CleanTeQ

ANNUAL REPORT 2010

Clean TeQ was founded in 1990 to provide air pollution control through biological and thermal based processes.

Over the past 20 years, Clean TeQ has invested funds into research and development to continually expand and develop its unique technology base, and to develop separation and purification technologies for water and metals recovery.

At Clean TeQ, we believe there is always 'a better way' to use nature's resources. The Company's philosophy is that our technologies should provide customers with focused, fit-for-purpose solutions that minimise energy use and waste by-products. Clean TeQ develops technologies in-house and partners with leading technology suppliers worldwide.

CONTENTS

HISTORY	1
2010 HIGHLIGHTS	2
BUSINESS GROWTH	3
CHAIRMAN'S REPORT	4
CHIEF EXECUTIVE OFFICER'S REPORT	6
OUR BUSINESS	9
WHAT WE BELIEVE IN	10
OUR APPROACH	11
OUR SOLUTIONS	12
TECHNOLOGIES EMPLOYED	14
GROWTH STRATEGY	16
OUR PEOPLE	18
RESEARCH AND DEVELOPMENT	20
FINANCIAL REPORT	21
ASX ADDITIONAL INFORMATION	99
CORPORATE DIRECTORY	Inside back cover

HISTORY

- Clean TeQ was established in 1990 when it developed and commercialised Biological Odour Control Technology.
- In 1998 the Company commenced development of separation and purification technologies for water and mining. These applications are in varying degrees of commercialisation.
- In November 2007 the Company successfully listed on the ASX.
- Funds were raised at the IPO for continuing investment in the development and commercialisation of our technologies and for working capital.
- In July 2009 the Company acquired the UV-Guard Australia business.
- In May 2010 the UV-Guard business was expanded into New Zealand.
- The Company has an existing and future pipeline of significant customers.

Clean TeQ was founded in 1990 by Peter Voigt to commercialise the use of biology for air pollution control.

Over the past 20 years, Clean TeQ has successfully developed and commercialised this air purification technology and other air and water technologies, providing solutions to a broad range of air and water pollution and purification issues.

Over the past 12 years, Clean TeQ has developed a platform technology, known as the Clean TeQ continuous ion exchange process ("Clean-iX® Technology"), which is a technology for the separation and purification of materials. With this technology Clean TeQ is initially targeting purification and recycling of water and the extraction of metals for the mining industry.

2010 HIGHLIGHTS

The 2010 financial year has been a year of significant growth.

- **Results for the Company were:**
  - **Revenue of $17.1 million**
  - **Net profit after tax of $1.334 million**
  - **The Company had $3.355 million of cash on hand at 30 June 2010**
- **The highest level of revenue in the history of the Company was recorded**
- **Revenue growth of 100% compared to previous corresponding period**
- **Profit growth of 161% compared to previous corresponding period**
- **The Company has a strong balance sheet with no material debt**
- **The Company has continued to generate free cash flow from its operations during the current year**
- **Entered into a convertible note facility with La Jolla Cove Investors, Inc. to provide up to US$6 million in funding**
- **Acquired UV-Guard Australia, a water disinfectant business, which performed ahead of budget**
- **In May 2010 the UV-Guard business expanded into New Zealand**
- **Commenced sales of the LiXiR™ capsule, which is designed as a well-being product, using Clean-iX® technology to extract antioxidants from waste grape skins**

BUSINESS GROWTH

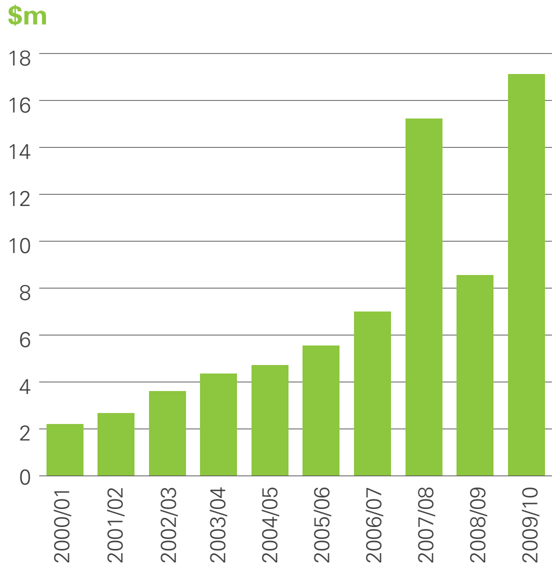
Clean TeQ has made a significant investment in its people and technologies over a number of years to be in a position to take advantage of the global cleantech market growth.

- Average year on year revenue growth of 26% per annum over the past decade.
- Average year on year profit growth of 38% per annum over the past seven years.
- Long and successful track record with significant municipal and corporate customers.
- Ongoing significant investment in R&D since inception with an average of 19% of revenue invested per annum since 2001.
- Clean TeQ is positioned to capitalise on its investment in technology development in future years.

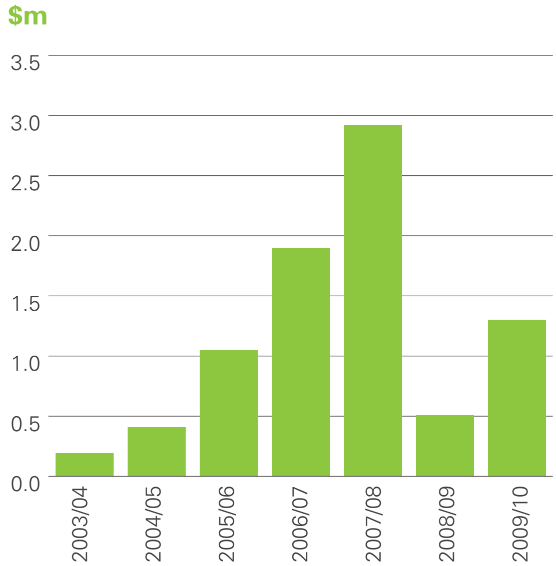
Growth has been driven by:

- Large potential markets in each of the Company's core areas.
- Increase in the size of air projects.
- Commercialisation of water and resource recovery technologies.
- Increased resources and skills base.

Revenue Per Annum



Net Profit After Tax



CHAIRMAN'S REPORT

The 2010 financial year has been a year of significant revenue growth for the Company with a new high of $17.1 million. The Company has grown sales through the financial crisis benefitting from a record level of new business from predominantly government owned entities.

Another contributor to the sales growth has been UV-Guard Australia Pty Ltd which was acquired during the year and whose revenue and profit performance has been impressive.

Whilst significant advances have been made in the development of new filtration and extraction technologies for the mining and water industry, the challenges associated with transferring these from demonstration phase to commercial production remain.

Substantial growth was achieved in each of our three divisions in 2010, with Mining and Water predominantly delivering individual scoping projects for new technologies. In the Air business, growth was significant and much greater than previous years where around 20% growth rate per annum was the norm. Most of this revenue was achieved through the Municipal market, which benefitted from Government stimulus funding.

Post 30 June 2010 Clean TeQ entered into a convertible note facility with California based, La Jolla Cove Investors, Inc. to provide up to US$6 million in funding. This facility provides Clean TeQ with additional working capital to support the current business as well as the commercialisation of technologies and the pursuit of acquisition opportunities.

Operational highlights during this financial year were:

- the successful completion of our two largest air purification projects in WA and ACT;
- the design and construction of a gold processing pilot plant for a USA based mining company;
- feasibility studies were undertaken for five uranium companies that incorporate our resin technologies for the improved extraction of uranium from ores;
- feasibility study for a gold and uranium recovery from tailings in South Africa;
- the supply of a range of water treatment equipment for a new water training facility in Victoria; and
- continuing development of a demonstration plant for the pre-treatment of water prior to desalination of groundwater.

All of these activities form the basis of the Clean TeQ business, which is to profitably deliver products into the core environmental services market for air and water purification, whilst at the same time invest in new technologies to provide profit in the future in large and growing markets such as mineral extraction and water recovery and recycling. These new and potentially disruptive technologies aim to solve major environmental and extraction issues in sustainable and cost effective ways.

The mining and water technologies have the potential to underpin the transformation that is required of traditional mining and water cleaning operations in order that they meet the ever tightening environmental regulations. However, the adoption of these new technologies relies on the identification and engagement of forward thinking companies to trial these products. This is not an easy task; especially post-GFC, where a high degree of conservatism is apparent together with the current risk averse mindset. Despite these challenges, Clean TeQ continues to pursue these opportunities with vigor. A key element of Clean TeQ's commercialisation strategy for these technologies continues to be the development of partnerships and joint ventures.

The start of the 2011 financial year has seen the Company encounter unusually difficult market conditions in the air and water markets. This poses a major challenge to the operational management of the Company. The factors that have caused this deterioration in market conditions are:

- a steep fall in demand from Municipal utilities, which can be explained by utilities fast tracking projects in response to the financial crisis, creating a gap until new projects emerge on to the tendering list through the normal lengthy scoping and approval processes;
- the demand from industrial customers remains subdued as these customers maintain a conservative approach to capital investment post the financial crisis; and
- a number of competitors have substantially cut margins to secure work.

These more difficult trading conditions have resulted in a reduced order book over the past six months. This may impact on our FY2011 Revenue and Profit, especially in the first half of FY2011. Accordingly, the Revenue and Profit in FY2011 may be less than FY2010.

Clean TeQ expects the level of demand in its Air and Water operations to resume to normal levels in FY2012 and is focused on strengthening its market position during this industry downturn, emerging as a stronger industry participant. We remain committed to the strategy of having a profitable core environmental business alongside the development of new technologies that provide opportunities for the future.

We will however make changes and seek synergistic alliances to adjust quickly to these changed conditions.

Our response to these market conditions entails:

- the reduction of our corporate overheads expenses;
- the implementation of an enhanced sales and marketing strategy with additional resources and focus;
- reconfiguration of the cost base of our products;
- priority given to the development of alliances and joint ventures to accelerate commercialisation of technology; and
- pursuit of merger and acquisition opportunities with the support of our funding partners.

Clean TeQ continues to be a project based business with performance heavily linked to its order book. The refocused sales and marketing strategy is designed to increase the pipeline of opportunities that can be converted into growing the order book.

Our people continue to be a great asset to the Company and over the past 12 months we have continued to invest in them to improve their individual capabilities. With the changing economic times a multi-skilled team is critical in order to maintain our capacity as the market improves.

I would like to acknowledge the passion and dedication of all our employees to the ongoing development of Clean TeQ over the last year. I thank them for their energy and commitment.

Finally, I would like to express my appreciation to my fellow Board members for their efforts over the past 12 months. Their insight, vision and diverse areas of expertise play a vital role in enhancing the growth potential of the Company.

Yours faithfully

Greg Toll
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

In this my first Clean TeQ CEO Report, I will comment on the performance of Clean TeQ Holdings Limited (ASX: CLQ) for the year ending 30 June 2010 and outline my expectations for the Company as we move into an era of growing environmental awareness.

Clean TeQ delivers environmental engineering technology and services to government authorities, industrial and mining companies in Australia, as well as, a number of overseas locations. Over the past 20 years, we have developed an extensive range of proprietary and licensed technologies used for the purification of air and water and the extraction of minerals in mining processing operations. Our strategy is to be at the forefront of the appraisal, development and application of purification processes based around biology, separation and oxidation technologies.

During the year ended 30 June 2010 the Company's performance recovered from the impact of the GFC, recording revenue and profit growth. Revenue for the year ending 30 June 2010 has increased to $17.1 million, which was in line with the projections for the Company prior to the GFC. The net profit after tax is $1.33 million and is a creditable improvement compared to the corresponding previous period. Clean TeQ listed just prior to the deterioration of the global economy and the Company has weathered the turbulence well with the current year producing a significant rebound in both revenue and profit compared to the previous corresponding period.

The 2010 financial year has seen the Company return to growth. In order to service the growing pipeline of opportunities in our business, the number of people employed has almost doubled since we listed approximately 3 years ago. This investment in people will enhance our sales and delivery capabilities and will enable the Company to continue to grow.

At 30 June 2010 the Company had no material debt and $3.36 million cash on deposit. The cash position of the business has declined during this year as a result of the ongoing investment in research and development in mining and water applications, additional working capital requirements and the acquisition of UV-Guard. With effect from 1 July 2009, the Company acquired all of the shares of UV-Guard Australia Pty Ltd ("UV-Guard").

UV-Guard now forms an integral part of Clean TeQ. UV-Guard is a Sydney based Australian company that specialises in the design, sale and distribution of ultraviolet disinfection products that are used in the water and wastewater industries.

PERFORMANCE

	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000
Revenue	17,116	8,552	15,219	7,025	5,569
EBITDA	2,494	388	4,409	3,188	1,134
NPAT	1,334	511	2,924	1,907	1,059

OUR COMPANY AND DIVISIONS

Clean TeQ is a Company with proprietary product offerings and developments in three key Divisions – Air, Water and Mining. Clean TeQ has maintained a long term commitment to the expansion of its portfolio of proprietary biological and extraction technologies.

Air Division

The Air Division is the longest established business unit and has been providing air pollution solutions across the private and public sectors of the Australian market for over 20 years. We continue to form alliances with other emerging technology providers to provide the best solutions to our customers.

Over the past year this business unit has experienced increased margin pressure as overseas competitors enter the Australian marketplace. Clean TeQ will counter these moves through a renewed investment in our sales and delivery expertise.

The 2010 financial year has been the best year on record for the Air Division. Revenue for this year has increased to $9.1 million which continues the year on year improvement in sales. This Division is focussed on growing the pipeline of opportunities across Australia and pursuing a possible international expansion through an acquisition.

Water Division

Over the past year the Water Division has continued to develop new technical solutions through in-house developments and alliances with other cleantech companies with complementary technology.

Key development work is focused on our continuous ion exchange technology (Clean-iX®) both as a stand-alone process and in conjunction with reverse osmosis. We are implementing a demonstration project showcasing this technology, which has been partially funded by a Commonwealth Government Climate Ready Grant of approximately $1.0 million. Of particular importance is the potential use of the technology in the growing global water recycling marketplace associated with coal seam gas produced water and mine tailings water.

During the year we acquired UV-Guard Australia Pty Ltd, a provider of ultraviolet based products and services. Ultraviolet disinfection and advanced oxidation is recognized as one of the fastest growing segments in the water industry. UV-Guard is profitable and provides positive cash flow to the Group.

The Water Division has achieved revenue for the year of $3.19 million.

Mining Division

Clean TeQ has made considerable investment in the development of the continuous ion exchange processes (Clean-iX®) for metal extraction and purification. Key focus areas for Clean-iX® have been on nickel and cobalt, uranium and gold where the technology has the potential to deliver lower capital and operating costs and higher recoveries.

The Mining Division achieved revenues for the year of $4.47 million through the provision of consultancy services, project delivery and license fees. This Division is currently working on projects in Australia and internationally in gold, uranium and base metals. The goal of the Division is to deliver our technology into commercial scale hydrometallurgical processing plants. In order to achieve this outcome, the Company is currently seeking to identify strategic partners.

RESEARCH AND DEVELOPMENT

Our significant investment in research and development over many years has underpinned the business growth and development. Over the past decade Clean TeQ has made substantial investment in research and development. The $3.1 million investment in the 2010 financial year is testament to our commitment to developing Intellectual Property as a means of competitive advantage. The Company is now focussed on moving developed technologies into the next stage of their life cycle, which entails commercialising these technologies and generating returns for our shareholders.

FUNDING

In July 2010, the Company entered into an agreement with La Jolla Cove Investors Inc. for the issuing of convertible notes of up to US$6.0 million. The convertible notes, which are subject to shareholder approval, provide Clean TeQ with additional working capital to support the commercialisation of its technologies and to pursue targeted acquisition opportunities.

MANAGEMENT AND BOARD CHANGES

Due to current health issues, Greg Toll has stepped down as the CEO with effect from 2 August 2010 and I was appointed to the position of CEO on this date. Greg Toll's contribution to the Company has been invaluable as he has been one of the key drivers behind the successful IPO and business expansion over the past decade. Greg's business knowledge and expertise will not be lost to the business as he continues as a Director and moves into the role of Chairman from October 2010.

At the end of May 2010, Barry Lewin retired as a Director and the Board has taken this opportunity to refresh itself. Accordingly, on 1 June 2010 Roger Harley and Bob Cleary joined the Board whilst Jeremy Carter retired on 2 August 2010. Ralph Pliner has notified the Board of his intention to step down as Chairman at the end of September 2010. I thank Barry and Jeremy for their contributions to Clean TeQ over the last three years.

As we move into the next phase of our growth, the experience that Roger and Bob bring to the Company ensures that we have the appropriate leadership to position the Company to take full advantage of its opportunities.

OUTLOOK

Whilst the Company aims to report another year of revenue growth in the 2011 financial year, it is likely that the performance in the first half of the year will be below that achieved in the first half of 2010 financial year, due to current market conditions.

The Company is currently seeing increasing competitiveness in the air purification market, which is impacting sales and margins. The Company is responding to this challenge through a series of measures including improved sales and delivery programs and the implementation of a cost reduction program.

The challenge for the Water and Mining Divisions is to secure commitments to move from demonstration stage to commercial roll out of our Clean-iX® technologies.

FINALLY

The Directors and I would like to thank all employees for their enthusiasm and commitment throughout the past year. Furthermore, I would like to express my thanks to my fellow Board members for their input and leadership over this period. Their contributions are the springboard for the future growth of our business.

Yours faithfully

Peter Voigt
Chief Executive Officer

OUR BUSINESS

Clean TeQ is an Australian integrated air, water and mining solutions business. The business was founded by Peter Voigt over 20 years ago with the purchase of the rights to a biofiltration technology to treat odorous air emissions and commenced the introduction of the technology to the Australian market.

Clean TeQ (CLQ) listed on the ASX in 2007. With a presence in Sydney, Melbourne, Perth, Singapore and New Zealand the company falls squarely into the clean technology marketplace with expertise in delivering best-fit solutions to air, water and resource extraction problems for mining, industrial and municipal clients.

Clean TeQ has invested heavily in R&D and also partners with best-in-class companies to improve and expand on its range of minimal footprint, environmental solutions. Clients include BHP, Boral, Paladin Energy, Vale, Barrick Gold, Assa Abloy, Water Corporation WA, SA Water, Melbourne Water, Sydney Water and others from places as widely spread as Namibia to Nevada, USA.

Clean TeQ is made up of a team of committed professionals with a passion to deliver solutions to environmental problems that are both environmentally friendly and economically viable.

