bendigo in regional Victoria. During the financial half-year, construction of the plant was completed on schedule with commissioning expected to occur in early 2019.

The Consolidated Entity expanded its water technology platform during the quarter with the acquisition of an encapsulated bacteria technology from LentiKats, comprising technology licences and a production plant for the manufacture of encapsulated bacteria 'CleanBio lenses'. The LentiKats technology is focused on encapsulated bacteria, which is useful in water treatment applications given the bacteria's ability to break down and remove over 90% of harmful nitrates and ammonia from waste water.

Through the application of the LentiKats technology, the bacterial organisms are coated in a PVA-gel, providing protection against other chemicals in the water stream which would otherwise harm the bacteria. CleanBio lenses are an important and high potential reagent used in the Consolidated Entity's existing proprietary water purification processes. The acquisition of the LentiKats technology will enable The Consolidated Entity to produce CleanBio lenses in-house, removing the reliance on using a third-party supplier and improving reliability, quality control and reducing cost. Internal production will also deliver improved efficiency by further customizing the product for different uses.

The Consolidated Entity is setting up a production facility for CleanBio lenses in China for applications in its growing pipeline of global projects including its project with the Hoyo Water treatment company.

The Clean TeQ Water Division has continued to develop new opportunities during the financial half-year, with several feasibility and pilot programs underway to allow clients to assess the benefits of the Consolidated Entity's ion exchange technology. In particular, a pilot demonstration plant has been shipped to site in Northern China, with commissioning, testing and demonstrations to be undertaken during the fourth quarter of 2019. The pilot plant is designed to remove hardness from brines produced by reverse osmosis.

The Consolidated Entity has continued to develop its capability and knowledge during the period with a focus on graphene oxide and the Consolidated Entity's CIF® technologies.

The Consolidated Entity announced on 24 September 2018 its intention to create a joint venture company to pursue the development of graphene oxide membranes for water treatment applications, with Ionic Industries ('Ionic'). The Consolidated Entity is to own 75% of this company, with Ionic owning the remaining 25%.

The Consolidated Entity has been working with Ionic Industries and Monash University to develop, manufacture and apply graphene oxide membranes for water filtration applications, for the past 18 months. While graphene and graphene oxide are the world's thinnest, strongest and most conductive materials yet discovered, with huge potential for industrial water filtration applications, difficulty in manufacturing processes and high production costs have to date severely limited their commercialisation.

During this time, the Consolidated Entity and Ionic have successfully developed a process to manufacture high purity graphene oxide that can be applied to a membrane support to create a highly efficient graphene nanofiltration membrane ('GO-Membrane'). Significantly, the GO-Membrane manufacturing process has been demonstrated on commercial scale industrial equipment.

This joint venture company known as NematiQ Pty Ltd was established during the financial half-year. NematiQ Pty Ltd will be based in and operate from premises adjacent to the Consolidated Entity's existing facility in Notting Hill, Victoria.

The forward work program for NematiQ is focused on refining the commercial production and technical specifications of the graphene oxide raw material, which is the filtration layer of the GO-membrane. A demonstration plant for the manufacture of high purity graphene oxide will be designed and installed at NematiQ's premises, with graphene oxide produced by the facility to be used for larger scale manufacture of graphene oxide membranes. Membranes produced during this time will be used for certification and in-situ demonstration purposes.

Clean TeQ will continue working towards securing commercial contracts and anticipates both the Water and Metals Divisions to produce substantial revenues in the future.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial half-year.

