CleanTeQ
environmental innovation

Annual Report **2012**

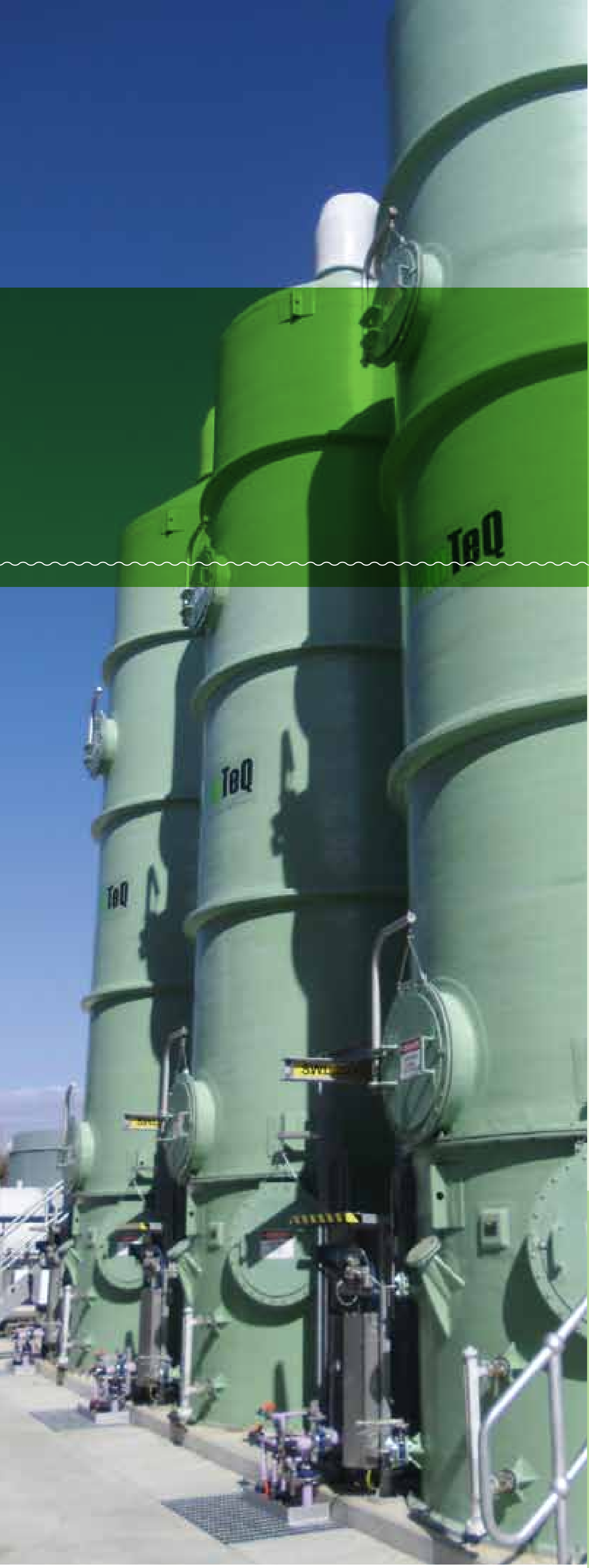
Contents

The global NEED

The Earth cannot sustain our current rate of resource consumption, population growth, and waste generation.

Rising energy costs, diminishing fresh water availability and increasing food production needs are urgent drivers for change.

Our goal is to help repair, restore and reuse our natural resources, air and water; resources that cannot currently be replaced at the rate at which we are exhausting them.



Who WE are

- Australian domiciled, globally focused environmental group;
- Unlocking value in environmental challenges, through innovation; and
- Partnering with our customers to reuse, recycle, repair and restore damaged resources to ensure a sustainable future; to
- Ultimately provide a "no waste" future.

Australian technology ~ taking on the big environmental issues in air, water and resources, around the world.

Working together with our customers to create sustainable environmental solutions to protect the environment for future generations.

Creating solutions that allow industry and the community to prosper together.

OUR challenge

- To provide our proprietary solutions to the global environmental marketplace in:
  - ~ Air purification
  - ~ Water purification
  - ~ Resource recovery
- Through:
  - ~ Research & development
  - ~ Project delivery
  - ~ Joint ventures
  - ~ Partnerships
- To deliver exceptional value for our stakeholders by growing our share of the global environmental marketplace (estimated $782bn, 2008 Environment Business International).
- To turn potential environmental legacies into valuable assets through improved processing technologies.