Clean TeQ has continually developed and commercialised technologies which are now recognised as part of the cleantech sector. This investment has created solutions in:

- **AIR**
- **RESOURCE RECOVERY**
- **WATER**

WHAT WE BELIEVE IN

Our work is driven by a deeply held belief that our air, water and resources are precious commodities and that waste is an opportunity waiting to be grasped that can generate attractive returns.

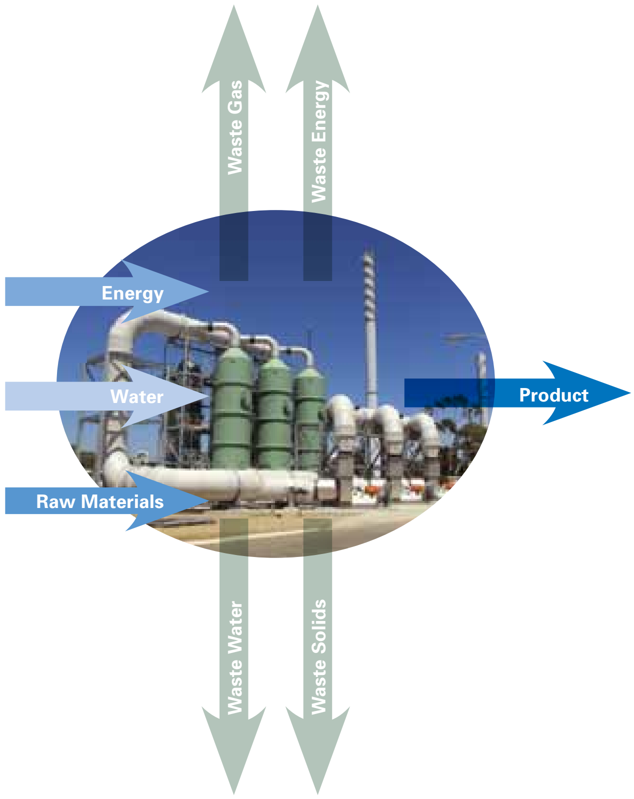
It drives our modus operandi by focusing our attention on looking at our clients' processes holistically. Looking at a process in its entirety within its physical and economic constraints allows us to deliver a solution that increases recovery, reduces waste, increases reuse and extracts unused value in existing waste streams. This approach inevitably reduces costs and makes operations more sustainable, economically and environmentally.

It is an opportunity, also, for our scientists and engineers to think outside the square. To this end we subscribe to nature's philosophy of "waste not, want not" where the waste product of one process provides a valued input to another process further down the value chain.

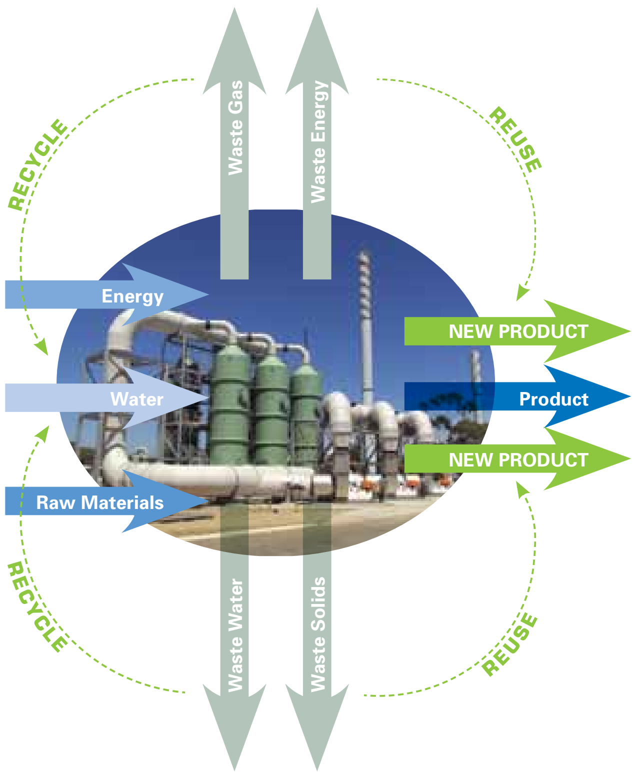
Most industrial, manufacturing, agribusiness and mining processes use and release vast amounts of water and air – both generally needing to be treated for re-use or discharge. Clean TeQ's integrated approach to treating air, water and extracting resources pivots on and is brought together by a focus on air and water as not just a precious resource for life but also as the most widely used (and abused) inputs in these processes.

At Clean TeQ we are very comfortable in an approach that supports and encourages our industries to move from being "water hunters and gatherers" to becoming "water cultivators". This, we believe, will generate very good shareholder value precisely because it is in everybody's interest: shareholder, customer and world citizen to re-use, recycle and re-think how we can maximize the value of resources inherent in a particular economic process.

CONVENTIONAL PROCESS



CLEAN TECHNOLOGY PROCESS



OUR APPROACH

Based on our stated approach to the market of examining a problem or opportunity holistically and then providing a solution that is holistic in nature, the structure of our resources and solution set also reflects this. It is also for this reason that management has embarked on a different approach to the way we have done business in the past – an approach that transcends the previous division based approach to one that focuses on the total solution while encouraging depth in expertise via knowledge championing.

Clean TeQ's diverse mix of engineers and scientists with expertise in air purification, water and wastewater purification and resource recovery technologies are trained to think across boundaries and disciplines. As part of this holistic approach we bring this diverse knowledge to bear via a process that seeks:

- To understand the purpose of the re-use, re-cycle or re-condition need and purify just enough to suit the purpose and no more;
- At the same time search for potentially valuable by-products of the purification process that can be used to subsidise the costs of purification;
- A pragmatic approach that dictates that if the best approach is the road most travelled then so be it while if an innovative approach is necessary then that will be the road followed;
- No ties to any one technology or solution or supplier: the laws of economics and of physics and chemistry dictate the boundaries.

This approach usually results in a solution that is focused, within the bounds of positive economic returns, to achieving zero liquid discharge, maximal re-use and self-sustaining and self-supporting processes.

As we search for an optimized solution we allow ourselves the freedom to draw on a varied tool box of solutions made up of in-house grown solutions and solutions sourced from our business partners worldwide.

OUR SOLUTIONS

Our solutions are supplied as a custom build, a packaged, off-the-shelf plant or a combination thereof to best suit the desired outcome.

We are not married to a particular technology or solution but we are driven to deliver an optimal solution that considers the bigger picture. Our approach is characterised as follows:

- We are focused on air, water and wastewater treatment and water reuse;
- We are comfortable innovating as much as reusing proven solutions. In fact, according to our business model, growth will be achieved via a balanced mix of innovation and reuse with the solution that reduces cost of ownership and environmental footprint foremost in mind;
- We design, manufacture, install and commission air, water and wastewater purification solutions and ion exchange-based hydrometallurgical extraction processes.

The list shown below summarises our range of solutions by industry vertical. We divide our areas of operation into four major industry verticals:

- Mining, Metal Separation and Purification
- Power, Oil and Gas
- Water and Wastewater
- Food and Beverage

TREATMENT SOLUTIONS BY INDUSTRY VERTICAL

MINING AND METAL SEPARATION/PURIFICATION

Treatment solutions for:

- **Groundwater** – Salt, Hardness, Alkalinity, Nitrate, Uranium
- **Tails Water** – Salts, Suspended Solids, Acid, Metals, Cyanide
- **Processing** – Gold, Uranium, Base Metals, Dust Extraction and Treatment, Odour Control
- **Wastewater** – BOD, Suspended Solids, Nutrients, Bacteria/Virus, Odour Control, Corrosion Control
- **Drinking Water** – Salts, Suspended Solids, Colour, Odour, Bacteria/Virus

POWER, OIL AND GAS

Treatment solutions for:

- **Groundwater** – Salt, Hardness, Alkalinity, Nitrate
- **Produced Water** – Salt, Suspended Solids, Nutrients, Hydrocarbons
- **Cooling Tower Water** – Salts, Suspended Solids
- **Wastewater** – BOD, Suspended Solids, Nutrients, Bacteria/Virus, Odour Control, Corrosion Control
- **Drinking Water** – Salts, Suspended Solids, Colour, Odour, Bacteria/Virus

WATER AND WASTEWATER

Treatment solutions for:

- **Groundwater** – Salt, Hardness, Alkalinity, Sodicity
- **Surface Water** – Suspended Solids, Bacteria/Virus
- **Produced Water** – Salt, Suspended Solids, Nutrients, Hydrocarbons
- **Wastewater** – BOD, Suspended Solids, Nutrients, Bacteria/Virus, Odour Control, Corrosion Control
- **Pump Stations** – Odour Control, Corrosion Control

FOOD AND BEVERAGE

Treatment solutions for:

- **Potable Water** – Salt, Hardness, Alkalinity, Nitrate, Uranium Produced Water
- **Process Water** – Suspended Solids, Salts, Processing Products and By-products, Bacteria/Virus
- **Wastewater** – BOD, Suspended Solids, Nutrients, Bacteria/Virus, Odour Control, Corrosion Control
- **Process and Manufacture –** Product Recovery, Dust Extraction and Treatment, Odour Control

TECHNOLOGIES EMPLOYED

The lists below show the main categories of technology that we bring to bear when searching for a solution that is "just right" for the challenge at hand. The technology employed can be broadly divided into nine categories:

1. **Membranes:** including Reverse Osmosis, Pressure Ultrafiltration and Submerged Ultrafiltration.
2. **Disinfection:** including low, medium or high pressure UV, Channel UV and Advanced Oxidation.
3. **Ion Exchange:** including individually designed plants, continuous ion exchange or Resin in Pulp.
4. **Filtration:** including Moving Bed Filter, self cleaning cartridge filters, coagulators and clarifiers.
5. **Biological:** including Intense Nitrification and Denitrification Reactors and Membrane Bioreactors.
6. **Air Stripping and Evaporation:** including Stripping Plants and Liquid Heat Exchangers.
7. **Odour Control:** including Biotrickling Filters, BioFilters, BioScrubbers, Regenerative Thermal Oxidisers, Cross Flow Chemical Scrubbers, Packed Bed Chemical Scrubbers and Activated Carbon.
8. **Industrial Emission Control:** including Regenerative Thermal Oxidisers, Impregnated Activated Carbon, Non-impregnated. Activated Carbon, Cross Flow Chemical Scrubbers and Packed Bed Chemical Scrubbers.
9. **Dust:** including Hurricane Cyclone, Hurricane and Mechanical ReCyclone and Hurricane and Electrostatic ReCyclone.

TECHNOLOGY SOLUTION GROUPS

Membranes

- Packaged Plant
- Reverse Osmosis
- Pressure Ultrafiltration
- Submerged Ultrafiltration

Disinfection

- Package Plant
- Low Medium High Pressure UV
- Channel UV
- Advanced Oxidation

Ion Exchange

- Packaged Plant
- Individual Design
- cLX Continuous Ion Exchange
- cRIP Continuous Resin-in-Pulp



Filtration

- Packaged Plant
- Moving Bed Filter and Sludge Concentration
- Self Cleaning Cartridge Filter
- Coagulation / Flocculation / Clarifier

Biological

- Package Wastewater Treatment Plant
- Intense Nitrification and Denitrification Reactors
- Membrane Bioreactors
- Cyclic Activated Sludge

Air Stripping and Evaporation

- Packaged Evaporation Plant
- Packaged Stripping Plant
- Liquid Liquid Heat Exchanger
- Solidification

Odour Control

- Biotrickling Filters
- BioFilters
- BioScrubbers
- Regenerative Thermal Oxidisers
- Cross Flow Chemical Scrubbers
- Packed Bed Chemical Scrubbers
- Activated Carbon

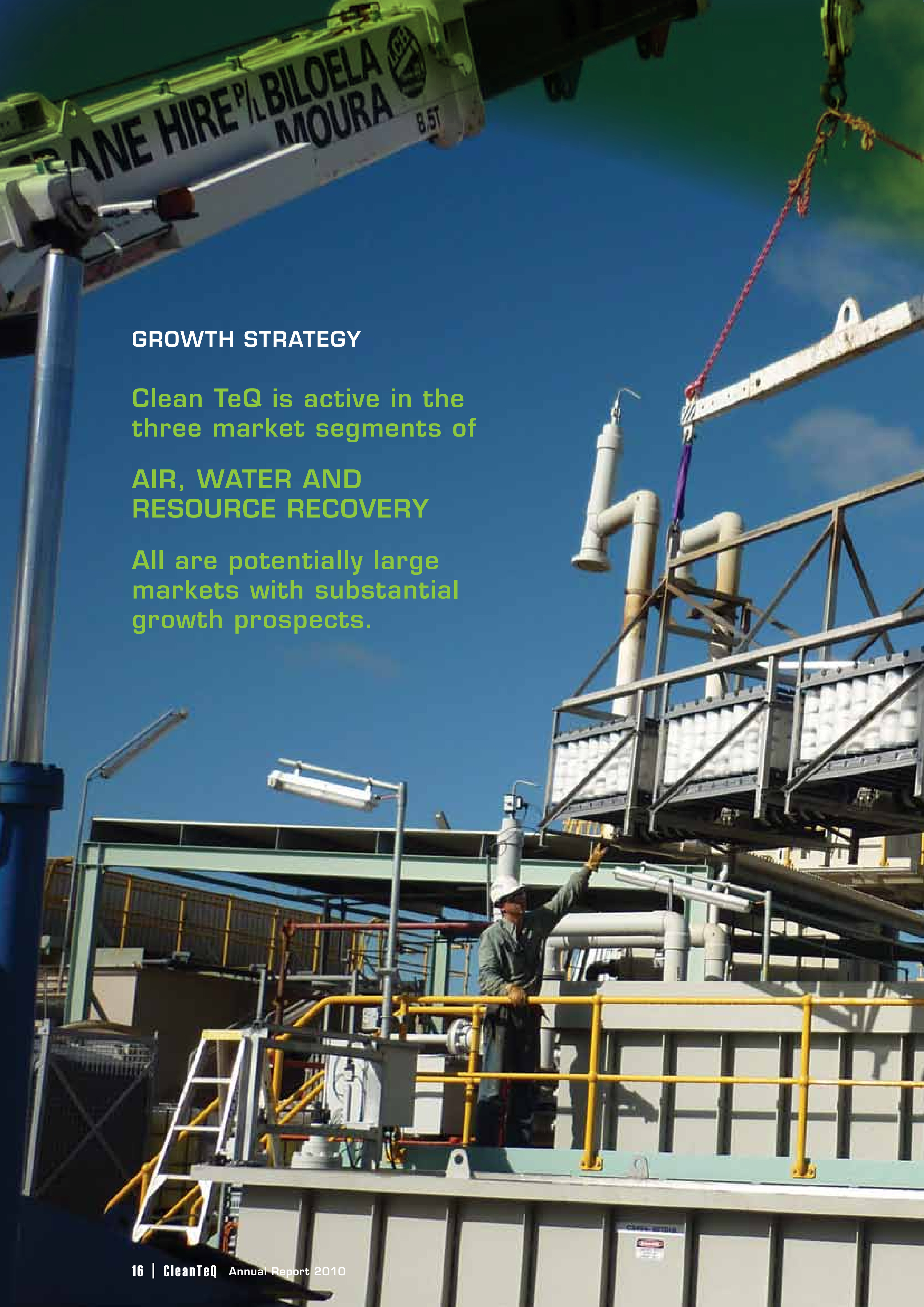
Industrial Emission Control

- Regenerative Thermal Oxidisers
- Impregnated Activated Carbon
- Non-impregnated Activated Carbon
- Cross Flow Chemical Scrubbers
- Packed Bed Chemical Scrubbers

Dust

- Hurricane Cyclone
- Hurricane and Mechanical ReCyclone
- Hurricane and Electrostatic ReCyclone





GROWTH STRATEGY

Clean TeQ is active in the three market segments of

AIR, WATER AND RESOURCE RECOVERY

All are potentially large markets with substantial growth prospects.

AIR PURIFICATION
- leading technologies in growing markets

The market for air pollution solutions should continue to grow in both Australia and overseas as customers seek environmentally sustainable solutions. Increased government regulations will continue to drive sales in this market.

RESOURCE RECOVERY
- Clean-iX® growth potential

The immediate growth opportunity in mining is:

- to continue development of the technology in respect of uranium and gold in Australia and overseas; and
- to pursue discussions with other mining companies to secure licence and construction agreements for other metals.

WATER PURIFICATION
- leading technology to recycle scarce water resources

There is a large opportunity for the energy efficient Clean-iX® Technology in this area to minimise the use of water and recycle waste water where practicable. This is a market that is currently undergoing significant growth and Clean TeQ's Clean-iX® Technology used as a standalone technology or in conjunction with other existing technologies has the opportunity to penetrate this market.

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Clean TeQ's success is built upon the

4

5

1. **Greg Toll**
   Chairman
2. **Peter Voigt**
   Chief Executive Officer
3. **Roger Harley**
   Non-Executive Director
4. **Bob Cleary**
   Non-Executive Director
5. **Marc Lichtenstein**
   Chief Financial Officer
   and Company Secretary

CleanTeQ

Our team:

- consists of highly qualified professionals, many of whom have been with the company over the long term; and
- is experienced in the areas of R&D, technology commercialisation, sales and project design and delivery.