Matters subsequent to the end of the financial half-year

Following the end of the financial half-year the Consolidated Entity settled the creditor dispute which is provided for in the financial statements. The settlement amount was materially consistent with the amount provided.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of the directors' report for the financial half-year ended 31 December 2018.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Sam Riggall
Managing Director and Chief Executive Officer

22 February 2019
Melbourne

Lead Auditor's Independence Declaration

For the financial half-year ended 31 December 2018

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Clean TeQ Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Clean TeQ Holdings Limited for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Tony Romeo

Partner

Melbourne

22 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue	5	2,953	786
Interest Income		1,670	649
Expenses			
Profit/(loss) from equity accounted joint venture		35	–
Raw materials and other direct costs		(2,653)	(379)
Employee benefits expenses	6	(5,882)	(3,805)
Depreciation and amortisation expenses		(413)	(399)
Legal and professional expenses		(1,748)	(1,244)
Occupancy expenses		(608)	(661)
Marketing expenses		(551)	(475)
Other expenses		(1,917)	(2,163)
Finance costs		(2)	(102)
Loss before income tax benefit from continuing operations		**(9,116)**	**(7,793)**
Income tax benefit		–	–
Loss after income tax benefit from continuing operations		**(9,116)**	**(7,793)**
Loss after income tax benefit for the financial half-year attributable to the owners of Clean TeQ Holdings Limited		**(9,116)**	**(7,793)**
Other comprehensive income			
Other comprehensive income for the financial half-year, net of tax		–	–
Total comprehensive income for the financial half-year attributable to the owners of Clean TeQ Holdings Limited		**(9,116)**	**(7,793)**
Total comprehensive income attributable to:			
Owners of the company		(9,116)	(7,793)
Non-controlling interests		–	–
		(9,116)	**(7,793)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

	Consolidated	
	31 Dec 2018 Cents	31 Dec 2017 Cents
Loss per share from continuing operations attributable to the owners of Clean TeQ Holdings Limited		
Basic loss per share	(1.22)	(1.35)
Diluted loss per share	(1.22)	(1.35)
Loss per share attributable to the owners of Clean TeQ Holdings Limited		
Basic loss per share	(1.22)	(1.35)
Diluted loss per share	(1.22)	(1.35)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	31 Dec 2018 $'000	30 June 2018 $'000
		Consolidated	
Current assets			
Cash and cash equivalents		117,423	152,637
Trade and other receivables		3,348	2,658
Inventories		96	96
Research and development incentive receivable		67	67
Total current assets		120,997	155,458
Non-current assets			
Other financial assets		228	228
Investment in equity accounted investee	7	838	803
Property, plant and equipment		21,610	18,580
Intangibles	8	9,689	9,762
Exploration and evaluation assets	9	102,094	76,894
Total non-current assets		134,459	106,267
Total assets		255,456	261,725
Current liabilities			
Trade and other payables	10	6,932	6,998
Employee benefits		699	613
Deferred revenue		47	47
Provisions	11	1,506	1,225
Total current liabilities		9,184	8,883
Non-current liabilities			
Employee benefits		80	40
Deferred revenue		426	448
Provisions	11	200	198
Total non-current liabilities		706	686
Total liabilities		9,890	9,569
Net assets		245,566	252,156
Equity			
Issued capital	12	289,637	289,293
Reserves	13	13,674	11,492
Accumulated losses		(57,745)	(48,629)
Total equity		245,566	252,156

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the financial half-year ended 31 December 2018

Consolidated	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2017	137,517	(32,617)	8,484	113,384
Loss after income tax benefit for the financial half-year	–	(7,793)	–	(7,793)
Total comprehensive income for the financial half-year	–	(7,793)	–	(7,793)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs	361	–	–	361
Share-based payments (note 20)	–	–	972	972
Total contribution and distribution:	361	–	972	1,333
Total transactions with owners of the Company	361	–	972	1,333
Balance at 31 December 2017	137,878	(40,410)	9,456	106,924
Balance at 1 July 2018	289,293	(48,629)	11,492	252,156
Loss after income tax benefit for the financial half- year	–	(9,116)	–	(9,116)
Total comprehensive income for the financial half-year	–	(9,116)	–	(9,116)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs	344	–	–	344
Share-based payments (note 20)	–	–	2,182	2,182
Total contribution and distribution:	344	–	2,182	2,526
Total transactions with owners of the Company	344	–	2,182	2,526
Balance at 31 December 2018	289,637	(57,745)	13,674	245,566