OUR approach

- Helping leading organisations mitigate environmental risks.
- By developing proprietary technologies with the flexibility to create unique, cost effective, "no waste" solutions.
- Resulting in better economic outcomes for the customer and less environmental burden.
- Which unlocks economic value in environmental challenges, through innovation, providing the customers with value for the recovered products.

Product portfolio:

- Air Purification
- Water Purification
- Resource Recovery

Where WE create the most value

The biggest change we will make to the organisations we work with, is to change the way they think about environmental challenges which may otherwise block development of a resource, limit the economic value in a project, or reduce the sustainability of using that resource.

We deliver quality solutions with lower costs of ownership and implementation wherever possible.

The real differences we offer though are in the processes we use and the ways in which we leverage our intellectual property to convert "waste" into recovered materials with inherent value.

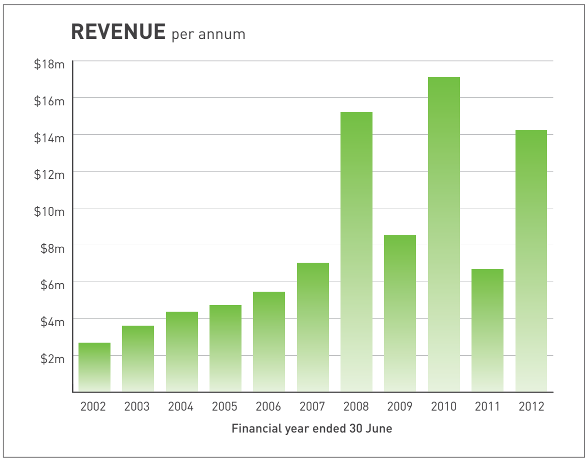
Our best work is done when all involved are prepared to think differently about the problem and thus the solutions. We encourage this approach.

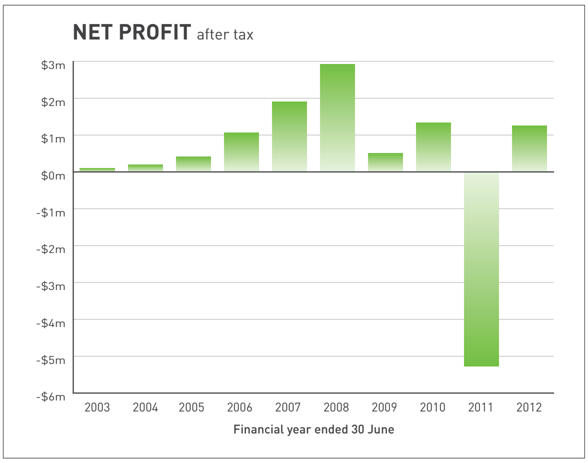
OUR track record

- Over 20 years as a leader in environmental innovation.
- An industry leading team of qualified professional staff.
- Publicly traded Company on ASX.
- Multiple patents ~ Registered and Pending, in water purification and resource extraction.
- Hundreds of projects delivered in Australia and overseas.
- Market leader in biological air pollution treatment.
- Customers include: Melbourne Water, Sydney Water, Water Corporation WA, BHP Billiton, Rio Tinto, Queensland Gas, Transfield, Thiess, Paladin Energy, Barrick Gold.
- Proprietary technology licensed to BHP Billiton for nickel extraction; and to Associated Water Pty Ltd for treatment of coal seam gas water for agricultural use.
- Innovative development plants for BHP Billiton, Paladin Energy, Barrick Gold.

2012 year in review

- Recovery in revenue and profit from prior year.
- Results for the year:
  - ~ Revenue $14.248m
  - ~ Net profit after tax $1.248m
  - ~ Cash at 30 June 2012 $1.633m
- Compound annual revenue growth rate over past ten years 18.2% p.a.
- Formation of Associated Water Pty Ltd (50:50 Joint Venture with Nippon Gas Co., Ltd) for treatment of coal seam gas water.
- Rights issue undertaken to raise $1.0m (underwritten by Wasabi Energy) to repay convertible notes and $2.0m placement to Nippon Gas.
- Continuing R&D activity in relation to water treatment and recovery, light metal recovery from wastes, nitrate removal from groundwater.