6

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8

9

6. Matthew Lakey
General Manager – Sales

7. David Urpani
Chief Operating Officer

8. Ross Dive
Managing Director - UV Guard

9. The Clean TeQ Board

10. The founders of Clean TeQ

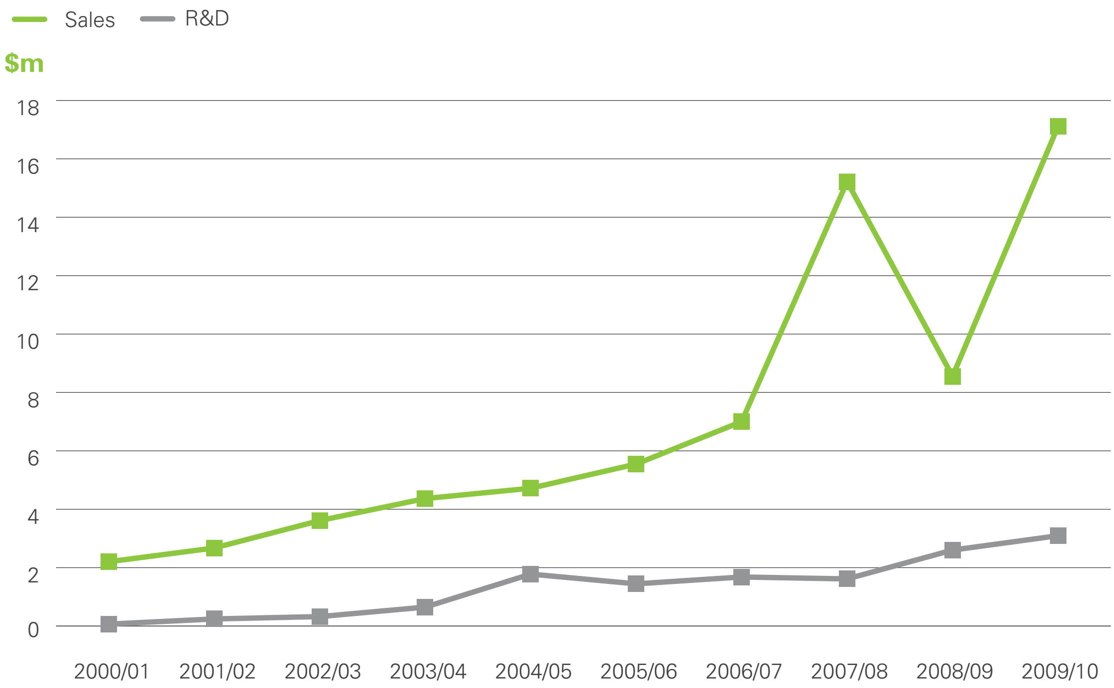
- Increasing skills base of employees
- Low staff turnover
- Staff alignment with equity participation through options and shares
- Training in key deliverables:
  - ✓ Management
  - ✓ OH&S
  - ✓ Project management
  - ✓ Technical software

10

RESEARCH AND DEVELOPMENT

- Ongoing investment in Research and Development ("R&D") with an average of 19% of revenue invested over a 10 year period.
- An R&D philosophy where our R&D must add value to our business and our customers in the long term and provide a high level of sustainability.
- All new technology developed by Clean TeQ is owned by the Company.
- R&D allows us to deliver a range of technologies that can provide a better solution to our customers.
- Currently investing in air, water and mining technologies.

Sales versus investment in research and development



Clean TeQ is committed to being a leader in technologies that lead to a sustainable future. We know that in part our success is directly related to our ongoing investment in research and development, ownership of the developed intellectual property and using our unique skills in commercialising these developments.

Because of our expertise, innovation, flexibility and emphasis on customer service, Clean TeQ has been selected on multiple occasions to work in cooperation with our clients to develop cutting edge solutions to meet their specific process challenges and needs. Furthermore, over the years the Company has been awarded numerous government grants for the specific development and or demonstration of its new technologies.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

Clean TeQ Holdings Limited and its controlled entities
ABN 34 127 457 916

DIRECTORS' REPORT	22
AUDITOR'S INDEPENDENCE DECLARATION	49
STATEMENT OF COMPREHENSIVE INCOME	50
STATEMENT OF FINANCIAL POSITION	51
STATEMENT OF CASH FLOWS	52
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	53
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	54
DIRECTORS' DECLARATION	96
INDEPENDENT AUDITOR'S REPORT	97

The directors present their report together with the consolidated financial report of Clean TeQ Holdings Limited and its subsidiaries for the financial year ended 30 June 2010 and the auditor's report thereon.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience, special responsibilities and other directorships of each person who has been a director of Clean TeQ Holdings Limited ("Clean TeQ") at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

Ralph Pliner

Independent Non-Executive Chairman

Ralph Pliner was appointed Chairman of the Board on 24 September 2007. He is a member of the Audit, Nomination and Remuneration and Market Disclosure Committees.

Ralph is a Non-Executive Director of Tower Australia Group Ltd, Iroko Cardio (Australia) Pty Limited, Herzog Contracting Pty Ltd, Saipem Australia Pty Ltd (the Australian subsidiary of the international pipeline construction company, Saipem SpA)), and Australian Char Pty Ltd which manufactures BBQ fuel and char in the La Trobe Valley. Ralph was the Non-Executive Chairman of Gold Link Income Plus Limited from November 2007 until 17 April 2008.

Ralph has extensive experience as a corporate and securities lawyer in the mining, resources, oil, gas, utilities and infrastructure industries. From 1983 to the end of 2004, Ralph was an International Partner of the law firm Baker & McKenzie in Sydney, practicing as a specialist corporate, securities, energy and resources lawyer. Over the past 12 years Ralph has conducted the director responsibilities module in the Company Directors' Course in Sydney of the Australian Institute of Company Directors.

Ralph holds a Bachelor of Commerce and Bachelor of Laws from Witwatersrand University in South Africa and a Master of Laws (First Class Honours) from Cambridge University, UK.

Greg Toll

Executive Director

Greg Toll was appointed the Chief Executive Officer of the Company in 2007 and has been with the predecessor Company since 2001. He became a Director of the Company on 10 September 2007. Greg retired as the chief Executive Officer of the Company with effect from 2 August 2010.

A shareholder in Clean TeQ, Greg was responsible for the operations of the business and oversaw all operational and administration functions. Prior to joining Clean TeQ, Greg held senior executive positions in R&D, sales and marketing with Uncle Bens', Masterfoods, Nestle and Lion Nathan.

Greg has a Bachelor of Science (Veterinary) Degree with First Class Honours from Sydney University and is a Graduate Member of the Australian Institute of Company Directors. Greg is a member of the Market Disclosure Committee.

Peter Voigt

Executive Director and Chief Executive Officer)

Peter Voigt established Clean TeQ in 1990 and was Clean TeQ's Chief Technology Officer, responsible for all research and development activities and the negotiation and management of overseas licenses. On 2 August 2010 Peter become the Managing Director and Chief Executive Officer of the Company.

Peter is a biochemist, with extensive experience in product development, technology commercialisation and developing complete engineering solutions. Prior to founding Clean TeQ, Peter held product and technology development roles with Arnotts and Uncle Bens'.

Peter has a Bachelor and Masters of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology. Peter became a Director of the Company on the date of its incorporation, 10 September 2007.

Jeremy Carter

Executive Director

Jeremy is a shareholder and has played an important role in strategy and business development within Clean TeQ. Jeremy has a long and successful track record as a strategy consultant in the mining industry including 12 years with McKinsey & Company. In recent times Jeremy's role in the Company has changed to reflect Clean TeQ's evolution and he remains actively involved in strategy and business development of the Company. Jeremy was first appointed to the Board on 10 September 2007 and resigned on 2 August 2010.

Jeremy has a Bachelor of Veterinary Science, a PhD from University of Queensland and an MBA from INSEAD. Jeremy was a member of the Nomination and Remuneration Committee.

Barry Lewin

Non-Executive Director

Barry Lewin was appointed to the Board on 24 September 2007 and resigned on 25 May 2010.

Barry is the founder and managing director of SLM Corporate Ltd, a corporate advisory firm based in Melbourne. Barry has significant public company experience, including roles as Legal Counsel of Energy Resources of Australia Limited (1991-1994) and General Counsel, Company Secretary and a member of the Executive Committee of North Limited (1994-1999). He was Chair of the Audit and Nomination and Remuneration Committees. Barry was a member of the Market Disclosure Committee.

Barry has degrees in Commerce and Law from the University of Cape Town in South Africa and has an MBA from Swinburne University, Melbourne.

Roger Harley

Non-Executive Director

Roger Harley was appointed to the Board on 1 June 2010.

Roger Harley is a founder and principal of independent corporate advisory firm, Fawkner Capital. Previously he was employed for 11 years with Deutsche Bank Australia and held positions including Director of Corporate Finance and Director of Equity Capital Markets. Roger Harley is currently a Member of the Innovation Australia Board and a member of its Venture Capital Committee. Innovation Australia is an independent statutory body that administers various Commonwealth Government programs that seek to encourage and support innovation in Australian industry. Roger is also a director of National Financial Solutions. His previous Board positions include Director of Medibank Private. Roger is Chair of the Audit Committee and a member of the Market Disclosure Committee.

Roger has a science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Bob Cleary

Non-Executive Director

Bob Cleary was appointed to the Board on 1 June 2010.

Bob Cleary was employed for 18 years by the Rio Tinto/North Ltd/Energy Resources Australia Ltd Group. His last position with that organisation was Managing Director of Energy Resources of Australia Ltd from July 1999 to January 2004. Since 2004 Mr Cleary has continued to be involved in the Australian and international mining industry through his role as a Director of a number of mining companies, as well as industry consultant. Bob is also a Non-Executive Director of Stonehenge Metals Limited, since May 2010 and Chairman of ASX-listed Crossland Uranium Mines Limited, since 2007 and a former Non-Executive Director of Natasa Mining Limited and Toledo Mining PLC. Bob is Chair of the Nomination and Remuneration Committees and a member of the Audit Committee.

Bob Cleary, B. Sc(tech) Chem Eng., graduated as a Chemical Engineer from the University of NSW.

Marc Lichtenstein

Company Secretary and Chief Financial Officer

Marc was appointed to the position of Company Secretary on 10 September 2007. Prior to his appointment Marc held the position of Chief Financial Officer and Company Secretary with another listed public company for a period of 3 years. Prior to that, he worked as a Senior Manager in the audit and assurance division of a prominent Chartered Accounting practice. Marc has extensive finance, accounting, corporate reporting, treasury and investor relations experience.

Marc has a Bachelor of Business Degree from the Royal Melbourne Institute of Technology. He is a Member of the Institute of Chartered Accountants in Australia, the Institute of Chartered Secretaries Australia, and a Graduate Member of the Australian Institute of Company Directors.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meeting		Audit Committee Meetings		Remuneration & Nomination Committee Meeting		Market Disclosure Committee Meeting	
	A	B	A	B	A	B	A	B
Ralph Pliner	10	10	3	3	5	5	2	2
Greg Toll	9	10	-	-	-	-	2	2
Peter Voigt	10	10	-	-	-	-	-	-
Jeremy Carter	10	10	-	-	4	5	-	-
Barry Lewin	7	8	3	3	5	5	2	2
Roger Harley	1	1	-	-	-	-	-	-
Bob Cleary	1	1	-	-	-	-	-	-

A = Number of meetings Attended.
B = Number of meetings held during the time the director held office during the year.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Clean TeQ Holdings Limited are responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Clean TeQ Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The Directors are focused on fulfilling their responsibilities individually and as a Board to all of the Company stakeholders. This involves the recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines of "The Corporate Governance Principles and Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, the Company has adopted some modified systems, procedures and practices which it considers allow it to meet the principles of good corporate governance.

In accordance with the ASX Corporate Governance Council's recommendations, the Corporate Governance Statement must contain specific information, and also report on the Company's adoption of the Council's principles and recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why. The Company's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's corporate governance principles and recommendations, which are as follows:

1. Lay solid foundations for management and oversight;
2. Structure the Board to add value;
3. Promote ethical and responsible decision making;
4. Safeguard integrity in financial reporting;
5. Make timely and balanced disclosure;
6. Respect the rights of shareholders;
7. Recognise and manage risk; and
8. Remunerate fairly and responsibly.

1. Lay Solid Foundations for Management and Oversight

The Board is responsible for the development of:

- strategy;
- oversight of management;
- risk management and compliance systems; and
- monitoring performance.

The Board has adopted a Board Charter the purpose of which is to promote high standards of corporate governance, clarify the role and responsibilities of the Board and enable the Board to provide strategic governance for the Group and effective management oversight. A copy of the Board Charter is available on the Company's website. The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised below.

2. Structure the Board to Add Value

The current composition of the Board consists of a majority of independent Non-Executive Directors. Currently all three of the Non-Executive Directors satisfy the test of independence. Two of the remaining Directors have substantial shareholdings and are fulfilling an executive role in the Company.

Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is a broad mix of skills required and that given their experience each of the Directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.

The Chairman of the Board is an independent Non-Executive Director. The roles of Chairperson and Chief Executive Officer are not exercised by the same person. These roles are exercised by Ralph Pliner who acts as the Chairperson, whilst Peter Voigt acts as Chief Executive Officer.

To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board. Details of the Nomination and Remuneration Committee are provided below.

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation.

The Nomination and Remuneration Committee oversees the appointment and induction process for Directors and Committee members, and the selection, appointment and succession planning process of the Company's Chief Executive Officer. The Committee makes recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the Committee in consultation with the Board determines the selection criteria based on the skills deemed necessary. The Committee identifies potential candidates. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of Non-Executive Directors are set out in a letter of appointment, including expectations of attendance and preparation for all Board meetings, minimum hourly commitments, appointments to other Boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

The Nomination and Remuneration Committee also conducts an annual review of the performance of the Chief Executive Officer and the senior executives reporting directly to him and the results are discussed at a Board meeting.

The performance of the Board and executives is reviewed on an annual basis both collectively and individually. The performance criteria takes into account each Director's and Executive's contribution to setting the direction, strategy and financial objectives of the Group, and monitoring compliance with regulatory requirements and ethical standards. During the course of the current financial year the Nomination and Remuneration Committee has reviewed the performance of all Directors and executives within the consolidated entity against their key performance indicators. Short term incentives are then awarded by the Committee in accordance with the level of performance of each executive.

The Board is responsible for determining and reviewing the remuneration and performance of the Directors and the Executive Officers of the Company and reviewing the operation of the Company's Employee Option and Share Plans. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating, and retaining executives with the skills to manage the Company's operations. Accordingly, the Board has established a Nomination and Remuneration Committee to focus on the performance of the Directors and executives within the organisation.

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

3. Promote Ethical and Responsible Decision Making

The Board has adopted a code of conduct for Directors and Senior Executives which fully complies with the regulation. The purpose of the code of conduct is to:

- articulate the high standards of honest integrity, ethical and law-abiding behaviour expected of Directors and Senior Executives;
- encourage the observance of those standards to protect and promote the interests of shareholders and other stakeholders (including employees, customers, suppliers and creditors);
- guide Directors and Senior Executives as to the practices thought necessary to maintain confidence in the Group's integrity;
- set out the responsibility and accountability of Directors and Senior Executives to report and investigate any reported violations of this code or unethical or unlawful behaviour; and
- promote ethical and responsible decision-making by the Company in consideration of the reasonable expectations of its stakeholders, including shareholders, employees, customers, suppliers, creditors, consumers and the broader community in which it operates.

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Consequently, the Company follows the Code of Conduct established by the Board, which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

All employees and Directors of Clean TeQ are expected to observe the highest standards of honesty, ethics, integrity and law-abiding behaviour during the course of their employment with the Company.

The standards expected include:

- compliance with Company policies, procedures and contracts;
- compliance with all reasonable and legal instructions of management; and
- to be honest and fair in dealings with all stakeholders including clients, colleagues, Company management and the general public.

Specifically, Directors and Senior Executives are expected to:

- act with integrity in the performance of their duties;
- maintain client confidentiality;
- avoid any conflicts of interest both directly and indirectly:
- exercise proper courtesy consideration and sensitivity in their dealings with clients and colleagues;

- comply with the provisions of relevant legislation and ethical requirements of their profession;
- respect the Company's ownership of all Company funds, equipment, supplies, records and property;
- maintain during employment with the Company and after termination of employment, the confidentiality of any information acquired during the course of the employment with Clean TeQ;
- not make any unauthorised statements to the media about the Company's business;
- refrain from sexual or other unlawful harassment in the workplace; and
- observe occupational health and safety rules.

Further details of the Company's Code of Conduct, including the full text of the code, can be found on the Company's website.

The Company has established a formal written Share Trading Policy which is required to be adhered to by all Directors, Senior Management and employees of the Company and its subsidiaries. Trading in the Company's shares and/or options over such shares by Directors and Executives of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. Directors, Executives and staff are required to discuss their intention to trade in the Company's shares with the Chairman of the Company prior to trading. The Board recognises that it is the individual responsibility of each Director and employee to carry this policy through. Furthermore, there is a clear understanding that the only appropriate time to trade is after an announcement to a fully-informed market. Further details of the Company's Share Trading Policy, including a full copy of the policy, is available on the Company's website.

The Board recognises the legitimate interests of shareholders, employees and other stakeholders. All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Consequently the Company follows the Code of Conduct established by the Board, which sets out the principles and standards with which all officers and employees are expected to comply in the performance of their respective functions.

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered and may not vote on the matter. Details of Director related entity transactions with the Company and the Group are set out in the notes to the financial statements.

4. Safeguard Integrity in Financial Reporting

In accordance with Recommendation 4.1 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Board has delegated the responsibility for the establishment and maintenance of a framework of internal control mechanisms for the management of the Company to the Audit Committee.

The Company has had regard to the independence and expertise of each of its Directors, the level of the Company's current operations, the costs of compliance and the effectiveness of previous audits when determining the make up of its Audit Committee. The Audit Committee comprises of the three Non-Executive Directors. The Company now fully complies with the recommendation in that all of the members of the Committee are currently independent Non-Executive Directors. The Chair of the Audit Committee is a financial professional with significant experience in financial matters. The Chair of the Audit Committee is not the Chairperson of the Board.

The Committee members during the year were:

- Roger Harley (Chairman)
  (appointed 23 June 2010)
  – Independent Non-Executive
- Ralph Pliner
  (appointed 24 September 2007)
  – Independent Non-Executive
- Bob Cleary
  (appointed 23 June 2010)
  – Independent Non-Executive
- Barry Lewin
  (Chairman from his appointment on 24 September 2007 until his retirement on 25 May 2010)
  – Non-Executive.

The Audit Committee intends to meet at least 4 times per annum and is responsible for:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- assessing management processes supporting external reporting;
- establishing procedures for selecting, appointing, and if necessary, removing the external auditor;
- assessing the ongoing requirements for an internal audit function;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend Board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

The external auditors, Chief Executive Officer and Chief Financial Officer are invited to attend Audit Committee meetings at the discretion of the Committee. The external auditor meets with the Audit Committee during the course of the year without management being present.

The Audit Committee operates under a formal charter approved by the Board. The Audit Committee's charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The Company does not have a Compliance Committee. The Chairman, Chief Executive Officer and Company Secretary monitor the Company's compliance requirements.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the Chief Executive Officer and the Chief Financial Officer declared in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 30 June 2010 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

5. Make Timely and Balanced Disclosure

The Board and Senior Management are aware of the Continuous Disclosure requirements of the ASX and have procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Board has established a Market Disclosure Protocol which includes the establishment of a Committee to help the Board to achieve its objective to establish, implement and supervise a continuous disclosure system.