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the financial half-year ended 31 December 2018

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	3,343	44
Payments to suppliers and employees (inclusive of GST)	(14,748)	(8,704)
Cash used in operating activities	(11,405)	(8,660)
Interest received	1,631	641
Net cash used in operating activities	(9,344)	(8,019)
Cash flows from investing activities		
Payments for property, plant and equipment	(3,021)	(13,441)
Proceeds from sale of property, plant and equipment	6	–
Payment for investment in non-controlled entity	–	–
Payments for licence rights	(250)	–
Payments for exploration and evaluation assets	(22,519)	(25,775)
Net cash used in investing activities	(25,784)	(39,216)
Cash flows from financing activities		
Proceeds from issue of shares, net of issuance costs	344	361
Cash on deposit for security over bank guarantees	–	(148)
Net cash from financing activities	344	213
Net decrease in cash and cash equivalents	(35,214)	(47,022)
Cash and cash equivalents at the beginning of the period	152,637	88,863
Cash and cash equivalents at the end of the period	117,423	41,841

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Note 1. General information

The financial statements cover the Clean TeQ Holdings Limited group as a Consolidated Entity consisting of Clean TeQ Holdings Limited ('the Company') and its subsidiaries (the Consolidated Entity'). The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

Clean TeQ Holdings Limited is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 12, 21 Howleys Road
Notting Hill, Victoria, 3168
Australia

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the financial half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(a) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual period beginning after 1 July 2018, however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

AASB 16 Leases

AASB 16 is effective for annual reporting periods beginning on or after 1 July 2019. Early adoption is permitted.

AASB 16 introduces a single, on balance sheet lease accounting model for leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Consolidated Entity has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of AASB 16 on the financial statements will depend on the composition of the Consolidated Entity's lease portfolio at that date and the extent to which the Consolidated Entity chooses to use practical expedients and recognition exemptions.

(c) New standards and interpretations adopted

This is the first set of the Consolidated Entity's financial statements where AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers have been applied. The adoption of these standards is not material to these financial statements.

(d) Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity reported a net loss after tax from continuing operations for the financial half-year of $9,116,000 (31 December 2017: loss of $7,793,000). Working capital, being current assets less current liabilities, amounts to a surplus of $111,813,000 (30 June 2018: $146,575,000 surplus), with cash reserves decreasing from $152,637,000 to $117,423,000 during the financial half-year.

Net cash outflows from operating activities were $9,344,000 for the financial half-year (31 December 2017: $8,019,000 net outflow). This result was broadly consistent with management's expectations.

During the financial half-year, the following events have taken place to support the going concern basis of preparation for the Consolidated Entity:

- The Consolidated Entity has available cash on hand as at 31 December 2018 of $117,423,000;
- The Consolidated Entity is nearing completion of a number of contracts to design, procure and construct water purification plants which have generated positive cashflows over the course of the past year. The Consolidated Entity is confident, on the basis of successful completion of these contracts, that it will be awarded additional water treatment contracts in the future; and,
- Forecast cash flows indicate the ability of the Consolidated Entity to maintain a positive cash position for at least the period of 12 months to February 2020.

The Consolidated Entity expects that the relationship with its major investors will also assist in widening the Consolidated Entity's opportunities for profitable commercialisation of its technologies in addition to assisting in securing further funding required.

The Consolidated Entity also made good progress in respect of the ongoing development of the Clean TeQ Sunrise Project. The Consolidated Entity will continue working towards securing commercial contracts in the near future and anticipates both the Water and Metals Divisions to produce substantial revenues in the future. The directors are confident that the Consolidated Entity can continue to access debt and equity funding to meet medium term working capital requirements and has a history of securing such funding as required to support their confidence.