Associated WATER PTY LTD

- Joint Venture with Nippon Gas Co., Ltd (TSE: 8174) for recovery and beneficial reuse of water from coal seam gas (CSG) industry in Australia.
- CIF™ technology licensed from Clean TeQ and $4.0m investment from Nippon Gas to form $8.0m venture.
- Australian CSG water treatment market estimated to grow to $1.0bn p.a.
- CIF™ allows a higher recovery of clean water and thus less waste, with water used for agriculture.
- Continuing development work on the beneficial reuse of the waste salts.

Chairman's REPORT

An undisputable fact is that the world's resources are finite. As world population continues to expand, there will be an increasing and accelerating need to employ these resources. Resource use must be done responsibly and in a way that maximises the outputs from the resource and allows the resource to be regenerated where possible. We will need to reuse, recycle, repair and restore what we use, to ensure a sustainable future for following generations.

Clean TeQ is positioning itself to be at the forefront in meeting this need through the application of innovative environmental technologies developed over the past two decades in air, water and resource recovery. Our aim is to not only ameliorate the problem, but to recover the by-products wherever possible, so as to provide economic value from the by-products and leaving limited material for disposal. The technologies that Clean TeQ owns are "disruptive" in their nature as they change the currently accepted methods of treatment, in a technical and/or economic way. We aim to partner with our customers in using our proprietary processes and patented innovations and by thinking outside of the accepted normality to create new solutions to complex environmental problems. Such thinking will overcome environmental challenges which may otherwise block the development of resources, limit the economic value or reduce the sustainability of a project or resource. The inherent value of Clean TeQ lies in our ability to leverage our intellectual property into the large and growing international marketplace associated with resource use and remediation.

The 2012 financial year produced a recovery in revenue and profitability for the business, following the severe decline of the previous year, and saw acceleration in the commercialisation of our technologies into a broader marketplace. The focus during the year was on controlling costs whilst achieving sufficient sales in the Air and Water business units to produce profit. The Air and Water divisions showed strong growth, with Air consolidating its position as market leader in Australia in the provision of biological odour control technology. Some small Air projects were completed in Vietnam in conjunction with a Singaporean partner, which commences our assessment of the potential opportunities available in Asia. Applications in the Water area included the removal of salts, nitrates and uranium from groundwater in outback regions of Australia. In both the Air and Water areas of the business, sales were strong, with carryover to the new financial year.

Research and development activities continued during the year, targeted at specific applications of our processes to growing market needs. An area of particular focus was the desalination of groundwater using our patented Continuous Ionic Filtration (CIF™) as applied to the coal seam gas industry in Australia and USA. The outcome of this work is aimed at proving the high recovery of agricultural grade water and useable salts from the groundwater with benefits to local farmers and landholders.

Chairman's REPORT CONTINUED

During the year, Clean TeQ established Associated Water Pty Ltd as the vehicle to demonstrate and deliver the CIF™ technology to the coal seam gas industry in Australia. This Company is a 50:50 joint venture with Nippon Gas Co., Ltd (TSE: 8174). Nippon Gas is an entrepreneurial business with a strong interest in the delivery of new solutions to conventional supply routes. This formation of the relationship with Nippon Gas is a significant milestone in the strategic development of Clean TeQ as a global brand. The joint venture is an example of the methodology that can be utilised to extend the reach of our technologies around the world. During this financial year, discussions have begun with a number of potential partners to license our technologies into different global regions for use in the environmental remediation of air and water and for resource recovery. This model will be continued in the future.

The relationship with Nippon Gas has extended to equity participation in Clean TeQ with a placement of almost 10% of our stock. In addition, discussions have continued on the development of a joint venture in Japan to enable us to license our technologies into that market. We aim to have licensed technologies into several markets over the next one or two years.

The outlook for the global environmental and resource marketplace targeted by Clean TeQ is positive with large and growing applications in all areas. However, as we are commercializing disruptive technologies, market inertia can be great and the uptake of new technologies into applications can be slow. The priority for Clean TeQ is to build and expand our relationships with a number of global industry leaders that are interested in partnering with Clean TeQ to fast track and de-risk the commercialisation of our technologies. The benefits for shareholders are that disruptive technologies can become quickly accepted post-demonstration with the potential for large and ongoing returns.

The imperative for Clean TeQ over the short term is to partner with global market leaders and demonstrate outcomes as quickly as possible. The divestment of UV Guard Australia provides additional working capital to the business. We thank the UV Guard team for their positive contribution to Clean TeQ over the past three years.