The Market Disclosure Committee consists of

- Ralph Pliner (Chairman) (appointed 24 September 2007)
- Greg Toll (appointed 24 September 2007)
- Roger Harley (appointed 23 June 2010)
- Barry Lewin (appointed 24 September 2007, retired 25 May 2010).

The Board has appointed the Company Secretary as the Disclosure Officer of the Company. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public. The Chief Executive Officer and Chairman are authorised to make statements and representations on the Company's behalf.

The Board provides shareholders with information using a comprehensive Market Disclosure Protocol which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the protocol are available on the Company's website.

In summary, the Market Disclosure Protocol operates as follows:

- the Chief Executive Officer, and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered subject to approval of the Market Disclosure Committee;
- the full annual report is provided via the Company's website to all shareholders (unless a shareholder has specifically requested to receive a physical copy or not to receive the document), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the ASX, posted on the Company's website and sent to any shareholder who requests it;
- the quarterly report contains summarised financial information and a review of the operations of the Group during the period. The quarterly financial report is lodged with the ASX;
- proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including presentations provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;

- some media briefings are web-cast, and are placed on the Company's website; and
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

All of the above information is made available on the Company's website within one day of public release.

The Company is committed to giving all shareholders comprehensive and equal access to information about our activities and to fulfilling its continuous disclosure requirements to the wider market.

6. Respect the Rights of Shareholders

The Board aims to ensure that all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

The auditor is invited to attend each Annual General Meeting of the Company and to be available to answer shareholder questions about the conduct of the audit, accounting policies adopted by the Company, the preparation and content of the auditor's report and the independence of the auditor in relation to the conduct of the audit. The Chairman ensures that appropriate time is allocated to the auditor at the Annual General Meeting to answer all shareholder questions relevant to the conduct of the external audit.

7. Recognise and Manage Risk

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group.

The Board has procedures in place to recognise, assess and manage risk in accordance with the Corporate Governance Principles and Recommendations. The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis.

All risks identified by the Board are recorded in the Company's risk register and acted upon accordingly. The Company's objectives and activities are aligned with the risks and opportunities identified. The Board believes that it is crucial for all Board members to be a part of this process and as such the Board has not established a separate Risk Management Committee.

The Chief Executive Officer and Chief Financial Officer state to the Board, in writing, that the statement given in accordance with the Corporate Governance Principles and Recommendation regarding the integrity of financial statements is founded on a system of risk management and internal compliance and control that implements the policies adopted by the Board. The statement provided by Chief Executive Officer and Chief Financial Officer includes a comment that the risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

Management provide the risk profile on a six monthly basis to the Audit Committee that outlines the material business risks to the Company. Risk reporting includes the status of risks through integrated risks management programs aimed at ensuring risks are identified, assessed and appropriately managed. Management review the risk register on a quarterly basis to ensure that all risks are identified, acted upon or being monitored.

The Audit Committee reports the status of material business risks to the Board on a six monthly basis. Further details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Each business operational unit is responsible and accountable for implementing and embedding the risk policy into the operations of its business unit.

Material business risks for the Company may arise from such matters as actions by competitors, government policy changes, economic conditions, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board's policy on internal control is comprehensive, details of which are available on the Company's website. It comprises the Company's internal compliance and control systems, including:

- **Operating unit controls:** Operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;
- **Functional speciality reporting:** Key areas subject to regular reporting to the Board include Environmental, Legal and Insurance matters;
- **Investment appraisal:** Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel (refer below); and
- financial reporting accuracy and compliance with the financial reporting regulatory framework.

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

The Chief Executive Officer and the Chief Financial Officer have declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

Clean TeQ Holdings Limited is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safety are the responsibility of Clean TeQ Holdings Limited, its employees, its alliance partners and suppliers of goods and services. Specifically, the Company will comply with the intent and provision of all applicable laws, regulations and standards.

8. Remunerate Fairly and Responsibly

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members and Executives. The Nomination and Remuneration Committee ensures that Directors and Senior Executives are remunerated fairly and responsibly. The Nomination and Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Executive Officers and Directors of the Company. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies. Directors and Executives are remunerated with reference to market rates for comparable positions.

The Nomination and Remuneration Committee comprises:

- Bob Cleary (Chairman)
  (appointed 23 June 2010)
- Ralph Pliner
  (appointed 24 September 2007)
- Barry Lewin
  (Chairman from his appointment on 24 September 2007 until his retirement on 25 May 2010)
- Jeremy Carter
  (appointed 24 September 2007,
  retired 2 August 2010).

The Board policy is that the Nomination and Remuneration Committee will comprise of at least three Non-Executive Directors the majority of which are independent. While the Company will aim to have a Nomination and Remuneration Committee that complies with the size and composition guidelines outlined above, this is not presently possible and may not always be practicable in the future given the size of the Board and the circumstances of the Group, including the nature of the Group's business.

The Chief Executive Officer, Peter Voigt, is invited to Nomination and Remuneration Committee meetings, as required, to discuss senior executives' performance and remuneration packages but does not attend meetings involving matters pertaining to him.

Executive Directors and senior management's remuneration packages include fixed, performance based and equity based components. Non-Executive Directors only receive a fixed remuneration package which is not linked to the performance of the Company.

Further details of the Nomination and Remuneration Committee's charter and policies, including those for appointing Directors and senior executives, are available on the Company's website.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were:

- providing air purification and odour elimination solutions to customers;
- the continued development and use of the Clean-iX® Technology in conjunction with other technologies, which can be used for the purification and recycling of waste water and for desalination of brackish water to produce high quality industrial water;
- the sale and development of water disinfection products; and
- the continued development and use of the Clean-iX® Technology which can be used to extract a range of resources in the mining industry including base metals, precious metals and radioactive elements.

There have been no other significant changes in the nature of the consolidated entity's activities during the financial year.

OPERATING AND FINANCIAL REVIEW

Overview of the consolidated entity

Clean TeQ Holdings Limited, the parent entity, was incorporated on 10 September 2007. This Company was listed on the Australian Stock Exchange on 9 November 2007.

The consolidated profit of the Company for the year after providing for income tax amounted to $1,333,770. The consolidated entity has generated a return on net assets of 9.12% for the current period.

During the course of the period under review the Company experienced improved trading conditions after a difficult period as a result of the global economic crisis. Throughout this period the Company has continued to invest in its people and research and development which is expected to keep the Company at the forefront of its industries in the future. Revenue during the period has increased by 100% compared to the corresponding prior year period. The net profit after tax has increased by 161%.

Review of operations

Revenue from the Air Division has increased by 49% during the current financial year. The number of projects undertaken and success rate of projects tendered for by the Air Purification Division continued to increase during the period.

The Resource Recovery Division has continued to experience a difficult trading period during the year. During the year the Resource Recovery Division has continued to explore opportunities for the use of its Clean-iX® Resin-In-Pulp technology in the mining industry for uranium and gold projects. This business unit is still in the early stages of its development.

During the period under review the Water Purification Division continued its development. UV-Guard Australia Pty Ltd was acquired during the period with effect from 1 July 2009. The UV-Guard business has performed ahead of budget during the period. UV-Guard has expanded its operations into New Zealand towards the end of the current financial year.

The Water Division has continued to invest in further research and development with an emphasis on the ongoing development of its Clean-iX® pre-treatment for membrane systems. This business unit is still in the early stages of its development. The growth in the Water Purification Division is expected to continue during the 2011 financial year and beyond.

The Company has continued with its initial sales of LiXiR via the website www.lixirproducts.com. LiXiR is a nutritional supplement that contains natural trans-resveratrol and Clean TeQ's proprietary Australian red grape skin extract, which is designed as a well being product. Clean-iX® technology was used for the extraction of the grape skin extract.

On 25 May 2010 Barry Lewin resigned as a Director of the Company. Roger Harley and Bob Cleary became Directors of the Company on 1 June 2010.

Review of financial condition

During the period under review the Company has continued to generate positive cash flows from its core operations. The Company has continued to invest in research and development during the financial year as a result of which negative cash flows were experienced by the Company. The Company continues to experience significant potential business opportunities in all areas.

Liquidity and funding

At 30 June 2010 and to the date of this report the Group continues to have minimal external debt and thus is not directly exposed to the impact of interest rate movements or the impact of world credit markets. At 30 June 2010 the Company had cash on hand of $3,354,529. An amount of $1.676 million is placed on fixed deposit and provided as security for bank guarantees for work-in-progress. The Company has entered into an agreement with La Jolla Cove Investors Inc. for the issuing of convertible notes of up to US$6.0 million, which will be used to fund future growth, working capital and potential acquisitions. The ability of the Company to drawdown on these notes is subject to specific terms and conditions. Refer to the events subsequent to reporting date below for more information regarding the convertible note facility.

Cash flows from operations

The consolidated entity has continued to deliver positive cash flows from its operating activities during the financial year ending 30 June 2010. Cash from operations of $1,543,960 were generated during the current period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 July 2009 the Company entered into an agreement with UV-Guard Australia Pty Ltd to acquire all of the shares in this Company. UV-Guard is a Sydney based Australian company that specialises in the design, sale and distribution of ultra violet disinfection products that are used in the water and wastewater industries. On 28 April 2010 UV-Guard New Zealand Limited was incorporated and after an establishment period it obtained its first sales orders in July 2010.

On 13 November 2009 Clean TeQ Asian Pacific Limited was incorporated. Clean TeQ Asian Pacific Limited was dormant during the 2010 financial year.

In the opinion of the Directors there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

DIVIDEND PAID, RECOMMENDED AND DECLARED

Since the incorporation of the Company and up to and including the date of this report there have been no dividends paid, declared or recommended.

EVENTS SUBSEQUENT TO REPORTING DATE

On 30 June 2010 the Company entered into a convertible note agreement with La Jolla Cove Investors Inc. ("La Jolla") which was subject to a number of conditions precedent being met. The Company applied for certain waivers from the ASX which were not granted. As a result the Company entered into an amended agreement with La Jolla on 28 July 2010 for a convertible note facility which comprises of funding of up to US$6.0 million in four separate US$1.5 million convertible notes, each with a duration of 3 years from the first drawdown of the relevant convertible note. The notes bear interest payable to the holder at an interest rate of 4.75% per annum payable monthly on the outstanding funded and non-converted principal amount. The issue of the convertible note is subject to shareholder approval and a meeting has been scheduled for 7 September 2010.

On 2 August 2010 the Company advised the Australian Stock Exchange that there were to be a number of changes to the key management personnel within Company. At this date Jeremy Carter retired as a director whilst Peter Voigt replaced Greg Toll as the Chief Executive Officer and Managing Director of the Company. Greg Toll will continue as an Executive Director of the Company.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

LIKELY DEVELOPMENTS

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its major business units during the next financial year and the continued commercialisation of its intellectual property in air, water and mining. This will require further ongoing investment in areas such as research and development, as well as potential acquisitions.

Further confidential information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of this confidential information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any specific significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of environmental requirements as they apply to the Group.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Clean TeQ Holdings Limited	
	Ordinary shares	Options over ordinary shares
Ralph Pliner	50,000	195,000
Greg Toll	7,842,355	585,000
Peter Voigt	19,723,994	585,000
Roger Harley	-	-
Bob Cleary	-	-

Options granted to directors and executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following of the five most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
EXECUTIVES			
Marc Lichtenstein	50,000	$0.345	4 March 2013

No options were granted to any of the Directors during or since the end of the financial year. All options were granted during the financial year.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows:

Number of shares	Amount paid on each share
10,000	$0.19

Since the end of the financial year, Clean TeQ Holdings Limited has not issued any ordinary shares as a result of the exercise of options. There are no amounts unpaid on shares issued on exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

The Company, to the extent permitted by law, indemnifies each Director, alternate Director, or executive officer (and any person who has previously served in any such capacity) against any liability or cost incurred by the person as an officer of the Company, or a related body corporate of the Company, including but not limited to liability for costs incurred in defending proceedings in which judgment is given in favour of the person or in which the person is acquitted. The indemnity may be extended to other employees at the discretion of the Directors. Further disclosures (required under section 300 of the Corporations Act 2001) are prohibited under the terms of the contract. Furthermore, the Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of Directors' and Officers' liability and expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the audit for the financial year ended 30 June 2010 is provided with this report.

NON-AUDIT SERVICES

During the year Pitcher Partners, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, Pitcher Partners, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2010 $	2009 $
AUDIT SERVICES		
Auditors of the Company		
Pitcher Partners		
Audit and review of financial reports	106,500	104,500
	106,500	104,500
OTHER SERVICES		
Pitcher Partners		
Other assurance services	2,105	-
General advice	3,150	1,625
Taxation compliance services	17,890	19,625
	23,145	21,250

Other assurance services undertaken by Pitcher Partners include the review of the costs incurred and activities undertaken by the Company in relation to the Climate Ready Grant.

REMUNERATION REPORT

Principles of compensation - audited

The Board of Directors are responsible for determining and reviewing compensation arrangements for the Directors and senior executives. The Board in conjunction with the Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

As a result of the Company being incorporated and becoming a disclosing entity during the 2008 financial year the incentive structure of the Company has been established during the previous reporting periods. Remuneration of Directors and executives is referred to as compensation as defined in AASB 124 *Related Party Disclosures*.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and consolidated entity executives.

Compensation levels for key management personnel and the secretary of the Company and key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives. As and when required the Nomination and Remuneration Committee has access to independent advice on the appropriateness of compensation packages of both the Company and consolidated group given trends in comparative companies and the objectives of the Company's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the Group's performance including:
  - the Group's earnings;
  - the growth in share price and delivering constant returns on shareholder wealth; and
  - the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short- and long-term performance-based incentives.

In addition to their salaries, the consolidated entity also provides non-cash benefits to its key management personnel, and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration - audited

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice where necessary to ensure the Directors' and senior executives' compensation is competitive in the market place. An executive's compensation is also reviewed on promotion.

Performance-linked remuneration - audited

Performance-linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive ("STI") is an "at risk" bonus provided in the form of cash and bonus shares, while the long-term incentive ("LTI") is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan. The Board did exercise discretion on the payment of bonuses and options as the plans provide for such discretion.

Short-term incentive bonus - audited

Each year the Nomination and Remuneration Committee sets the key performance indicators ("KPI's") for the key management personnel. The KPI's generally include measures relating to the Group, the relevant segment and the individual, and include financial, staff management, safety, customer and strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPI's of the Group and to its strategy and performance.

The financial performance objectives are earnings compared to budgeted amounts and "share price growth" compared to the closing price at 30 June in the corresponding previous period. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development. Financial and non-financial objectives each account for up to 50 percent of the maximum STI.

At the end of the financial year, the Nomination and Remuneration Committee assesses the actual performance of the Group, the relevant segment and individual against the KPI's set at the beginning of the financial year. A percentage of the pre-determined maximum amount is awarded depending on results. No bonus is awarded where performance falls below the minimum. A bonus is paid based on this predetermined performance.

The Nomination and Remuneration Committee recommends the cash incentive to be paid to the individuals for approval by the Board. The method of assessment was chosen as it provides the Committee with an objective assessment of the individual's performance. The final bonuses that could be paid for the year ending 30 June 2010 were determined at the discretion of the Board after consideration of the guidance provided by the Nomination and Remuneration Committee.

Long-term incentive - audited

Options are issued under the Employee Share Option Plan and it provides for key management personnel to receive options over ordinary shares for no consideration. The ability to exercise the options is conditional upon each employee serving minimum service periods. All Directors, key management personnel and employees were issued a tranche of options that vested at the time of the public listing of the Company.

The Employee Share Option Plan which was adopted on 24 September 2007 states that the total number of options on issue must not exceed 10% of the total number of issued shares in the Company. The Nomination and Remuneration Committee in conjunction with the Board determine the number of options and the terms and conditions associated with those options that are to be issued to key management personnel and employees each year. The criteria used to assess the number of options issued include Company performance, individual performance and an industry analysis of best practice. The method of assessment was chosen as it provides the Nomination and Remuneration Committee with an objective means of measuring performance against expected performance.

The Company has adopted an Employee Tax Exempt Share Plan which allows eligible employees of the Group the opportunity to become shareholders of the Company without having to pay any amount for the acquisition of the Shares. Each eligible employee is entitled to acquire the equivalent of $1,000 of shares per annum. These shares are required to be held in escrow for a three year period or until such time as eligible employees terminate their employment with the Group.

Short-term and long-term incentive structure - audited

The Nomination and Remuneration Committee considers that the above performance-linked compensation structure will generate the desired outcome. The evidence for this is firstly, the growth in the Group in recent years, and secondly, the performance-linked element of the structure appears to be appropriate because most but not all of the key management personnel achieve a level of performance which qualifies them for a bonus and or options. The Committee is currently reviewing the key performance indicators of the key management personnel and their performance-linked compensation structure.

In the current year the Group has not achieved its forecast earnings targets, with most segments not meeting budgeted results. This is the second year that the Group has not met its internal budgeted forecasts. The level of performance achieved during the current year has resulted in the minimum short-term incentives not being achieved, which has led to no short term incentives being paid to the key management personnel.

Consequences of performance on shareholders wealth - audited

In considering the consolidated entity's performance and benefits for shareholders wealth, the Nomination and Remuneration Committee have regard to the following indices in respect of the current financial year.

	2010 $'000	2009 $'000	2008 $'000
Net profit attributable to equity holders of the parent	$1,333	$511	$2,924
Dividends paid*	-	-	$1,200
Share price at year end	$0.28	$0.345	$0.325
Change in share price**	($0.065)	$0.02	($0.175)

* A dividend of $1,200,000 was paid by Clean TeQ Limited prior to the restructure of the Group on 24 September 2007.

** The Company issued shares via an initial public offering at 50 cents per share on 9 November 2007.

Net profit is considered as one of the financial performance targets in setting the short term incentives. Dividends and changes in share price are included in the total shareholder return calculation which is one of the performance criteria assessed for the long term incentives. The other performance criteria assessed for the long term incentives is growth in earnings per share, which again takes into account the consolidated entity's net profit.

Other benefits

Key management personnel can receive non-cash benefits as part of their base compensation as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicles and toll road payments and the Company pays fringe benefits tax on these benefits.

Service contracts - audited

It is the Group's policy that service contracts for key management personnel are unlimited in term but capable of termination on 3 months notice and the Group retains the right to terminate the contract immediately, by making payment equal to 6 months' pay in lieu of notice.