On the basis of cash and cash equivalents available as at 31 December 2018, cashflow forecasts to February 2020, the ability of the Consolidated Entity to scale back planned activities if required to preserve cash and that sufficient funding is expected to be raised to meet the Consolidated Entity's medium to long term expenditure forecasts, the directors consider that the Consolidated Entity remains a going concern and these financial statements have been prepared on this basis.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration & Evaluation Assets

Exploration and evaluation expenditure is capitalised for an area of interest for which it is considered likely to be recoverable from future exploitation or sale. The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available.

If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the profit or loss.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes models taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Intangible assets

The recoverable value of patents and trademarks acquired is based on the cost of registering the patents and trademarks, less any diminution in value through amortisation and impairment.

The recoverable value of development intangible assets is based on discounted cash flows expected to be derived from the use or eventual sale of the assets.

As required, the Consolidated Entity undertakes an impairment review to determine their value in use as derived from discounted cash flow modelling. An impairment review carried out as at 31 December 2018 did not reveal any impairment.

Estimation of reserves

Reserves are estimates of the amount of product that can be economically and legally extracted from the properties owned by the Consolidated Group. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity, and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Note 4. Operating segments

Identification of reportable operating segments

The Consolidated Entity is organised into two operating segments: Water and Metals. These operating segments offer different products and services and are managed separately because they require different marketing strategies and operational philosophies. For each segment internal reports are produced for review and use by the CEO, who is the Consolidated Entity's chief operating decision maker ('CODM'), in assessing performance and in determining the allocation of resources. The information reported to the CODM is on at least a monthly basis. There is no aggregation of operating segments.

The CODM reviews gross profit for each operating division. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Information regarding the results of each reportable segment is included below. Performance is measured based on the net profit before tax, as included in the internal management reports that are reviewed by the Consolidated Entity's CEO. Each segment's net profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

It is the Consolidated Entity's policy that inter-segment pricing is determined on an arm's length basis. The information relating to the performance of the identified segments includes revenues and directly attributable costs and materials. The assets attributed to each division relates to revenue generating assets. All other assets and liabilities are not allocated to specific segments.

Geographical segments

Geographically, the Consolidated Entity operates predominately in Australia.

Operating segment information

Consolidated – 31 December 2018	Metals $'000	Water $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	–	2,795	28	2,823
Rental income	–	–	–	–
Other revenue	–	103	27	130
Total revenue	–	2,898	55	2,953
Reportable segment (loss)/profit before tax	(496)	(1,163)	(7,457)	(9,116)
Profit/(loss) before income tax benefit				(9,116)
Income tax benefit				–
Loss after income tax benefit				(9,116)
Assets				
Segment assets	129,439	6,375	119,642	255,456
Total assets				255,456

Consolidated – 31 December 2017	Metals $'000	Water $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	–	465	–	465
Rental income	46	–	–	46
Other revenue		275	–	275
Total revenue	46	740	–	786
Reportable segment (loss)/profit before tax	(1,276)	(1,472)	(5,045)	(7,793)
Profit/(loss) before income tax benefit				(7,793)
Income tax benefit				–
Loss after income tax benefit				(7,793)
Assets				
Segment assets	65,153	7,478	42,577	115,208
Total assets				115,208

Note 5. Revenue

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Sales revenue		
Contract revenue	2,823	465
Government grants	23	178
Rental income	–	46
	2,846	689
Other revenue		
Other revenue	107	97
	107	97
Revenue	2,953	786

Note 6. Employee benefits expenses

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Wages and salaries	(2,688)	(2,146)
Employee entitlements	(293)	(30)
Superannuation	(221)	(133)
Equity settled share-based payments	(2,182)	(972)
Other costs	(498)	(524)
	(5,882)	(3,805)

Note 7. Investment in equity accounted investee

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
Investment in equity accounted investee	838	803
	838	803

The investment in the joint venture pertains to an investment in Shanxi Hoyo Clean TeQ Environmental Company Ltd, a company incorporated in the People's Republic of China. The Consolidated Entity has a 50% ownership interest in the joint venture company.