In summary, Clean TeQ has positioned itself over the past year to continue revenue growth and accelerate the commercialisation of technologies. We have established the first of our licensing opportunities in the coal seam gas sector, and are in discussions regarding future arrangements in other sectors, with the aim of providing increasing returns to shareholders.

We thank all shareholders for their continuing support which is much appreciated. Also thanks go to our staff whom are dedicated and passionate about the business and its opportunities. Finally, I express my appreciation to my fellow Board members for their input and commitment over the past year. Their diverse areas of experience and expertise are critical to the development of the business and will be instrumental in accelerating the growth of the Company.

Yours faithfully

Greg Toll
Executive Chairman

CEO's REPORT
as at 30 June 2012

Clean TeQ Holdings Limited (ASX: CLQ), is an Australian Company that provides unique and essential solutions to important global issues based on Environmental Innovation. Our proposition to our customers is that through the application of innovative technology we can unlock potential economic value from their environmental challenges. Clean TeQ is a foundation Company in the global cleantech industry and our strong intellectual property portfolio allows us to operate across a range of diverse markets where environmental issues are impacting on economics and quality of life. Over the past 22 years we have invested heavily in the development of technologies that are aimed at providing solutions that transform the environmental problems, encountered through the stress of population growth and industrialisation, into opportunities. It is undeniable that we have limited clean air, fresh water and mineral resources. Every one of these resources is being degraded, possibly to a point where permanent and irreparable damage may be the outcome. Clean TeQ provides solutions to reuse and restore our resources through our portfolio of innovative and economically sound environmental technologies.

Clean TeQ's IP portfolio covers areas that are highly topical and include the purification of air and water and the hydrometallurgical extraction and recovery of mineral resources. The technologies that we apply in these processes are in varying degrees of commercialisation which provides us with the ability to deliver today's commercial products whilst building a continuum of new product offerings. We have built a strong technical base with a focus on bringing our solutions to market in alliances with strong global strategic partners.

This report, for the year ending 30 June 2012, shows that the company has achieved a number of milestones that we set out to achieve in this year. Our long term aim is to transform our Company from what is today principally an engineering and project delivery business, to a Company that derives its income streams from a number of sources including projects, service provision and Intellectual Property fees and annuities.

Our first goal was to return the Company to profit. The profit for the consolidated entity in 2011/2012 after providing for income tax amounted to $1,248,000, a considerable improvement on the 2010/2011 year with a loss of $5,274,000.

Secondly, we aimed to improve our sales and marketing position. In 2012 our sales were more buoyant and predictable than the previous year with the total revenue including UV Guard being $14,248,000. We implemented improvements in the sales and marketing and product delivery areas to provide greater certainty in sales prediction and our ability to meet our delivery promises to our customers. We are continuing to look for improvement in all of these areas for the upcoming year.

Thirdly, we began to extend the reach of our IP portfolio globally. We have licenced a specific technology for water treatment in the coal seam gas sector in Australia, and are commencing discussions on the licencing of technologies in other global markets. This activity will continue in the coming years and become a larger part of the overall business revenue and profitability.

PERFORMANCE

	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000
Revenue	14,248	6,665	17,116
EBITDA	1,637	(3,170)	2,494
Net Profit/(Loss) After Tax	1,248	(5,274)	1,334

AIR DIVISION

The Air Division provides engineered solutions to air purification including odour nuisance, greenhouse gas and toxic emissions abatement. The Air Division has been successful in winning a large number of contracts using our biotechnology-based process (OdourTeQ™) for control of odours, corrosive and toxic gas emissions associated with sewerage transportation and wastewater treatment plant operations. We are now clearly the leader in Australia in this technology segment and are continuing to improve the economics of the process to maintain this position.

We were successful in obtaining sales for our regenerative thermal oxidation technology (ThermTeQ™) for the treatment of greenhouse gas emissions. We will be looking to extend the market for this technology to evaluate the inclusion of heat to energy in the coming year. Waste heat is the largest untapped source of potential energy and offers an excellent market opportunity for the Air Division.

In 2012 the Air Division revenue was $6.037m, up from $2.417m in 2011. Over the year we have delivered projects to major clients, located across many States of Australia, including Melbourne Water, Sydney Water and Queensland Urban Utilities.

We have also been successful in partnering with Asian environmental firms to deliver some smaller projects in Asia. We see this as an early stage for future expansion into Asia and beyond.