The Group has entered into service contracts with each key management person that provides for the payment of benefits where the contract is terminated by the Group or the individual. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contracts outlines the components of compensation paid to the key management personnel. The service contracts of the key management personnel prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Non-Executive Directors - audited

The Constitution provides that the Non-Executive Directors may be paid or provided remuneration for their services the total amount or value of which must not exceed an aggregate maximum of $500,000 per annum or such other maximum amount determined from time to time by the Company in a general meeting. The aggregate maximum sum will be apportioned among them in such manner as the Directors in their absolute discretion determine. Non-Executive Directors fees are set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Directors' base fees are presently $50,000 per annum.

The Chairperson presently receives twice the base fee being $100,000. Non-Executive Directors do not receive performance related remuneration. Directors' fees cover all main Board and Committee activities. Non-Executive Directors receive fees and do not receive bonus payments.

A Non-Executive Director may be paid fees or other amounts as the Directors determine where a Non-Executive Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Company.

No retirement benefits are to be paid to Non-Executive Directors.

The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

The names and positions of each person who held the position of Director at any time during the financial year are provided above. The named executives in the consolidated group who received the highest remuneration for the financial year were:

Executives	Position
Greg Toll	Chief Executive Officer
Peter Voigt	Executive Director
Jeremy Carter	Executive Director
Marc Lichtenstein	Company Secretary and Chief Financial Officer

There were no other executives in the consolidated group that met the definition of an executive in accordance with the Corporations Act 2001 or the Australian Accounting Standards.

Directors' remuneration – audited

Details of the nature and amount of each major element of remuneration of each Director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

	Short-term		
	Salary & fees	STI Cash bonus	Non-monetary benefits
	$	$(A)	$
RALPH PLINER			
2010	100,000	-	-
2009	100,000	-	-
GREG TOLL			
2010	267,758	-	-
2009	264,000	-	-
PETER VOIGT			
2010	240,770	-	-
2009	264,000	-	-
JEREMY CARTER			
2010	105,600	-	-
2009	115,104	-	-
ROGER HARLEY			
2010	3,823	-	-
BOB CLEARY			
2010	4,167	-	-
BARRY LEWIN			
2010	42,049	-	-
2009	45,872	-	-
2010	**764,167**	**-**	**-**
2009	**788,976**	**-**	**-**

Executives' remuneration - audited

	Short-term		
	Salary & fees	STI Cash bonus	Non-monetary benefits
	$	$(A)	$
MARC LICHTENSTEIN			
2010	220,505	-	-
2009	225,897	-	-

Roger Harley and Bob Cleary became directors on the Company on 1 June 2010, whilst Barry Lewin retired on 25 May 2010.

Post employment	Other long term benefits	Termination benefits	Share based payments		TOTAL
Superannuation benefits			Options	Shares	
$	$	$	$ [B]	$ [C]	$
-	-	-	327	-	100,327
-	-	-	2,107	-	102,107
23,760	-	-	980	1,000	293,498
26,460	-	-	6,320	1,000	297,780
21,669	-	-	980	1,000	264,419
26,460	-	-	6,320	1,000	297,780
9,504	-	-	392	-	115,143
-	-	-	2,528	-	117,632
344	-	-	-	-	4,167
-	-	-	-	-	4,167
3,784	-	-	163	-	45,996
4,128	-	-	1,053	-	51,053
59,061	**-**	**-**	**2,842**	**2,000**	**828,070**
57,048	**-**	**-**	**18,328**	**2,000**	**866,352**

Post employment	Other long term benefits	Termination benefits	Share based payments		TOTAL
Superannuation benefits			Options	Shares	
$	$	$	$ [B]	$ [C]	$
19,297	-	-	1,002	1,000	241,804
15,995	-	-	5,266	-	247,158

(A) The short-term incentive bonus is for performance during the respective financial year using the criteria set out earlier in the Remuneration Report. The amount was finally determined on 25 August 2010 and 29 July 2009 respectively after performance reviews were completed and approved by the Nomination and Remuneration Committee.

(B) The options have been valued by adopting the Black Scholes valuation model and are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account. Refer below for further details.

(C) The shares are issued in accordance with the terms and conditions of the Clean TeQ Holdings Limited Employee Tax Exempt Share Plan. Eligible Employees are able to acquire $1,000 of shares in the Company on an annual basis.

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
9 November 2007	9 November 2010	10.4 cents	$0.50	$0.50	24%	6.25%	-
9 November 2007	9 November 2011	2.3 cents	$0.55	$0.50	24%	6.25%	-
9 November 2007	9 November 2012	2.8 cents	$0.60	$0.50	24%	6.25%	-

There were no other key management personnel employed by the company or the Group in the 2010 financial year.

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the company. Options granted as remuneration are valued at grant date in accordance with AASB 2 *Share-based Payments*. No options previously granted to key management personnel as remuneration have lapsed or been exercised during the year.

	Proportion of remuneration package performance related	Proportion of remuneration package performance related	Value of options as proportion of remuneration	Value of options as proportion of remuneration
	2010	2009	2010	2009
DIRECTORS				
Ralph Pliner	-	-	0.3%	2.1%
Greg Toll	17.0%	16.8%	0.3%	2.1%
Peter Voigt	18.9%	16.8%	0.4%	2.1%
Jeremy Carter	17.4%	14.5%	0.3%	2.1%
Roger Harley	-	-	-	-
Bob Cleary	-	-	-	-
Barry Lewin	-	-	0.4%	2.1%
EXECUTIVES				
Marc Lichtenstein	16.5%	16.2%	0.4%	2.1%

Details of performance related remuneration - audited

Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed above.

Analysis of bonuses included in remuneration - audited

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each Director of the Company and each of the key management personnel are detailed below.

	Short term incentive bonus		
	Included in remuneration package $(A)	% vested in year	% forfeited in year(B)
DIRECTORS			
Ralph Pliner	-	-	-
Greg Toll	50,000	-	100%
Peter Voigt	50,000	-	100%
Jeremy Carter	20,000	-	100%
Barry Lewin	-	-	-
EXECUTIVES			
Marc Lichtenstein	40,000	-	100%

(A) Amounts included in the remuneration package for the financial year represents the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2010 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Equity instruments - audited

During the course of the 2008 financial year the Company introduced a share option plan for employees and Directors of Clean TeQ ("the Plan"). All options refer to options over ordinary shares of Clean TeQ Holdings Limited, which are exercisable on a one-for-one basis under the Employee Share Option Plan. The broad details of the Plan are set out below:

(a) Under the Plan, eligible persons will be offered, and if accepted, granted, options entitling the holder to subscribe for Shares. The options may be subject to vesting and exercise restrictions which will be determined by the Board at the time of issue. If a person no longer qualifies for the Plan, they will have three months to exercise any options which are capable of being exercised (except in limited circumstances).

(b) It is intended that the exercise price will generally be at or in excess of the prevailing volume weighted average sale price of Shares traded on ASX in the period immediately prior to the date of offer of the options.

(c) The Board has at its discretion the ability to waive any conditions under certain limited circumstances and/or to allow options to be exercised and Shares acquired or transferred for monetary consideration equivalent to their value. The options are not otherwise transferable once granted.

(d) The determination of eligibility to participate is at the absolute discretion of the Board. The Board may also determine at its absolute discretion the applicable performance criteria to be achieved and the time period in which those criteria must be satisfied. While not limiting the Board's discretion, the performance criteria are generally focused on the key financial and other performance measures set by the Company.

(e) It is expected that options allocated to a participant under the Plan will not be exercisable by the employee until the performance criteria have been satisfactorily achieved, subject to the overriding discretion of the Board to waive or modify vesting conditions.

(f) While the terms of options will adjust for corporate reorganizations and the like, holders of options will have to exercise their options to participate in capital raisings by the Company.

It is intended that the maximum number of options to be offered to a participant under the Plan will be reasonable in terms of the participant's total remuneration and the performance of the Company. While the Plan permits annual grants of options, it is not anticipated that the Company will make offers of options to Directors and key management personnel each year.

During the course of the previous financial year the Company has introduced the Employee Tax Exempt Share Plan which allows employees who have completed the necessary length of service with the Group to acquire up to $1,000 of Clean TeQ Holdings Limited shares in a 12 month period up to 30 June. A 3 year trading lock is placed on the shares while the employee remains employed with the Group. If an employee ceases employment with the Group the trading lock on the shares is lifted. The shares are provided at no cost to the employees.

Options and rights over equity instruments granted as compensation - audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management person and directors during the current and previous reporting periods and details on options that vested during that current reporting period are as follows:

	Number of options granted during 2008	Grant date	Fair value per option at grant ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2010
DIRECTORS						
Ralph Pliner	65,000	9 November 2007	0.104	0.50	9 November 2010	-
	65,000	9 November 2007	0.023	0.55	9 November 2011	-
	65,000	9 November 2007	0.028	0.60	9 November 2012	65,000
Greg Toll	195,000	9 November 2007	0.104	0.50	9 November 2010	-
	195,000	9 November 2007	0.023	0.55	9 November 2011	-
	195,000	9 November 2007	0.028	0.60	9 November 2012	195,000
Peter Voigt	195,000	9 November 2007	0.104	0.50	9 November 2010	-
	195,000	9 November 2007	0.023	0.55	9 November 2011	-
	195,000	9 November 2007	0.028	0.60	9 November 2012	195,000
Jeremy Carter	78,000	9 November 2007	0.104	0.50	9 November 2010	-
	78,000	9 November 2007	0.023	0.55	9 November 2011	-
	78,000	9 November 2007	0.028	0.60	9 November 2012	78,000
Barry Lewin	32,500	9 November 2007	0.104	0.50	9 November 2010	-
	32,500	9 November 2007	0.023	0.55	9 November 2011	-
	32,500	9 November 2007	0.028	0.60	9 November 2012	32,500

	Number of options granted during 2008	Grant date	Fair value per option at grant ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2010
EXECUTIVES						
Marc Lichtenstein	162,500	9 November 2007	0.104	0.50	9 November 2010	-
	162,500	9 November 2007	0.023	0.55	9 November 2011	-
	162,500	9 November 2007	0.028	0.60	9 November 2012	162,500

	Number of options granted during 2010	Grant date	Fair value per option at grant ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2010
EXECUTIVES						
Marc Lichtenstein	50,000	4 March 2010	0.0037	0.345	4 March 2013	50,000

No other options have been granted during the 2009 financial year or since the end of the current financial year to directors or key management personnel. The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date or termination of the individual's employment. In addition to a continuing employment service condition, there are no other performance hurdles that are required to be met for the options to be exercised.

The Company agreed to initially offer the options under the Plan, which were issued immediately prior to the listing of the Company on the Australian Stock Exchange in November 2007. The options will be issued in three equal tranches as follows:

(a) each option in the first tranche has an exercise price of $0.50 and will be capable of exercise at any time prior to the third anniversary of the issue date;

(b) each option in the second tranche has an exercise price of $0.55 and will be capable of exercise at any time in the period from the first anniversary of the issue date to the fourth anniversary of the issue date; and

(c) each option in the third tranche has an exercise price of $0.60 and will be capable of exercise at any time from the second anniversary of the issue date to the fifth anniversary of the issue date.

No other conditions attach to the exercise of the options which are the subject of this grant.

There were no options exercised in or since the end of the current financial year.

Modification of terms of equity-settled share based payment transactions – audited

No other terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

During the reporting period there were no options issued as compensation to any Directors or key management personnel that have lapsed or been forfeited.

Exercise of options granted as compensation - audited

During the reporting period there were no shares issued as a result of the exercise of options previously granted as compensation.

Analysis of options and rights over equity instruments granted as compensation – audited

Details of vesting profile of the options granted as remuneration to each key management person and director of the consolidated entity and each of the five named Company executives and Group executives are detailed below.

	Number of options granted	Grant date	% vested in year	% forfeited in year[(A)]	Financial years in which grant vests
DIRECTORS					
Ralph Pliner	65,000	9 November 2007	100	-	1 July 2007
	65,000	9 November 2007	100	-	1 July 2008
	65,000	9 November 2007	100	-	1 July 2009
Greg Toll	195,000	9 November 2007	100	-	1 July 2007
	195,000	9 November 2007	100	-	1 July 2008
	195,000	9 November 2007	100	-	1 July 2009
Peter Voigt	195,000	9 November 2007	100	-	1 July 2007
	195,000	9 November 2007	100	-	1 July 2008
	195,000	9 November 2007	100	-	1 July 2009
Jeremy Carter	78,000	9 November 2007	100	-	1 July 2007
	78,000	9 November 2007	100	-	1 July 2008
	78,000	9 November 2007	100	-	1 July 2009
Barry Lewin	32,500	9 November 2007	100	-	1 July 2007
	32,500	9 November 2007	100	-	1 July 2008
	32,500	9 November 2007	100	-	1 July 2009
EXECUTIVES					
Marc Lichtenstein	162,500	9 November 2007	100	-	1 July 2007
	162,500	9 November 2007	100	-	1 July 2008
	162,500	9 November 2007	100	-	1 July 2009
	50,000	4 March 2010	100	-	1 July 2009

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

Analysis of movements in options – audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person, and each of the five named Company executives and Group executives are detailed below.

			Value of options
	Granted in year $[(A)]	Exercised in year $[(B)]	Lapsed in year $[(C)]
Greg Toll	-	-	-
Peter Voigt	-	-	-
Jeremy Carter	-	-	-
Marc Lichtenstein	185	-	-

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period. No other options have been issued to any key management person or each of the five named Company executives and Group executives in the Group during the current financial year.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binominal option-pricing model assuming the performance criteria had been achieved. No options lapsed in the year.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under options are:

Expiry date	Exercise price	Number of shares	Expiry date	Exercise price	Number of shares
9 November 2010	$0.50	900,500	16 March 2012	$0.17	50,000
9 November 2011	$0.55	900,500	16 March 2013	$0.18	50,000
9 November 2012	$0.60	900,500	16 March 2014	$0.20	50,000
24 April 2011	$0.335	10,000	1 April 2012	$0.19	10,000
24 April 2012	$0.37	10,000	1 April 2013	$0.21	10,000
24 April 2013	$0.41	10,000	1 April 2014	$0.23	10,000
7 May 2011	$0.335	10,000	20 April 2012	$0.20	20,000
7 May 2012	$0.36	10,000	20 April 2013	$0.22	20,000
7 May 2013	$0.40	10,000	20 April 2014	$0.24	20,000
20 May 2011	$0.41	10,000	22 June 2012	$0.33	20,000
20 May 2012	$0.45	10,000	22 June 2013	$0.36	20,000
20 May 2013	$0.50	10,000	22 June 2014	$0.40	20,000
1 July 2012	$0.36	105,000	1 January 2013	$0.30	20,000
18 August 2011	$0.38	10,000	1 January 2014	$0.33	20,000
18 August 2012	$0.42	10,000	1 January 2015	$0.36	20,000
18 August 2013	$0.46	10,000	4 March 2013	$0.345	250,000
1 September 2011	$0.40	15,000	5 March 2013	$0.60	582,011
1 September 2012	$0.44	15,000	11 April 2013	$0.315	150,000
1 September 2013	$0.48	15,000	11 April 2014	$0.35	150,000
			11 April 2015	$0.385	150,000
Total outstanding options					**4,613,511**

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is not conditional on the Group achieving certain performance hurdles. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. Since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options. During the financial year the Company issued 10,000 shares as a result of employee options being converted into shares. The options had a strike price of 19 cents per share.

On 5 March 2010 582,011 options were issued as part of a share issue on a 1 for 3 basis. The terms and conditions associated with the issue of these options was the same as those of the initial employee options granted other then these options were issued at a strike price equal to 60 cents. The closing share price on the issue date was 31.5 cents. The options will be capable of exercise at any time in the period from the issue date to the third anniversary of the issue date.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made and signed in accordance with a resolution of the Directors.

Peter Voigt
Director

Melbourne

26 August 2010

AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

To the Directors of Clean TeQ Holdings Limited.

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001

(ii) No contraventions of any applicable code of professional conduct

S D WHITCHURCH
Partner

PITCHER PARTNERS
Melbourne

26 August 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 $'000	2009 $'000
Revenue	2	17,116	8,552
Changes in inventories of finished goods		663	-
Raw materials used and other direct costs		(10,389)	(4,501)
Employee benefits expense	3	(3,322)	(2,489)
Depreciation and amortisation expenses	3	(759)	(452)
Administration expenses		(588)	(406)
Marketing expenses		(281)	(202)
Finance costs	3	(36)	(2)
Other expenses		(593)	(262)
Profit before income tax expenses		1,811	238
Income tax (expense) / benefit	4	(477)	273
Profit from continuing operations		1,334	511
Profit for the period		1,334	511
Total comprehensive income for the period		1,334	511
Total comprehensive income attributable to owners of the Company		**1,334**	**511**
Earnings per share			
Basic (cents per share)	20	2.32	0.90
Diluted (cents per share)	20	2.18	0.85

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated	
		2010 $'000	2009 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	3,355	5,196
Trade and other receivables	7	2,531	1,539
Inventories	8	2,089	1,575
Total current assets		7,975	8,310
NON-CURRENT ASSETS			
Deferred tax assets	9	1,582	1,321
Plant and equipment	10	423	219
Intangible assets	11	12,235	8,925
Total non-current assets		14,240	10,465
Total assets		22,215	18,775
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	2,762	2,280
Loans and borrowings	13	28	14
Employee benefits	14	356	249
Other liabilities	15	1,070	1,024
Total current liabilities		4,216	3,567
NON-CURRENT LIABILITIES			
Loans and borrowings	13	93	32
Deferred tax liabilities	9	3,246	2,508
Employee benefits	14	29	57
Total non-current liabilities		3,368	2,597
Total liabilities		7,584	6,164
Net assets		14,631	12,611
EQUITY			
Issued capital	16	8,175	7,502
Retained earnings	17	6,256	4,922
Share option reserve	18	200	187
Total equity		**14,631**	**12,611**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 $'000	2009 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		17,804	8,400
Payments to suppliers and employees		(16,274)	(6,671)
Interest received		112	305
Borrowing costs paid		(36)	(2)
Taxes paid		(62)	(486)
Net cash provided by operating activities	19(a)	1,544	1,546
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		15	-
Acquisition of plant and equipment	10	(300)	(117)
Investment in subsidiaries net of cash acquired	22	(255)	-
Development expenditure acquired	11	(3,166)	(2,602)
Acquisition of other intangibles	11	(305)	(193)
Net cash used in investing activities		(4,011)	(2,912)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		552	-
Payment of finance lease		(5)	(4)
Proceeds from hire purchases		79	22
Net cash provided by financing activities		626	18
Net decrease in cash and cash equivalents		(1,841)	(1,348)
Cash and cash equivalents at beginning of year		5,196	6,544
Cash and cash equivalents at end of year	19(b)	**3,355**	**5,196**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Issued Capital	Retained earnings	Share Options Reserve	Total
		$'000	$'000	$'000	$'000
Balance at 1 July 2008		7,488	4,411	126	12,025
Transactions with owners in their capacity as owners					
Shares issued		14	-	-	14
Share based payments		-	-	61	61
		14	-	61	75
Profit for the period		-	511	-	511
Total comprehensive income for the year		-	511		
Balance at 30 June 2009		**7,502**	**4,922**	**187**	**12,611**
Balance at 1 July 2009		7,502	4,922	187	12,611
Transactions with owners in their capacity as owners					
Shares issued	16	571	-	-	571
Issue of ordinary shares related to business combination	16	100	-	-	100
Share based payments	18	-	-	13	13
Share options exercised	16	2	-	-	2
		673	-	13	686
Profit for the period	17	-	1,334	-	1,334
Total comprehensive income for the year		-	1,334	-	1,334
Balance at 30 June 2010		**8,175**	**6,256**	**200**	**14,631**

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clean TeQ Holdings Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The financial statements were approved by the Board of Directors on 25 August 2010.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report complies with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

(b) Basis of presentation

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the entire Group.