Note 8. Non-current assets – Intangibles

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
Capitalised development costs – at cost	18,424	18,424
Less: Accumulated amortisation and impairments	(10,801)	(10,495)
	7,623	7,929
Patents and trademarks – at cost	713	713
Less: Accumulated amortisation and impairments	(388)	(371)
	325	342
Licence rights – at cost	4,792	4,542
Less: Accumulated amortisation and impairments	(3,051)	(3,051)
	1,741	1,491
	9,689	9,762

Note 9. Non-current assets – Exploration and evaluation assets

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
At the beginning of the period	76,894	14,379
Additions:		
Feasibility Study	1,880	51,899
Met testwork & piloting	4,796	4,032
Engineering	6,700	–
Construction & infrastructure	5,916	1,226
Environment, permitting and community	2,010	1,799
Drilling and resource determination	289	2,070
Other	3,608	2,148
R&D tax incentive on exploration asset off-set	–	(2,395)
Accrual of expenditure at period end	2,681	1,736
At end of the period	102,094	76,894

Note 9. Non-current assets – Exploration and evaluation assets (continued)

Exploration tenement summary

Licence Number	Project Name	Location	Equity Interest 31 Dec 2018	Equity Interest 30 June 2018
EL4573	Sunrise	NSW	100%	100%
EL8561	Sunrise	NSW	100%	100%
ML1770	Sunrise	NSW	100%	100%
ML1769	Sunrise	NSW	100%	100%

Note 10. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
Trade payables	2,067	4,508
Other payables	4,865	2,490
	6,932	6,998

Note 11. Provisions

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
Current:		
Provision for settlement of creditor dispute*	1,506	1,225
	1,506	1,225
Non-current:		
Provision for make good at end of lease	200	198
	1,706	1,423

* The provision relates to a dispute with a current creditor, in relation to the value of services provided by the creditor. As at 31 December 2018, the dispute remains ongoing.

Note 12. Equity – issued capital

	Consolidated			
	31 Dec 2018 Shares	30 June 2018 Shares	31 Dec 2018 $'000	30 June 2018 $'000
Ordinary shares – fully paid	746,326,032	742,757,760	289,637	289,293

Movements in ordinary share capital

Details	Date	Shares	Issue Price	$'000
Balance	1 July 2018	742,757,760		289,293
Exercise of Options by Option Holder	2 July 2018	500,000	$0.2820	141
Shares issued at nil consideration on vesting of performance rights	4 July 2018	1,646,416	$0.0000	–
Shares issued at nil consideration under the employee short term incentive plan	4 September 2018	512,572	$0.0000	–
Exercise of Options by Option Holder	22 November 2018	750,000	$0.2712	203
Shares issued at nil consideration under the employee short term incentive plan	23 November 2018	78,192	$0.0000	–
Exercise of Options by Option Holder (cash less)	30 November 2018	81,092	$0.0000	–
Balance	31 December 2018	746,326,032		289,637

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. All ordinary shares rank equally with regard to the Consolidated Entity's residual assets.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 12. Equity – issued capital (continued)

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends likely to be proposed and paid to ordinary shareholders.

The Board administers grants to employees of equity instruments (options and performance rights) over the fully paid ordinary shares of the Company in accordance with the Employee Incentive Plan approved by shareholders in July 2017. If all outstanding share options vest and / or are exercised it would result in employees being issued new shares comprising less than 5% of the total shares in the Company post-issue.

The Board ultimately seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and new share issues and the advantages and security afforded by a sound capital position. The Consolidated Entity may increase its debt levels if and when required in order to achieve increased returns for shareholders.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 13. Equity – reserves

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
Share based payments reserve	13,674	11,492
	13,674	11,492

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share Based Payments $'000	Total $'000
Balance as at 1 July 2018	11,492	11,492
Share based payments	2,182	2,182
Balance as at 31 December 2018	13,674	13,674

Note 14. Equity – dividends

Dividends

There were no dividends paid, recommended or declared during the current financial half-year, previous financial half-year or previous financial year.