The Air Division will continue to grow and lead in the Australian market segments where we currently operate. We are looking to leverage our technical advantages into sales in the growing markets of Asia through partnerships and licencing activities. We will also enter the emerging markets associated with greenhouse gas (GHG) emission abatement where we will use innovative approaches to couple our regenerative thermal technology (ThermTeQ™) to third party providers of energy and biofuel to provide a holistic approach to GHG abatement that includes economic outcomes for our customers.

WATER DIVISION

In 2012, the Water Division generated revenue of $7.503m including the UV Guard business which was an improvement on the $3.675m for 2011. While the revenue to date in our Water Division is modest, the potential opportunities for our newly developed water technologies are enormous as we move into demonstration of the technology in selected freshwater markets.

Freshwater represents less than 3% of the total water available on the planet and over 70% of that freshwater is used in agriculture. Our freshwater resources are continuing to degrade and the need for new and innovative technologies to renew this resource is urgent. Membrane processes, such as reverse osmosis (RO), are accepted as the conventional route for desalination and their market share is growing quickly. However, as water quality declines, membranes become limited in their ability to desalinate "difficult to treat" water, especially in groundwater applications.

Clean TeQ sees the market opportunity for a new technology to treat brackish surface and ground waters to an agricultural grade as a key to our future value. With this large and growing target market as our focus, we have invested in the development of the "Continuous Ionic Filtration" (CIF™) technology as a cost effective alternative to the leading technology, RO, for use in particular situations. The CIF™ process forms the basis for a series of products that will treat brackish surface and ground waters, namely DeSALx™ and HiROx™. Our primary target markets for the application of the technology are "produced waters" from oil and gas and mining operations, and groundwater remediation.

During 2012, we signed a Joint Venture agreement with Nippon Gas Co., Ltd to form Associated Water Pty Ltd, with 50:50 shareholdings. This venture provides a pathway for Clean TeQ to focus the commercialisation of its patented Continuous Ionic Filtration (CIF™) and DeSALx™ technology in the coal seam gas industry in Australia. By providing higher recovery of clean water and lower levels of waste brine than existing RO-based technologies, CIF™ is positioned to gain rapid penetration of this potentially lucrative market. Nippon Gas invested $4.0m for working capital, and Clean TeQ has licensed the CIF™ technology to the venture. This is an extremely significant development for Clean TeQ, which enables the commercialisation of technology into one of the largest growing water markets in the world. The high credibility of Nippon Gas will assist Associated Water to gain and deliver projects and services to this marketplace. Other ventures with Nippon Gas are being explored for other technologies and marketplaces.

The market for treating produced waters is global and large. We will firstly demonstrate the credentials of the technology in Australia and then look to partner with companies in other parts of the world where the markets are active, including USA, Canada, South America and China.

UV-Guard, our water disinfection business, continued to generate recurrent revenue through the sales of disinfection systems and spare parts. Given that the strategic direction for Clean TeQ in the water sphere is now clearly in the commercialisation of CIF™ technology, it was decided to divest this business and focus on the large desalination markets.

We will continue our development of technologies that are synergistic with CIF™ and have a program of works in progress around the upgrading of by-product brines to added value products.

RESOURCE RECOVERY DIVISION

During this year we have made a deliberate decision to limit our activities in the emerging Resources Recovery Division of the business to concentrate on producing profits from our Air and Water Divisions.

Over the year we have engaged in business opportunities in the areas of light metals recovery and novel uranium processes. We are expecting to be commercially active in these areas in 2013. We applied for a patent for the application of a new resin-based technology for the extraction of uranium in high saline environments, which is a novel and economically driven approach for this emerging application. The ability to extract uranium in highly saline environments is an impediment to the majority of uranium producers and we are looking forward to being involved in the demonstration of our technology.

FUNDING

During this year, the Company raised approximately $1.0m through a rights issue, which was used to pay out the existing convertible notes. A further $2.0m was raised through a placement of shares to Nippon Gas Co., Ltd. This placement enabled the Company to increase the working capital base as project work in progress increased during the year. The Company is presently materially debt free.