The financial report has been prepared on an accruals basis and is based on historical cost convention except for certain assets and liabilities which are stated at fair value as described in the accounting policies.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all entities in the consolidated entity.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the consolidated entity.

When a subsidiary makes a new issue of capital and the consolidated entity's percentage ownership changes, the share of retained profits and reserves is attributed to the Company and outside equity interest reflecting the new ownership interest. The adjustment is not reflected in net profit but as a direct adjustment to the specific equity accounts.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

The consolidated entity has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are only accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The consolidated entity has applied the acquisition method for the business combination disclosed in Note 22.

For every business combination, the consolidated entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The consolidated entity measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the consolidated entity. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination. If a business combination results in the termination of pre-existing relationships between the consolidated entity and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and services

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of units developed and built, transfer usually occurs when the product is received at the customer's site and or is commissioned ready for use.

Revenue from contracted services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the completion of key milestones in the contracts.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Interest

Interest revenue is recognised on a proportional basis taking into account the effective yield applicable to the financial assets.

Dividends

Revenue from dividends and distribution from controlled entities are recognised by the parent entity when they are declared by the controlled entities.

Technology licensing income

Technology licensing income is recognised based on the substance of the contractual arrangements entered into. Up front non-refundable fees for the right to utilise the technology, where the economic entity has no ongoing contractual obligations, are recognised fully in the income statement at the time the contractual commitment is entered into. Technology licensing fees where the licensee has the right to use the technology over a specified period of time or on a refundable basis is recognised in the income statement on a straight line basis over the agreed term of the Licence.

Sale of non-current assets

Gains on sale of non-current assets are included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the consolidated entity will comply with the conditions associated with the grant. In some instances government grants relating to specific research and development projects are recognised as a deduction in arriving at the carrying value of the asset. Grants that compensate the consolidated entity for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the consolidated entity for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(e) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest method, fees and charges attached to financing facilities. Borrowing costs are expensed as incurred and included in financing costs.

The interest expense components of finance lease payments are recognised in the income statement using the effective interest method.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Income tax

The income tax expense comprises current and deferred tax. The income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly-owned Australian resident entities, upon lodgement of the financial year ended 30 June 2008 income tax return, formed an income tax-consolidated group under the tax consolidation legislation with retrospective application from September 2007 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Clean TeQ Holdings Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any differences between these amounts are recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (o)).

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Work in progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the consolidated entity's contract activities based on normal operating capacity.

Work in progress is presented as part of inventory in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the statement of financial position.

(l) Plant and equipment

Owned assets

Items of plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy (o)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within "other income" in profit or loss.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the consolidated entity's statement of financial position.

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets are depreciated on both a straight line and a diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives in the current and comparative periods are as follows:

Factory equipment	2½ - 20 years	Diminishing value
Office furniture and equipment	2½ - 20 years	Diminishing value
Capitalised leased equipment	7 - 8 years	Diminishing value
Motor vehicle	5 - 6 years	Diminishing value

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually. When changes are made adjustments are reflected prospectively in current and future periods only.

(m) Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the consolidated entity intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the consolidated entity, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is measured at cost less accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed as incurred.

Amortisation

Amortisation is calculated over the cost of the asset less its residual value. Intangible assets other than capitalised development costs and goodwill are amortised from the date they are available for use. Capitalised development costs are amortised from

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

the date they are commercialised. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. In some instances specific capitalised development costs for material contracts are amortised over the expected earnings from the contract.

The estimated useful lives in the current and comparative periods are as follows:

Capitalised development cost	3 – 5 years
Patents	20 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(n) Investments

Investment in subsidiaries

Investments in unlisted shares of subsidiaries are carried in the Company's financial statements at the lower of cost and recoverable amount.

(o) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Trade and other payables

Trade and other payables are stated at their fair value at inception.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

(q) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost.

(r) Share capital

Ordinary share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(s) Employee benefits

Long-term service benefits

The consolidated entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the National Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

Share-based payment transactions

The Company's share option programme allows consolidated entity employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to the employee ceasing employment with the consolidated entity.

The Company's tax exempt share plan allows consolidated entity employees to acquire shares in the Company. The fair value of shares granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at share issue date.

AASB Interpretation 11 AASB 2: *Group and Treasury Share Transactions* deals with the treatment of share based transactions involving the equity instruments of the Company, has been applied by the consolidated entity in relation to its share option programme for employees. Accordingly, the fair value of options granted to employees is recognised by the subsidiary, the employing entity and the corresponding increase in equity through the Share option reserve is recognised by the Company.

(t) Provisions

A provision is recognised in the statement of financial position when the consolidated entity has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(u) Segment reporting

As of 1 July 2009 the consolidated entity determines and presents operating segments based on the information that internally is provided to the CEO, who is the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments.* Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting.* The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. All operating segments' operating results are regularly reviewed by the consolidated entity's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment and intangible assets other than goodwill.

(v) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(w) Critical accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

Impairment of goodwill

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on current financial forecasts and projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections are based on past performance and its expectation for the future.

Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the consolidated entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined.

Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(x) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the consolidated entity's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The consolidated entity has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the consolidated entity's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - *Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the consolidated entity's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14* make amendments to Interpretation 14 AASB 119 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements* removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the consolidated entity's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

NOTE 2: REVENUE

	Consolidated	
	2010 $'000	2009 $'000
Sale of goods and services	15,527	7,085
Interest received	112	305
Licence revenue	1,314	1,084
Other revenue	163	78
Total revenue	**17,116**	**8,552**

NOTE 3: PROFIT FROM CONTINUING OPERATIONS

	Consolidated	
	2010 $'000	2009 $'000
Profit from continuing operations before income tax expense has been determined after:		
EXPENSES:		
Cost of sales	9,726	4,501
Finance costs		
• external	36	2
Total finance costs	36	2
Depreciation of non-current assets		
• factory equipment	4	6
• office equipment and furniture	60	61
• motor vehicles	20	4
• capitalised leased assets	3	2
Total depreciation	87	73
Amortisation of non current assets:		
• capitalised development costs	641	357
• other intangibles assets	31	22
Total amortisation	672	379
Total depreciation and amortisation	**759**	**452**
Employee benefit expenses:		
• wages and salaries	2,513	1,810
• employee entitlements expense including movements in provision for employee entitlements	79	111
• superannuation	215	165
• equity settled share based payments	34	75
• other costs	481	328
	3,322	**2,489**
Rental expense on operating leases		
• minimum lease payments	168	84

NOTE 4: INCOME TAX

	Consolidated	
	2010 $'000	2009 $'000
(A) RECOGNISED IN THE INCOME STATEMENT COMPONENTS OF TAX EXPENSE:		
Current tax expense/(benefits)	-	-
Deferred tax	477	(271)
Over provision for prior year	-	(2)
Total income tax expenses/(benefits) in income statement	**477**	**(273)**
(B) NUMERICAL RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX NET PROFIT		
Profit before tax	1,811	238
Income tax using the domestic corporation tax rate of 30% (2009: 30%)	543	71
Increase in income tax due to:		
• Non-deductible expenses	51	27
Decrease in income tax due to:		
• Concessional R&D deduction	(115)	(364)
• Other concessional deduction	(2)	(7)
• Income tax expense/(benefits) on pre-tax net profit	**477**	**(273)**
(C) DEFERRED INCOME TAX RELATED TO ITEMS CREDITED/(DEBITED) DIRECTLY TO EQUITY		
Tax savings on equity raising cost	(75)	(75)

NOTE 5: DIVIDENDS

No dividends are paid or proposed for ordinary shares during the current and previous financial year. No dividends have been proposed since the end of the current financial year.

Dividend franking account

	Consolidated	
	2010 $'000	2009 $'000
30 per cent franking credits available to shareholders of Clean TeQ Holdings Limited for subsequent financial years	557	495

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has not assumed the benefit of franking credits in the current financial year $556,579(2009: $494,928).

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2010 $'000	2009 $'000
Cash at bank	1,679	1,496
Short-term deposits at bank	1,676	3,700
	3,355	**5,196**

The effective interest rate on short-term bank deposits at 30 June 2010 was 5.37% (2009:4%). These deposits have an average maturity of 60 to 90 days. An amount of $1,676,000 (2009:$1,676,000) is held on a short term deposit as security for any guarantees or short-term credit requirements of the Group.

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010 $'000	2009 $'000
CURRENT		
Trade debtors	2,442	1,426
Other debtors	89	113
	2,531	**1,539**

NOTE 8: INVENTORIES

	Consolidated	
	2010 $'000	2009 $'000
Raw materials at net realisable value	475	390
Work in progress at cost	873	1,107
Finished goods at cost	741	78
	2,089	**1,575**

The balance of raw materials at 30 June 2010 includes $608,013 (2009: $608,013) cost of grape skin extract. During the 2007 financial year management has determined that the net realisable value of these raw materials be written down to $303,500. At 30 June 2010 management has determined that $303,500 is still an appropriate net realisable value of the raw materials.

NOTE 9: DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
CONSOLIDATED						
Acquisition cost	3	4	-	-	3	4
Unearned interest	-	-	(5)	(14)	(5)	(14)
Intangible assets	-	-	(3,229)	(2,494)	(3,229)	(2,494)
Employee benefits	118	92	-	-	118	92
Capital raising costs	149	224	-	-	149	224
Deferred income	234	-	-	-	234	
Unused tax losses	1,078	1,001	-	-	1,078	1,001
Unrealised exchange gain	-	-	(12)	-	(12)	
Net tax assets / (liabilities)	**1,582**	**1,321**	**(3,246)**	**(2,508)**	**(1,664)**	**(1,187)**

NOTE 10: PLANT AND EQUIPMENT

					Consolidated
	Factory equipment	Office furniture and equipment	Motor vehicles	Capitalised leased equipment	Total
	$'000	$'000	$'000	$'000	$'000
COST					
Balance at 1 July 2008	37	184	24	21	266
Acquisitions	5	83	29	-	117
Reclassification	(13)	13	-	-	-
Balance at 30 June 2009	29	280	53	21	383
Balance at 1 July 2009	29	280	53	21	383
Acquisitions	167	31	102	-	300
Acquisitions through business combinations	-	4	-	-	4
Disposal	-	(4)	(24)	-	(28)
Reclassification	(1)	1	-	-	-

NOTE 10: PLANT AND EQUIPMENT CONTINUED

					Consolidated
	Factory equipment	Office furniture and equipment	Motor vehicles	Capitalised leased equipment	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2010	195	312	131	21	659
DEPRECIATION					
Balance at 1 July 2008	12	68	10	1	91
Depreciation for the year	6	61	4	2	73
Reclassification	(9)	9	-	-	-
Balance at 30 June 2009	9	138	14	3	164
Balance at 1 July 2009	9	138	14	3	164
Depreciation for the year	4	60	20	3	87
Disposal	-	(1)	(14)	-	(15)
Reclassification	(1)	1	-	-	-
Balance at 30 June 2010	12	198	20	6	236
CARRYING AMOUNTS					
At 30 June 2009	20	142	39	18	219
At 30 June 2010	**183**	**114**	**111**	**15**	**423**

NOTE 11: INTANGIBLE ASSETS

					Consolidated
	Capitalised develop-ment costs	Licenses	Goodwill	Patents and trade marks	Total
	$'000	$'000	$'000	$'000	$'000
COST					
Balance at 1 July 2008	8,090	121	-	366	8,577
Acquisitions - internally developed	2,602	-	-	-	2,602
Other acquisitions	-	-	-	193	193
Balance at 30 June 2009	10,692	121	-	559	11,372
Balance at 1 July 2009	10,692	121	-	559	11,372
Acquisitions - internally developed	3,166	-	-	-	3,166
Reclassification to inventory	(72)	-	-	-	(72)
Acquisitions through business combinations	-	-	405	-	405

					Consolidated
	Capitalised development costs	Licenses	Goodwill	Patents and trade marks	Total
	$'000	$'000	$'000	$'000	$'000
Other acquisitions	-	399	-	84	483
Balance at 30 June 2010	13,786	520	405	643	15,354
AMORTISATION					
Balance at 1 July 2008	2,024	-	-	44	2,068
Amortisation for the year	357	-	-	22	379
Balance at 30 June 2009	2,381	-	-	66	2,447
Balance at 1 July 2009	2,381	-	-	66	2,447
Amortisation for the year	641	-	-	31	672
Balance at 30 June 2010	3,022	-	-	97	3,119
CARRYING AMOUNTS					
At 30 June 2009	8,311	121	-	493	8,925
At 30 June 2010	**10,764**	**520**	**405**	**546**	**12,235**

Development costs that relate to the pre-commercialisation of a product have not been amortised. To the extent that revenue is derived from development costs and commercialisation has been reached, amortisation has been recognised.

The Capitalised Development Costs are reviewed on a six monthly basis to ensure that the projects will give rise to future economic benefits for the Group. If any project is unlikely to give rise to a future economic benefit it is expensed and written off immediately. As a result of impairment testing no impairment losses have been identified in the current or prior financial years.

The Clean-iX® Water Recycling project is material to the financial statements. This project has a cost to date of $1,676,749 (2009: $1,572,570). The capitalised development costs associated with the use of the Clean-iX® technology as a pre-treatment to reverse osmosis project has a cost to date of $1,773,649 (2009: $146,596) is also material to the financial statements. The capitalised development costs associated with the use of the Clean-iX® technology in the uranium resource recovery process of $2,326,722 (2009: $1,807,533) and the similar separation technology used to develop nutraceuticals with a capitalised cost incurred over a 6 year period of $1,472,500 (2009: $1,421,417) are material capitalised development costs. These projects have not been commercialised to date and accordingly have not begun to be amortised at 30 June 2010. No other projects are deemed to be material to the financial statements.

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $'000	**2009 $'000**
CURRENT		
Unsecured liabilities		
Trade creditors	1,781	2,011
Sundry creditors and accruals	981	269
	2,762	**2,280**

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in Note 33. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the Deed are set out in Note 33.

NOTE 13: LOANS AND BORROWINGS

	Consolidated	
	2010 $'000	**2009 $'000**
CURRENT		
Secured liabilities		
Finance lease liability	6	5
Hire purchase liability	22	9
	28	**14**
NON-CURRENT		
Secured liabilities		
Finance lease liability	5	10
Hire purchase liability	88	22
	93	**32**

Finance leases

During the current and comparative financial year the consolidated entity did not enter into any new finance leases. The existing finance lease expires within 2 years. The interest rate for this finance leases is 10.05%. At the conclusion of the lease period the consolidated entity has the ability to acquire the equipment at the residual value.

Hire purchases

During the financial year the consolidated entity has entered into three hire purchases expiring within 4 years. The interest rates for the hire purchases vary between 9.5% to 10.2%. During the comparative financial year the consolidated entity entered into a hire purchase expiring within 4 years. The interest rate for this hire purchase is 6.9%.

NOTE 14: EMPLOYEE BENEFITS

	Consolidated 2010 $'000	Consolidated 2009 $'000
CURRENT		
Employee benefits		
Liability for long service leave	154	96
Liability for annual leave	202	153
	356	249
NON-CURRENT		
Employee benefits		
Liability for long service leave	29	57
Aggregate employee benefits liability	**385**	**306**
Employees at year end	**37**	**30**

NOTE 15: OTHER LIABILITIES

	Consolidated 2010 $'000	Consolidated 2009 $'000
CURRENT		
Deferred income	**1,070**	**1,024**

The deferred income balance at 30 June 2010 consists of $132,413 which relates to Air Pollution Control sales contracts and $158,020 for Water Pollution Control sales contracts. Income had been received for projects that were incomplete at the end of the financial year. Commonwealth government grant money received associated with the Climate Ready project of $779,250 has also been recognised as deferred income. Until such time as the related capitalised research and development is commercialised, the grant money will then be recognised through the profit and loss over the useful life of the asset.

The deferred income balance at 30 June 2009 consists of $400,120 which relates to Air Pollution Control sales contracts. Income had been received for projects that were incomplete at the end of the financial year. Licence fees associated with the Nickel Cobalt Resin-in-Pulp project of $623,750 have been received in advance as at 30 June 2009.

NOTE 16: ISSUED CAPITAL

	Note	Consolidated	
		2010 $'000	2009 $'000
58,702,827 (2009:56,547,070) fully paid ordinary shares	16(a)	**8,175**	**7,502**
(a) Ordinary shares			
At the beginning of reporting period		7,502	7,488
Shares issued during the year			
• Shares issued as part of the employee share scheme 65,835 (2009:42,812) shares		21	14
• Shares issued as part of the business combination 333,890 (2009:Nil) shares		100	-
• Shares issued as a result of exercising employee options 10,000 (2009:Nil) shares		2	-
• Shares issued to an institutional investor via a private placement 1,746,032 (2009:Nil) shares		550	-
At reporting date		**8,175**	**7,502**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and receive the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Company does not have authorised capital or par value in respect of its shares.

(b) Options

(i) For information relating to share options issued to employees during the financial year, refer to Note 18.