Note 15. Commitments

	Consolidated	
	31 Dec 2018 $'000	30 June 2018 $'000
Operating leases (non-cancellable)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	491	486
One to five years	638	780
More than five years	–	–
	1,129	1,266

The Group has a capital commitment of $3,400,000 relating to the purchase of equipment which is expected to be settled by June 2019.

Note 16. Related party disclosures

Parent Entity

Clean TeQ Holdings Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Transactions with related parties

No transactions occurred with related parties outside the consolidated entity.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans outstanding at the reporting date owed to related parties.

Note 17. Interests in subsidiaries

The Consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	31 Dec 2018 %	30 June 2018 %
Clean TeQ Limited	Australia	100%	100%
Clean TeQ Metals Pty Ltd	Australia	100%	100%
Clean TeQ Water Pty Ltd	Australia	100%	100%
Associated Water Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Scandium Holding Company Pty Ltd	Australia	100%	100%
Clean TeQ Sunrise Pty Ltd*	Australia	100%	100%
Syerston Scandium Pty Ltd	Australia	100%	100%
Uranium Development Pty Ltd	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	100%
Clean TeQ Environmental Protection Technology (Beijing) co., Ltd	China	100%	100%
Nematiq Pty Ltd	Australia	75%	–%

* Entity's name was changed from Scandium21 Pty Ltd to Clean TeQ Sunrise Pty Ltd on 11 July 2018.

The Consolidated Entity has a 50% ownership interest (30 June 2018: 50%) in Shanyi Hoyo Clean TeQ Environmental Co Ltd, incorporated in China. This company is accounted for as an equity accounted investee.

Note 18. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 19. Share-based payments

On 24 September 2007 the Company introduced a share option plan for employees, directors and service providers of the Consolidated Entity ('the Plan'). The Plan entitles key management personnel, service providers and employees to receive shares and options in the Company. The Plan was updated and approved by shareholders of the Company on 19 July 2017.

Set out below are summaries of options granted under the Plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
20/11/2015	30/11/2018	$0.2712	1,000,000	–	(831,092)	(168,908)	–
16/05/2016	16/05/2019	$0.2820	3,000,000	–	(500,000)	–	2,500,000
06/09/2016	16/05/2019	$0.3100	750,000	–	–	–	750,000
15/12/2016	15/12/2019	$0.5850	325,000	–	–	–	325,000
19/07/2017	17/02/2020	$0.7700	750,000	–	–	–	750,000
07/09/2017	31/08/2020	$0.9500	150,000	–	–	–	150,000
07/09/2017	31/08/2020	$0.9500	200,000	–	–	–	200,000
13/11/2017	06/11/2020	$1.7300	75,000	–	–	–	75,000
05/02/2018	04/12/2020	$1.8000	5,500,000	–	–	–	5,500,000
02/07/2018	12/03/2021	$1.6300	–	500,000	–	–	500,000
13/07/2018	19/02/2021	$1.8800	–	1,000,000	–	–	1,000,000
09/08/2018	03/09/2021	$1.0900	–	1,000,000	–	–	1,000,000
			11,750,000	2,500,000	(1,331,092)	(168,908)	12,750,000
Weighted average exercise price:			$1.0621	$1.5140	$0.2753	$0.2712	$1.2433

The weighted average number of years for share options issued under the Plan is 1.54 years (30 June 2018: 2.85 years).