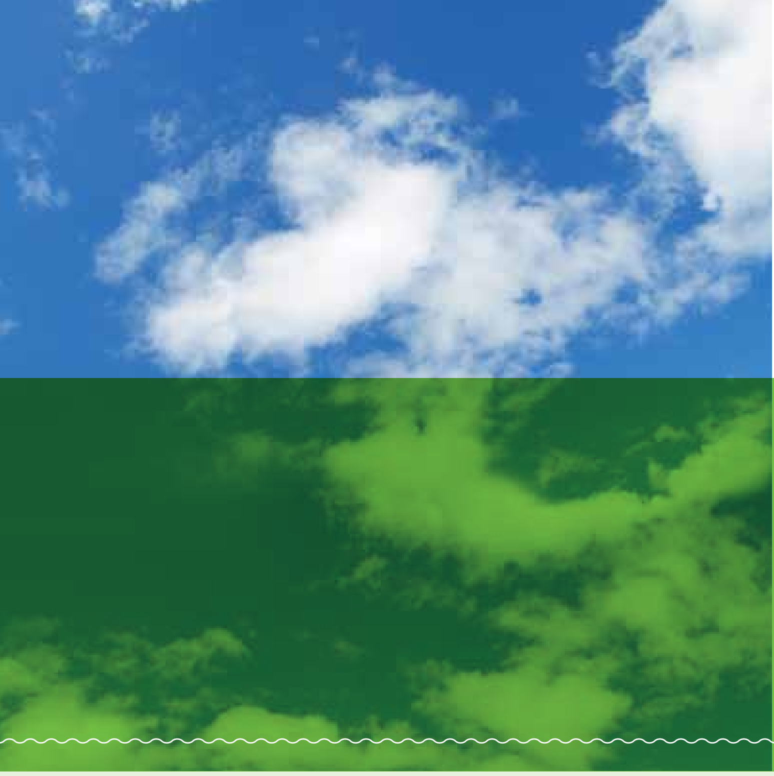
At 30 June 2012 the Company had $1.412m cash on hand, which excludes term deposits to cover project guarantees.

FINALLY

The Directors and I would again like to recognise the efforts of our employees over this year. I would like to express my thanks to my fellow Board members for their efforts, consideration and support during this period.

Yours faithfully

Peter Voigt
Chief Executive Officer



OUR solutions

Air Purification

OdourTeQ™ Biological Filters purify air emmissions generated from wastewater, manufacturing, food processing and agriculture using sustainable biological processes.

- BioFilters
- Biotrickling Filters

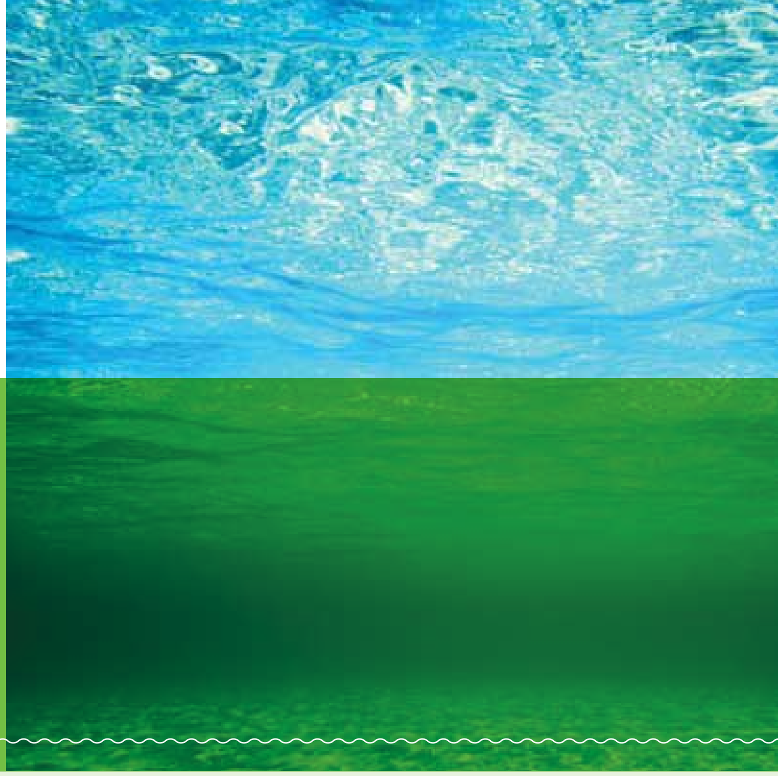
ThermTeQ™ Regenerative Thermal Oxidisers purify air emmissions containing volatile organic compounds using efficient thermal processes.