NOTE 17: RETAINED EARNINGS

	Consolidated	
	2010 $'000	2009 $'000
Retained profits at the beginning of the financial year	4,922	4,411
Net profit attributable to members of the entity	1,334	511
Retained profits at reporting date	**6,256**	**4,922**

NOTE 18: OPTION RESERVE AND SHARE BASED PAYMENTS

	Consolidated	
	2010 $'000	2009 $'000
Balance at the beginning of the financial year	187	126
Current year provision	13	61
Balance at the reporting date	**200**	**187**

On 24 September 2007 the Company introduced a share option plan for employees, directors and service providers of Clean TeQ ("the Plan"). The Plan entitles key management personnel, service providers and employees to purchase shares in the Company. The Company agreed to initially offer 3,081,000 options under the Plan which was issued immediately prior to the listing of the Company on the Australian Stock Exchange on 9 November 2007. The initial grant of options was issued in three equal tranches as follows:

(a) each option in the first tranche has an exercise price of $0.50 and will be capable of exercise at any time prior to the third anniversary of the issue date;

(b) each option in the second tranche has an exercise price of $0.55 and will be capable of exercise at any time in the period from the first anniversary of the issue date to the fourth anniversary of the issue date; and

(c) each option in the third tranche has an exercise price of $0.60 and will be capable of exercise at any time from the second anniversary of the issue date to the fifth anniversary of the issue date.

No other conditions attach to the exercise of the options which are the subject of this initial grant. During the period 1 July 2009 to 30 June 2010 a further 760,000 (2009: 615,000) options were issued to new employees who had completed 6 months continuous service with the Group. The terms and conditions associated with the issue of these options was the same as those of the initial options granted other than the exercise price of the option which was decreased to the share price on the date of issue for the first tranche. The exercise price for the second and third tranche of options included a 10% increase per tranche in strike price of the option.

During the course of the year 60,000 and 450,000 options were issued on 1 January 2010 and 11 April 2010 respectively in accordance with the same terms and conditions of the initial options granted at the date of listing.

On 4 March 2010 250,000 options were issued to some existing employees based on their performance. The terms and conditions associated with the issue of these options was the same as those of the initial options granted other than these options were issued at a strike price equal to the closing share price on 30 June 2009 of 34.5 cents. The closing share price on the issue date was 26.5 cents. The options will be capable of exercise at any time in the period from the issue date to the third anniversary of the issue date.

On 5 March 2010 582,011 options were issued as part of the share issue on a 1 for 3 basis. The terms and conditions associated with the issue of these options was the same as those of the initial options granted other then these options were issued at a strike price equal to 60 cents. The closing share price on the issue date was 31.5 cents. The options will be capable of exercise at any time in the period from the issue date to the third anniversary of the issue date.

Furthermore, 120,000 options were issued to existing employees on 1 July 2008 based on the performance of these employees. The terms and conditions associated with the issue of these options was the same as those of the initial options granted other then these options were issued at a strike price equal to the share price on the date of issue plus 10% which is 36 cents.

NOTE 18: OPTION RESERVE AND SHARE BASED PAYMENTS CONTINUED

Since the initial issue of options and to the date of this report 834,500 options have lapsed as a result of employees ceasing their employment with the Group and electing not to exercise their options. During the financial year ended 30 June 2010, 371,000 (2009: 336,000) options have lapsed as a result of employees ceasing their employment with the Group and electing not to exercise their options.

On 29 January 2010 10,000 employee options with an issue and strike price of 19 cents were exercised. There were no other options exercised in or since the end of the current financial year.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2010	Weighted average exercise price 2009	Number of options 2010	Number of options 2009
Outstanding at beginning of the year	$0.50	$0.54	3,780,000	3,246,000
Forfeited during the period	$0.42	$0.46	(371,000)	(201,000)
Exercised during the period	$0.19	-	10,000	-
Granted during the period	$0.46	$0.32	1,342,011	735,000
Expired during the period	-	-	-	-
Outstanding at year end	$0.49	$0.50	4,741,011	3,780,000
Exercisable at year end	**$0.51**	**$0.49**	**4,276,011**	**2,270,000**

The options outstanding at 30 June 2010 have an exercise price in the range of $0.17 to $0.60 (2009: $0.17 to $0.60) and a weighted average contractual life of 2 years (2009: 3 years).

The following factors and assumptions were used in determining the fair value of options on grant date during the current financial year:

Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Dividend yield
1 January 2010	1 January 2013	4 cents	$0.30	$0.30	8%	4.5%	-
1 January 2011	1 January 2014	3 cents	$0.33	$0.30	8%	4.5%	-
1 January 2012	1 January 2015	3 cents	$0.36	$0.30	8%	4.5%	-
11 April 2010	11 April 2013	4 cents	$0.315	$0.315	8%	4.5%	-
11 April 2011	11 April 2014	3 cents	$0.35	$0.315	8%	4.5%	-
11 April 2012	11 April 2015	3 cents	$0.385	$0.315	8%	4.5%	-
4 March 2010	4 March 2013	0.4 cents	$0.345	$0.265	8%	4.5%	-
5 March 2010	5 March 2013	0 cents	$0.60	$0.315	8%	4.5%	-

The risk free interest rate has increased over the period as new options were granted to employees after they had met the employment service eligibility criteria to be granted options. The risk free interest rate has been increased to 4.5% (2009: 3%) for options granted during the 2010 financial year. The estimated volatility for new options granted during the period has decreased to 8%. All other factors and assumptions have remained constant during the current financial year in comparison to prior years.

NOTE 19: CASH FLOW INFORMATION

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Reconciliation of the net profit / (loss) after tax to the net cash flows from operations		
Net profit after income tax	1,334	511
Non-Cash Items:		
Depreciation of non-current assets	87	73
Amortisation of non-current assets	672	379
Share based payments	34	75
Profit on sale of non-current assets	(2)	-
Licence fee recognised in other creditors	(178)	-
Changes in assets and liabilities:		
Increase in trade and other receivables	(992)	(575)
Increase in inventory	(442)	(1,007)
Increase in trade and other creditors	381	1,727
Increase in deferred tax assets	(261)	(947)
Increase in deferred revenue	46	1,012
Decrease in current tax liabilities	-	(488)
Increase in deferred tax liabilities	739	676
Increase in employee entitlements	79	110
Net assets increase due to acquisition	47	-
Net cash inflow from operating activities	**1,544**	**1,546**
(b) Reconciliation of cash		
Cash balance comprises:		
• Cash at bank	1,679	1,496
• Call deposits	1,676	3,700
	3,355	**5,196**

(c) Non cash financing and investing activities

During the current year, the Company undertook the following non cash transactions:

(i) Investment in controlled entities totalling $100,000 (2009: $Nil) settled by the issue of parent entity shares.

(d) Financing facilities

At 30 June 2010 the Group has $1,676,000 (2009:$1,676,000) of various debt facilities with its principle banker. An amount of $1,676,000 (2009: $1,676,000) is maintained on an interest bearing deposit as security for this facility which is classified as deposits on call. At balance date an amount of $1,407,370 (2009: $1,260,601) was provided as guarantees for work in progress at 30 June 2010. At 30 June 2010 a Letter of Credit of $Nil (2009: $26,042) was outstanding. The balance being $268,630 (2009: $389,357) of this facility remained unused at year end.

At 30 June 2010 the Group has approved finance lease facilities of $144,791 (2009: $52,978) in place for equipment leases. An amount of $144,791 was drawn down under this facility at 30 June 2010 (2009: $52,978).

NOTE 20: EARNINGS PER SHARE

	Consolidated	
	2010 $'000	2009 $'000
(a) Reconciliation of earnings to net profit or loss		
Net profit after tax	1,334	511
Earnings used in the calculation of basic earnings per share	1,334	511
Earnings used in the calculation of dilutive earnings per share	1,334	511
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	57,446,059	56,547,070
Weighted average number of options outstanding	3,997,362	3,447,699
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share	61,443,421	59,994,769

(c) Classification of securities

The options have been classified as potential ordinary shares and are included in the determination of dilutive earnings per share.

NOTE 21: COMMITMENTS AND CONTINGENCIES

	Consolidated	
	2010 $'000	2009 $'000
(i) Operating lease (non-cancellable)		
Minimum lease payments		
• Less than one year	143	122
• Between one and five years	609	-
	752	**122**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. Rental provisions within the lease arrangement require that the minimum lease payments shall be increased by 3.5% per annum and building outgoings by 3% per annum.

An option exists to renew the lease at the end of the five year term for an additional term of five years. The lease allows for subletting of all lease areas with the Landlord's consent. The current lease term commenced on 20 June 2010 and ends on 19 June 2015.

	Consolidated	
	2010 $'000	2009 $'000
(ii) Finance leases		
Minimum lease payments		
• Less than one year	6	6
• Between one and five years	6	11
	12	17
Less future finance charges	(1)	(2)
Total lease liability	**11**	**15**

During the current and comparative financial year the consolidated entity has not entered into any new finance leases. The existing finance lease expires within 2 years. The interest rate for the finance lease is 10.05%. At the conclusion of the lease period the consolidated entity has the ability to acquire the equipment at the residual value.

	Consolidated	
	2010 $'000	2009 $'000
(iii) Hire purchases		
Minimum hire purchase payments		
• Less than one year	32	11
• Between one and five years	101	24
	133	35
Less future finance charges	(23)	(4)
Total hire purchase liability	**110**	**31**

During the current financial year the consolidated entity has entered into three hire purchases expiring within 4 years. The interest rate for the hire purchases varies from 9.5% to 10.2%.

During the comparative financial year the Group has entered into a hire purchase agreement expiring within 4 years. The interest rate for the higher purchase is 6.9%.

(b) Contingent liabilities

The parent entity Clean TeQ Holdings Limited is required to pay an earn-out of approximately $100,000 to the vendors of UV-Guard Australia Pty Ltd if certain performance hurdles are achieved during the financial year ending 30 June 2011. Refer to Note 22 for more information regarding the earn-out. Neither the consolidated entity nor the Company have any other known contingent liabilities at the date of this report.

NOTE 22: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the financial year ended 30 June 2010 the Company entered into an agreement with UV-Guard Australia Pty Ltd ("UV-Guard") to acquire all of the shares in this Company. The acquisition has been settled by the issue of 333,890 Clean TeQ ordinary shares at an issue price of $0.2995 per share and $350,000 paid in cash.

The Company has agreed to pay the acquiree additional consideration of approximately $100,000 in each of the next two financial years if the acquiree's gross profits exceeds a predetermined level. The first instalment of the additional consideration is expected to become payable and thus has been included in the consideration at the acquisition date. In light of the uncertainty in the future performance of UV-Guard there is no certainty that at the acquisition date the second instalment of the additional consideration will become payable and therefore no amount has been included as additional consideration at the acquisition date.

As a result of UV-Guard Australia Pty Ltd exceeding its performance targets for the financial year ending 30 June 2010 additional consideration of $87,402 will become due and payable within 14 days of the 30 June 2010 audited financial report being completed. This amount has been expensed in the profit and loss.

UV-Guard is a Sydney based Australian company that specialises in the design, sale and distribution of ultra violet disinfection products that are used in the water and wastewater industries. The goodwill from the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the acquiree into the Group's existing water business.

The consolidated entity incurred acquisition related costs of $7,400 relating to external legal fees and due diligence costs. These legal fees and due diligence costs have been included in other expenses in the consolidated entity's consolidated statement of comprehensive income.

Acquisitions

Name	Date acquired	Consolidated entity's interest	Consideration $'000	Contribution to consolidated net profit/(loss) 2010 $'000
UV-Guard Australia Pty Ltd	1 July 2009	100%	$550	$434

Effect of acquisitions

The following is the fair value of the net assets of UV-Guard acquired by Clean TeQ in accordance with AASB 3; Business Combinations:

	Fair values 2010 $'000
Property plant and equipment	4
Inventories	230
Trade and other receivables	222
Cash and cash equivalents	95
Deferred tax assets	4
Trade and other payables	(256)
Provisions	(66)
Deferred Income	(10)
Loans and borrowings	(78)
Net identifiable assets and liabilities	145
Goodwill on acquisition	405
	550
Consideration paid in cash	350
Consideration paid via share issue	100
Contingent consideration (2010)	100
Total acquisition cost	**550**

Fair values and the carrying amount of all the assets and liabilities acquired during the period are identical.

All of the shares of UV-Guard New Zealand Limited were obtained on 28 April 2010 for $78 when the company was incorporated. This company has incurred a loss of $22,532 during the year ended 30 June 2010.

All of the shares of Clean TeQ Asian Pacific Limited, LiXiR Functional Foods Pty Ltd and Clean TeQ Water Pty Ltd were acquired on 13 November 2009, 16 April 2009 and 1 May 2009 respectively for $1 each. These companies were dormant during the years ended 30 June 2010 and 30 June 2009.

Disposals

No entities within the consolidated group were disposed of during the financial years ended 30 June 2010 or 30 June 2009.

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

DIRECTORS	
Ralph Pliner	Non-Executive Chairman
Greg Toll	Executive Director and Chief Executive Officer
Peter Voigt	Executive Director
Jeremy Carter	Executive Director
Barry Lewin	Non-Executive Director retired 25 May 2010
Bob Cleary	Non-Executive Director from 01 June 2010
Roger Harley	Non-Executive Director from 01 June 2010
EXECUTIVES	
Marc Lichtenstein	Company Secretary and Chief Financial Officer

There were no other executives in the consolidated group that met the definition of an executive or key management personnel in accordance with the Corporations Act 2001 or the Australian Accounting Standards.

(b) Remuneration of key management personnel

The key management personnel compensation included in 'employee benefit expenses' is as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
Short-term employee benefits	985	1,015
Post-employment benefits	78	73
Share-based payments	7	26
	1,070	**1,114**

The key management personnel receive no compensation in relation to the management of the Company. Key management personnel are compensated for management of the Group not the Company.

Information regarding individual directors and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

NOTE 24: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) Details concerning share-based compensation of directors and executives

In accordance with the remuneration policy described above, options granted as remuneration are subject to continuing service with the Company. Options granted as remuneration are valued at grant date in accordance with AASB 2 *Share-based Payments*. No options previously granted as remuneration have lapsed or been exercised during the year.

(b) Shares issued on exercise of compensation options

There have been no shares issued on exercise of compensation options to key management personnel.

(c) Number of options held by key management personnel

The movement during the reporting period in the number of options over ordinary shares in Clean TeQ Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010	Held at 1 July 2009	Granted as compensation	Options exercised	Other changes*	Held at 30 June 2010	Vested during the year	Vested and exercisable at 30 June 2010
DIRECTORS							
Ralph Pliner	195,000	-	-	-	195,000	65,000	195,000
Greg Toll	585,000	-	-	-	585,000	195,000	585,000
Peter Voigt	585,000	-	-	-	585,000	195,000	585,000
Jeremy Carter	234,000	-	-	-	234,000	78,000	234,000
Barry Lewin	97,500	-	-	-	97,500	32,500	97,500
Roger Harley	-	-	-	-	-	-	-
Bob Cleary	-	-	-	-	-	-	-
EXECUTIVES							
Marc Lichtenstein	487,500	50,000	-	-	537,500	162,500	537,500

2009	Held at 1 July 2008	Granted as compensation	Options exercised	Other changes*	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
DIRECTORS							
Ralph Pliner	195,000	-	-	-	195,000	65,000	130,000
Greg Toll	585,000	-	-	-	585,000	195,000	390,000
Peter Voigt	585,000	-	-	-	585,000	195,000	390,000
Jeremy Carter	234,000	-	-	-	234,000	78,000	156,000
Barry Lewin	97,500	-	-	-	97,500	32,500	65,000
EXECUTIVES							
Marc Lichtenstein	487,500	-	-	-	487,500	162,500	325,000

* Other changes represent options that expired or were forfeited during the year.

No options were issued to any key management personnel during the 2009 financial year. No options held by key management personnel are vested but not exercisable at 30 June 2009 or 2010. No options were held by key management person related parties.

NOTE 24: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS CONTINUED

(d) Number of shares held by key management personnel

The movement during the reporting period in the number of ordinary shares in Clean TeQ Holdings Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2010	Held at 1 July 2009	Conversion	Granted as compensation	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
DIRECTORS							
Ralph Pliner	50,000	-	-	-	-	-	50,000
Greg Toll	7,931,345	-	3,135	-	-	-	7,934,480
Peter Voigt	19,743,859	-	3,135	-	-	6,000	19,740,994
Jeremy Carter	5,890,310	-	-	-	-	-	5,890,310
Barry Lewin	200,000	-	-	-	-	-	200,000
Roger Harley	-	-	-	-	-	-	-
Bob Cleary	-	-	-	-	-	-	-
EXECUTIVES							
Marc Lichtenstein	124,000	-	13,135	-	-	-	137,135

2009	Held at 1 July 2008	Conversion	Granted as compensation	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
DIRECTORS							
Ralph Pliner	50,000	-	-	-	-	-	50,000
Greg Toll	7,936,287	-	3,058	-	-	8,000	7,931,345
Peter Voigt	19,740,801	-	3,058	-	-	-	19,743,859
Jeremy Carter	5,890,310	-	-	-	-	-	5,890,310
Barry Lewin	200,000	-	-	-	-	-	200,000
EXECUTIVES							
Marc Lichtenstein	124,000	-	-	-	-	-	124,000

During the course of the current and prior years shares have been granted as compensation to all employees who met the qualifying requirements in accordance with the Company's Tax Exempt Share Plan. No shares were held by related parties of key management personnel other than as reflected above.

NOTE 25: LOANS TO AND FROM KEY MANAGEMENT PERSONNEL

There were no loans provided to key management personnel and or their related parties in the 2010 and 2009 financial years.

NOTE 26: RELATED PARTY DISCLOSURES

(a) Director-related entity transactions

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Mr Barry Lewin is the founder and Managing Director of SLM Corporate. During the current year, SLM Corporate has acted as corporate advisor for Clean TeQ providing advisory services on an arms length basis. SLM acted as an advisor to Clean TeQ in its IPO and also provided advisory services on an arms length basis in the previous financial year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms. Total fees paid/payable to SLM Corporate whilst Mr Barry Lewin was a Director of the Company are as follows:

	Consolidated	
	2010 $'000	2009 $'000
Total fees paid / payable	**20**	**45**

(b) Equity instruments of directors

Interests at balance date

Interests in the equity instruments of Clean TeQ Holdings Limited held by directors of the reporting entity and their personally related entities are disclosed in Note 24(d).