For the options granted during the current financial period, a Black-Scholes pricing model was used to value the options. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
02/07/2018	12/03/2021	$0.85	$1.6300	81.96%	–%	2.60%	$0.301
13/07/2018	19/02/2021	$0.76	$1.8800	82.65%	–%	2.63%	$0.223
09/08/2018	03/09/2021	$0.52	$1.0900	82.25%	–%	2.77%	$0.188

Note 19. Share-based payments (continued)

Set out below are summaries of performance rights granted under the Plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ Other*	Balance at the end of the year
08/07/2015	01/07/2018	$0.00	1,166,416	–	(1,166,416)	–	–
20/11/2015	01/07/2018	$0.00	480,000	–	(480,000)	–	–
16/05/2016	01/07/2019	$0.00	1,169,463	–	–	–	1,169,463
06/09/2016	01/07/2019	$0.00	1,292,706	–	–	–	1,292,706
15/08/2017	01/07/2020	$0.00	1,515,498	–	–	(12,383)	1,503,115
06/02/2018	01/01/2021	$0.00	487,760	–	–	(9,665)	478,095
06/09/2018	01/07/2021	$0.00	–	908,488	–	–	908,488
22/11/2018	01/01/2021	$0.00	–	100,757	–	–	100,757
22/11/2018	01/07/2021	$0.00	–	142,341	–	–	142,341
			6,111,843	1,151,586	(1,646,416)	(22,048)	5,594,965

* Performance rights forfeited as the employee ceased employment.

The performance rights have the following vesting conditions:

- Rights vesting if the Company's total shareholder return outperforms a comparator group of comparable listed companies over a three year period from the grant date; and
- Continuous service from Date of Grant to Vesting Date.

For the performance rights granted during the current financial period, a Binomial Option Valuation model was used to value the performance rights. A probability adjustment for market vesting conditions is then attached to the value of the performance rights. Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration. The valuation model inputs used to determine the fair value at the grant date are as follows:

2018/2019							
Grant date	Expiry date	Share price at grant date	Risk-free Interest rate	Expected volatility	Dividend yield	Vesting probability	Fair value at grant date
06/09/2018	01/07/2021	$0.50	2.57%	81.16%	–%	50.00%	$0.251
06/09/2018	01/07/2021	$0.50	2.57%	81.16%	–%	100.00%	$0.348

Note 20. Fair value measurement

There were no assets or liabilities measured or disclosed at fair value at the reporting date, apart from those already disclosed in Note 3.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Directors' Declaration

For the financial half-year ended 31 December 2018

In the opinion of the directors of Clean TeQ Holdings Limited ("the Company") and it's controlled entities ("the Consolidated Entity"):

(a) the consolidated financial statements and notes set out on pages 7 to 24, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and of its performance, for the six-month period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

On behalf of the directors

Sam Riggall
Managing Director and Chief Executive Officer

22 February 2019
Melbourne

Independent Auditor's Review Report

To the shareholders of Clean TeQ Holdings Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Clean TeQ Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Clean TeQ Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Consolidated Entity*** comprises Clean TeQ Holdings Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Clean TeQ Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Tony Romeo

Partner

Melbourne

22 February 2019

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Corporate Directory

31 December 2018

Directors

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and Chief Executive Officer)

Li Binghan (Non-Executive Director)

Judith Downes (Non-Executive Director)

Eric Finlayson (Non-Executive Director)

Ian Knight (Non-Executive Director)

Stefanie Loader (Non-Executive Director)

Michael Spreadborough (Non-Executive Director)

Company Secretary

Melanie Leydin

Principal Place of Business & Registered Office

Unit 12, 21 Howleys Road
Notting Hill, Victoria, 3168

Telephone: +61 3 9797 6700

Share Register

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Yarra Falls, 452 Johnson Street
Abbottsford, Victoria, 3067

Telephone: +61 3 9415 5000

Auditors

KPMG
Tower 2, Collins Place
727 Collins Street
Docklands, Victoria 3008

Legal Advisors

Baker & McKenzie
Level 19, 181 William Street
Melbourne, Victoria 3000

Stock Exchange Listing

Clean TeQ Holdings Limited shares are listed on
the Australian Securities Exchange (ASX: CLQ)
Toronto Stock Exchange (TSX: CLQ) and
OTCQX Market in the United States (OTCQX: CTEQF)

Website

www.cleanteq.com

www.colliercreative.com.au #CLT0011

CLEAN TEQ

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