- ThermTeQ™

- Sewer pump stations
- Sludge handling
- Inlet works
- Food processing

- Wastewater treatment plants
- Pump stations
- Biogas conditioning

- Printing
- Painting
- Foundries
- Coal mines (Ventilation Air Methane)



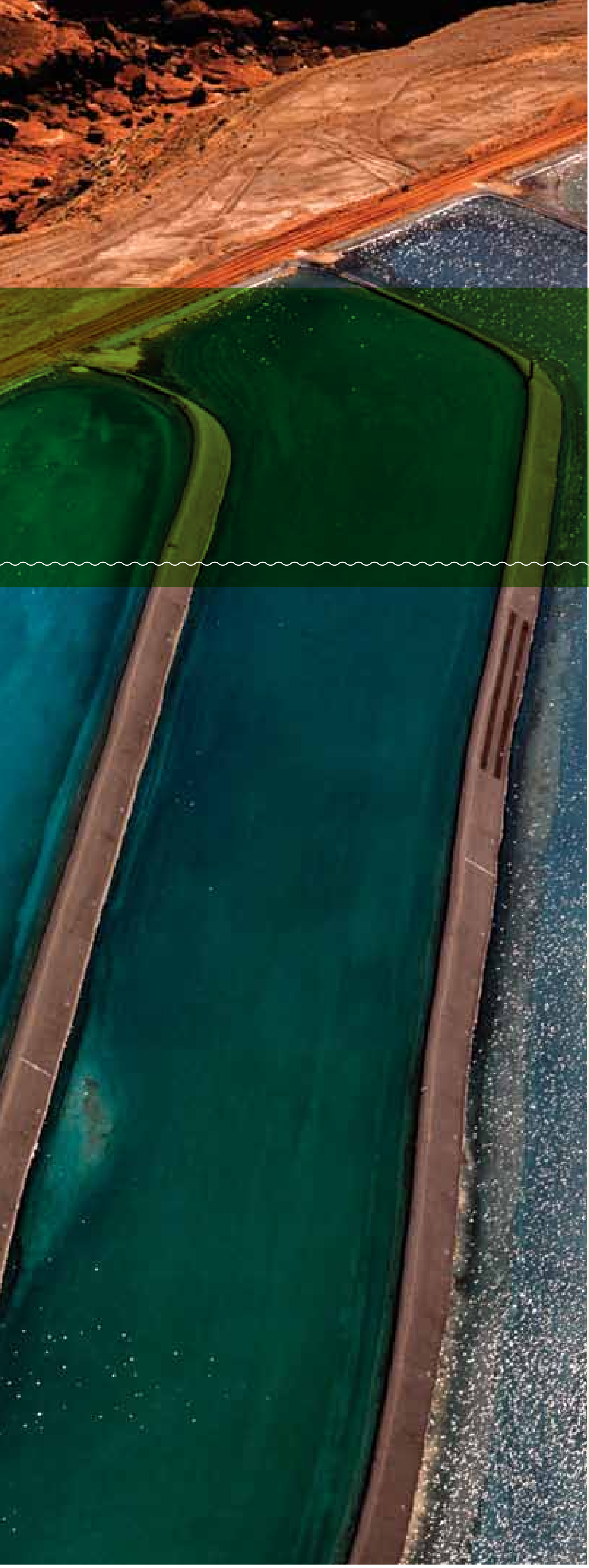
Water Purification & Resource Recovery

Purifying water containing salts, metals and other contaminants using environmentally sustainable Continuous Ionic Filtration (CIF™) processes.

- CIF™
- DeSALx™
- HiROx™

Recovering valuable metals from leachates and waste streams using highly efficient continuous ion exchange (Clean-iX®).

- Resin-in-Column
- Resin-in-Pulp



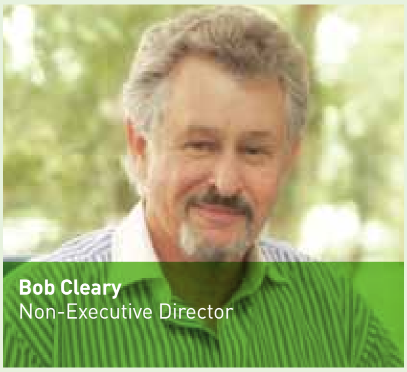
OUR people

- Clean TeQ has a passionate team of professionals (engineers, scientists) developing, selling and delivering solutions to our many customers. In addition, our Board of Directors have diverse backgrounds in Industry, Finance, Mining, Innovation and Marketing.
- We aim to be able to respond to our customer's needs at all levels of their businesses and provide ready responses to all of our other stakeholders queries.
- Exciting opportunities will open up for our business and staff as other ventures and geographies are explored.