(c) Other related party transactions

From time to time directors of the Group may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by the other Group employees or customers.

NOTE 27: AUDITOR'S REMUNERATION

	Consolidated	
	2010 $	2009 $
AUDIT SERVICES		
Auditors of the Company		
Pitcher Partners		
Audit and review of financial reports	106,500	104,500
	106,500	**104,500**
OTHER SERVICES		
Pitcher Partners		
Other assurance services	2,105	-
General advice	3,150	1,625
Taxation services	17,890	19,625
	23,145	**21,250**

Other assurance services undertaken by Pitcher Partners include the review of the costs incurred and activities undertaken by the Company in relation to the Climate Ready Grant.

NOTE 28. SEGMENT INFORMATION

Business segments

The consolidated entity has three reportable segments, as described below, which are the consolidated entity's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the consolidated entity's CEO reviews internal management reports on at least a monthly basis.
The following summary describes the operations in each of the consolidated entity's reportable segments:

Air Purification

This has been the core business of the Company since 1990. Clean TeQ provides biological and energy efficient air purification and odour elimination solutions to municipal and statutory authorities and industrial companies.

Water Purification

Clean TeQ's suite of water innovations, such as functionally active resins, membranes and biological reactors, alone and in combination, filter, separate and purify polluted waters to a standard suitable for drinking, agriculture, recreation or industrial use. Clean TeQ is currently offering and further developing a suite of technologies for use in the purification and recycling of waste water and the desalination of brackish water to produce high quality industrial water. Clean TeQ also specialises in the design, sale and distribution of ultra violet disinfection products that are used in the water and wastewater industries.

Resource Recovery

Through its Clean-iX® Technology the Company aims to provide cost effective extraction techniques which are intended to enable a higher recovery rate of valuable ores, while having less environmental impact. This technology utilises an ion exchange process together with specially designed equipment and resin which can be used in the extraction process of a range of resources, including base metals, precious metals and radioactive elements (such as uranium).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the consolidated entity's CEO. Segment profit 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. Inter-segment pricing is determined on an arm's length basis.

Geographical segments

Geographically, the Group operates predominately in Australia.

Information about reportable segments

Business segments	Air	Resource Recovery	Water	Other	Consolidated
	2010 $'000	2010 $'000	2010 $'000	2010 $'000	2010 $'000
External revenue	9,097	4,467	3,190	362	17,116
Segment revenue	9,097	4,467	3,190	362	17,116
Segment results	2,181	3,141	1,735	333	7,390

Business segments	Air	Resource Recovery	Water	Other	Consolidated
	2010 $'000	2010 $'000	2010 $'000	2010 $'000	2010 $'000
Unallocated expenses					(5,579)
Income tax expenses					(477)
Profit for the year					1,334
Segment assets	2,325	5,242	6,349	-	13,916
Unallocated assets					8,299
Total assets					22,215
Segment liabilities	132	-	1,369	-	1,501
Unallocated liabilities					6,083
Total liabilities					7,584
Other segment information:					
Capital expenditure including capitalised development expenditure	109	1,727	565	512	2,913
Amortisation of intangibles	**52**	**620**	**-**	**-**	**672**

Business segments	Air	Resource Recovery	Water	Other	Consolidated
	2009 $'000	2009 $'000	2009 $'000	2009 $'000	2009 $'000
External revenue	6,087	1,394	693	378	8,552
Segment revenue	6,087	1,394	693	378	8,552
Segment results	2,004	1,312	363	372	4,051
Unallocated expenses					(3,813)
Income tax benefit					273
Profit for the year					511
Segment assets	2,384	4,531	2,654	-	9,569
Unallocated assets					9,206
Total assets					18,775
Segment liabilities	2,207	703	27	-	2,937
Unallocated liabilities					3,227
Total liabilities					6,164
Other segment information:					
Capital expenditure including capitalised development expenditure	109	1,727	565	512	2,913
Amortisation of intangibles	**22**	**335**	**-**	**-**	**357**

The magnitude of the unallocated portion of the segment results is a result of the Group incurring a significant amount of expenses that can not be directly attributable on a reasonable basis to any one segment.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments.*

NOTE 29: FINANCIAL INSTRUMENTS

Exposure to interest rate, credit and currency risks arises in the normal course of the Group business.

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial instruments	Floating interest rate		Fixed interest rate maturing in:					
			1 year or less		Over 1 to 5 years		More than 5 years	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(i) Financial assets								
Cash	1,679	1,496	1,676	3,700	-	-	-	-
Trade and other receivables	-	-	-	-	-	-	-	-
Total financial assets	1,679	1,496	1,676	3,700	-	-	-	-
(ii) Financial liabilities								
Trade creditors	-	-	-	-	-	-	-	-
Other creditors	-	-	-	-	-	-	-	-
Hire purchase liability	-	-	22	9	88	22	-	-
Finance lease liability	-	-	6	5	5	10	-	-
Employee benefits	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	28	14	93	32	-	-

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

The consolidated entity's investments in variable-rate debt securities and its variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not exposed to interest rate risk.

Non-interest bearing		Total carrying amount as per the Balance Sheet		Weighted average effective interest rate	
2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 %	2009 %
-	-	3,355	5,196	4.47	6.21
2,531	1,539	2,531	1,539		
2,531	1,539	5,886	6,735		
1,781	2,011	1,781	2,011		
981	269	981	269		
-	-	110	31	9.21	6.90
-	-	11	15	10.05	10.05
385	306	385	306		
3,147	2,586	3,268	2,632		

NOTE 29: FINANCIAL INSTRUMENTS CONTINUED

(b) Credit risk exposures

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

	Consolidated	
	2010 $'000	2009 $'000
Ageing of debtors analysis		
0 - 30 days	1,916	906
31 - 60 days	169	291
60 - 90 days	340	1
90+ days	17	227
	2,442	**1,426**

Normal trading terms are 30 days from month end. Amounts outstanding beyond normal trading terms do not have a history of default and thus management is of the view that no debtors are impaired at 30 June 2009 or 30 June 2010 and thus should be provided for.

(c) Net fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

NOTE 30: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2010	Percentage Owned 2009
PARENT ENTITY:			
Clean TeQ Holdings Limited	Australia		
SUBSIDIARIES OF CLEAN TEQ HOLDINGS LIMITED			
Clean TeQ Limited	Australia	100%	100%
Resix Pty Ltd	Australia	100%	100%
CT Global Holdings Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Clean TeQ Water Pty Ltd	Australia	100%	100%
Clean TeQ Resin Production Pty Ltd	Australia	90%	90%
UV-Guard Australia Pty Ltd*	Australia	100%	-
Clean TeQ Asian Pacific Limited**	Hong Kong	100%	-
UV-Guard New Zealand Limited**	New Zealand	100%	-

* This entity was acquired with effect from 1 July 2010.

** These entities were incorporated on 13 November 2009 and 28 April 2010 respectively.

NOTE 31: SUBSEQUENT EVENTS

On 30 June 2010 the Company entered into a convertible note agreement with La Jolla Cove Investors Inc. ("La Jolla") which was subject to a number of conditions precedent being met. The Company applied for certain waivers from the ASX which were not granted. As a result the Company entered into an amended agreement with La Jolla on 28 July 2010 for a convertible note facility which comprises of funding of up to US$6.0 million in four separate US$1.5 million convertible notes, each with a duration of 3 years from the first drawdown of the relevant convertible note. The notes bear interest payable to the holder at an interest rate of 4.75% per annum payable monthly on the outstanding funded and non-converted principal amount. The issue of the convertible note is subject to shareholder approval and a meeting has been scheduled for 7 September 2010.

On 2 August 2010 the Company advised the Australian Stock Exchange that there were to be a number of changes to the key management personnel within Company. At this date Jeremy Carter retired as a director whilst Peter Voigt replaced Greg Toll as the Chief Executive Officer and Managing Director of the Company. Greg Toll will continue as an Executive Director of the Company.

There have been no other events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2010 other than disclosed above.

NOTE 32: FINANCIAL RISK MANAGEMENT

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their experience and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group. The Board is assisted in its oversight role by the Audit Committee and executive management team. Executive management undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board and the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Company's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. The majority of the Group sales transactions are evenly spread across a large number of customers. Geographically there is an Australian concentration of credit risk.

The Board has established a credit policy under which each new significant customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Each new contract of works to be under taken by the Group, which is greater then a predetermined level, must be approved by the Board prior to the contract being signed.

Many of the Group's customers are large multinationals and government organisations who have been transacting with the Group for a number of years. Losses have occurred very infrequently since the inception of the business. The majority of sales transactions undertaken by the Group require the customer to make payments as contract milestones are achieved. Failure of the customer to make payment by the due date will result in the further supply of goods and services being put on hold until such time as payment is received by the Group.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate mainly to the Group's wholesale customers who are predominantly made up of public companies and government bodies. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of executive management. To date the Group has only ever had two minor trade bad debts.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in Note 33.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Company has entered into an agreement with La Jolla Cove Investors Inc. for the issuing of convertible notes of up to US$6 million which will be used to fund future growth and potential acquisitions. The ability of the Company to drawdown on these notes is subject to specific terms and conditions.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- $1,676,000 overdraft facility that is secured by a fixed deposit of the same amount.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments and inventory. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

At balance date there was no material exposure to market risk but Executive Management will monitor this risk as and when required.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of Group entities, primarily the Australian dollar (AUD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Interest rate risk

The Group currently has no significant debt and accordingly has limited exposure to interest rate movements. Surplus cash is placed on term deposit for up to 180 days at fixed interest rates.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

NOTE 32: FINANCIAL RISK MANAGEMENT CONTINUED

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by management.

Capital 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 Group 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's target is for employees of the Group, excluding the founders, to hold 10 percent of the Company's ordinary shares in due course. At present assuming that all outstanding share options vest and / or are exercised significantly less than this amount of the shares would be held by the Group's employees.

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

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTE 33: DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- CleanTeQ Limited
- Resix Pty Ltd.

Clean TeQ Limited and Resix Pty Ltd became a party to the Deed on 30 April 2008, by virtue of a Deed being established and entered into on this date.

The consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2010 is set out as follows:

Statement of Comprehensive Income and Retained Earnings

	Consolidated	
	2010 $'000	2009 $'000
Revenue	14,904	8,552
Changes in inventories of finished goods	(148)	-
Raw materials used and other direct costs	(8,601)	(4,501)
Employee benefits expense	(2,878)	(2,489)
Depreciation and amortisation expenses	(754)	(452)
Administration expenses	(513)	(406)
Marketing expenses	(258)	(202)
Finance costs	(33)	(2)
Other expenses	(503)	(262)
Profit / (Loss) before income tax expenses	1,216	238
Income tax (expense) / benefit	(290)	273
Profit / (Loss) from continuing operations	926	511
Profit / (Loss) attributable to the members of the parent	**926**	**511**

NOTE 33: DEED OF CROSS GUARANTEE CONTINUED

Statement of Financial Position

	Consolidated	
	2010 $'000	**2009 $'000**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,160	5,196
Trade and other receivables	2,878	1,539
Inventories	1,427	1,575
Total current assets	7,465	8,310
NON-CURRENT ASSETS		
Deferred tax assets	1,579	1,321
Financial assets	550	-
Plant and equipment	383	219
Intangible assets	11,431	8,925
Total non-current assets	13,943	10,465
Total assets	21,408	18,775
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,416	2,280
Loans and borrowings	21	14
Employee benefits	342	249
Other liabilities	1,070	1,024
Total current liabilities	3,849	3,567
NON-CURRENT LIABILITIES		
Loans and borrowings	61	32
Deferred tax liabilities	3,246	2,508
Employee benefits	29	57
Total non-current liabilities	3,336	2,597
Total liabilities	7,185	6,164
Net assets	14,223	12,611
EQUITY		
Issued capital	8,175	7,502
Retained earnings	5,848	4,922
Share option reserve	200	187
Total equity	**14,223**	**12,611**

NOTE 34: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Clean TeQ Holdings Limited, financial statements:

(a) Summarised Statement of Financial Position

	Company	
	2010 $'000	2009 $'000
ASSETS		
Current assets	851	3,118
Non-current assets	8,244	5,140
Total assets	9,095	8,258
LIABILITIES		
Current liabilities	1,114	760
Non-current liabilities	-	10
Total liabilities	1,114	770
Net assets	7,981	7,488
EQUITY		
Issued capital	8,175	7,502
Retained earnings / (losses)	(394)	(201)
Share option reserve	200	187
Total equity	**7,981**	**7,488**

(b) Summarised Statement of Comprehensive Income

	Company	
	2010 $'000	2009 $'000
Loss for the year	(193)	(69)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**(193)**	**(69)**

(c) Parent entity guarantees

Refer to Note 33 for details of Guarantees provided by the parent entity Clean TeQ Holdings Limited.

(d) Parent entity contingent liabilities

Refer to Note 21b for more information regarding the parent entities contingent liabilities.

(e) Parent entity contractual commitments

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment at 30 June 2010 or since the end of the financial year.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Clean TeQ Holdings Limited ("the Company"):
   (a) the financial statements and notes including the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 36 to 48, 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 30 June 2010 and its performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
      (iii) as stated in Note 1, the consolidate financial statements also comply with International Financial Reporting Standards;
   (b) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with the Corporations Act 2001 and the Corporations Regulations 2001; and
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2010 pursuant to Section 295A of the Corporations Act 2001.

Dated at 26 August 2010

Melbourne.

Signed in accordance with a resolution of the directors:

Peter Voigt
Director

INDEPENDENT AUDITOR'S REPORT

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

To the members of Clean TeQ Holdings Limited

We have audited the accompanying financial report of Clean TeQ Holdings Limited and controlled entities. The financial report comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Clean TeQ Holdings Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 36 to 48 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Clean TeQ Holdings Limited and controlled entities for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

S D WHITCHURCH
Partner

PITCHER PARTNERS
Melbourne

26 August 2010

ASX ADDITIONAL INFORMATION

The following additional information is required by the Australian Stock Exchange Limited in respect of listed public companies only. This information is current at 30 September 2010.

SHAREHOLDING

(a) Distribution of shareholders

Category (size of holding)	Number of Shareholders	Number of Optionholders
1 - 1,000	16	-
1,001 - 5,000	165	-
5,001 - 10,000	171	-
10,001 - 100,000	285	22
100,001 - and over	33	12
	670	34

(b) The number of shareholdings held in less than marketable parcels is 74.

(c) The names of substantial shareholders listed in the holding company's register as at 30 September 2010 are:

	Number of Ordinary Shares
Thierville Pty Ltd	15,927,801
Jeremy's Haven Pty Ltd	5,690,310
Mr Gregory Leonard Toll + Mrs Margaret Estelle Toll <Toll S/F A/C>	4,812,000
Thierville Pty Ltd <Star Superannuation A/C>	3,780,000
Toll Associates Pty Ltd	3,004,162

(d) Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

There are no voting rights attached to the options.

(e) 20 largest shareholders – Ordinary Shares

		Number of Ordinary Fully Paid Shares held	Percentage held of issued ordinary capital
1	THIERVILLE PTY LTD	15,927,801	27.10
2	JEREMY'S HAVEN PTY LTD	5,690,310	9.68
3	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	4,812,000	8.19
4	THIERVILLE PTY LTD <STAR SUPERANNUATION A/C>	3,780,000	6.43
5	TOLL ASSOCIATES PTY LTD	3,004,162	5.11
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,989,963	3.39
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,746,032	2.97
8	MR NIKOLAI ZONTOV	1,676,484	2.85
9	MR EMIL TCHERNYCH	1,310,000	2.23
10	NATIONAL NOMINEES LIMITED	1,102,644	1.88
11	YIELDHI ENTERPRISES LIMITED	983,288	1.67
12	MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARK FAMILY A/C>	850,000	1.45
13	MATTHEW CHARLES GOODSON	669,162	1.14
14	DR RUSSELL KAY HANCOCK	500,000	0.85
15	MRS GRACE CHU <AEQUITAS A/C>	366,056	0.62
16	MS CAROL ANNE AUSTIN <ANNE AUSTIN PENSION ACCOUNT>	363,279	0.62
17	MR ANTHONY WAI CHIU SO	362,042	0.62
18	COURCE PTY LTD <THE HAYWARD SUPER FUND A/C>	300,000	0.51
19	BT PORTFOLIO SERVICES LIMITED <CURRIE SUPER FUND A/C>	250,000	0.43
20	MR KENNETH WALTER GLYNN + MS ELIZABETH ANNE GLYNN <K W GLYNN SUPER FUND A/C>	215,631	0.37
		45,898,854	**78.09**

(f) Shares subject to voluntary escrow

There are currently no shares subject to voluntary escrow.

(g) On market buy back

There is no current on market buy back.

CORPORATE DIRECTORY

COMPANY

The registered office of the company is:

Clean TeQ Holdings Limited

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270-280 Hammond Road
Dandenong South, Victoria 3175
Australia
Ph: +61 (0) 3 9797 6700
Fax: +61 (0) 3 9706 8344
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Perth Office
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South Perth, Western Australia 6151
Ph: +61 (0) 8 9200 6252
www.cleanteq.com

UV-Guard Australia Pty Ltd
Unit 7, 88 Magowar Road
Girraween, New South Wales 2145
Ph: +61 (0) 2 9631 4900

DIRECTORS

Greg Toll – Chairman
Peter Voigt – Chief Executive Officer
Roger Harley – Non-Executive Director
Bob Cleary – Non-Executive Director

COMPANY SECRETARY

Marc Lichtenstein

AUDITOR

Pitcher Partners
Level 19, 15 William Street
Melbourne, Victoria 3000

BANKERS

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6th Floor, Bourke Place
600 Bourke Street
Melbourne, Victoria 3000

LAWYERS

Minter Ellison
Level 23 South, Rialto Towers
525 Collins Street
Melbourne, Victoria 3000

Macpherson+Kelly Lawyers
40-42 Scott Street
Dandenong, Victoria 3175

Griffith Hack
Level 3, 509 St Kilda Road
Melbourne, Victoria 3004

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067
Ph: +61 (03) 9415 5000
Fax: +61 (03) 9473 2500

ANNUAL GENERAL MEETING

25 November 2010 at 10.00am (AEDT)

270-280 Hammond Road
Dandenong South, Victoria 3175

STOCK EXCHANGE LISTING

Clean TeQ Holdings Limited is listed on
the Australian Stock Exchange (Code: CLQ)

Designed and produced by motivo

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