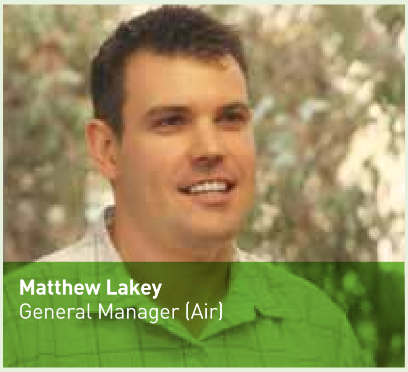
Greg Toll
Executive Chairman

Peter Voigt
Chief Executive Officer

Roger Harley
Non-Executive Director



Bob Cleary
Non-Executive Director



Matthew Lakey
General Manager (Air)

John Carr
General Manager (Water & Mining)

Melanie Leydin,
Chief Financial Officer and
Company Secretary

Financial Report

FOR THE YEAR ENDED 30 JUNE 2012

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

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Clean TeQ Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

DIRECTORS

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

- Greg Toll (Executive Chairman and Director)
- Peter Voigt (Executive Director and Chief Executive Officer)
- Roger Harley (Independent Non-Executive Director)
- Bob Cleary (Independent Non-Executive Director)

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Providing air purification and odour elimination solutions to customers;
- The continued development and use of the Clean-iX® and proprietary CIF™ Technologies 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. During the year, a licence for the use of the proprietary CIF™ technology was sold to Associated Water Pty Ltd, a JV with Nippon Gas Co., Ltd, for the recovery of clean water in the coal seam gas industry in Australia. The consolidated entity holds a 50% stake in the JV;
- 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.

The UV Guard business has been classified as held for sale at 30 June 2012.

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

DIVIDENDS

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

REVIEW OF OPERATIONS

The profit for the consolidated entity after providing for income tax amounted to $1,248,000 (30 June 2011: loss of $5,274,000).

Overview of the consolidated entity

During the course of this year the Company experienced a resurgence in activity in the Air and Water Divisions. The UV Guard business, sustained its revenue and profit performance. The Resources area of the Company was put on hold so as to concentrate on the recovering Air and Water Divisions. The resources division will resume its activities in the coming year.

To manage the increased activity in Air and Water, additional staff were employed to deliver the new projects. Many of these projects will continue into the new financial year. Research and development activity continued during the year, although at a lower rate than previous reporting periods. The main research and development activity involved water recovery and purification development. A licence for the use of the proprietary CIF™ technology was sold to Associated Water Pty Ltd, a JV with Nippon Gas Co., Ltd, for the recovery of clean water in the coal seam gas industry in Australia.

Financial review of operations

The Air Division revenue grew to $6.037m for the year with the contracting of several new large projects. This Division has refined its procurement procedures so as to be more competitive in the market place, and with increased focus on sales, the increased performance is expected to continue.

The Water Division generated revenue of $7.503m including the UV Guard business. Numerous opportunities are being investigated for the use of the Clean-iX® technology, including application in the coal seam gas sector, in conjunction with Nippon Gas Co., Ltd. The level of market activity in the Water Division is expected to increase as the commercial and technical strengths of the technologies are demonstrated. The UV Guard business was sold in the latter part of the year, with the sale settling post year end, to enable an increased focus on the core proprietary products of the business.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 15 August 2011, the Company announced that it would undertake a non-renounceable rights issue to raise $1,000,000. On 29 August 2011, the Company announced an offer document in relation to a fully underwritten non-renounceable pro rata entitlement offer. The offer was on the basis of 2 (two) new shares for every 7 (seven) existing shares held at an issue price of $0.037 (3.7 cents) to raise $1 million. The company issued a total of 27,367,478 fully paid shares from this offer.

On 2 November 2011, the Company announced the termination of the convertible note loan agreement with La Jolla Cove Investors Inc. (LJCI) dated 30 June 2010. The total amount paid was $617,000 which included the 5% contracted premium and accrued interest outstanding on termination.

On 2 February 2012, the Company signed a Joint Venture Agreement with Nippon Gas Co., Ltd to provide water desalination facilities in the Australian coal seam gas industry. Associated Water Pty Ltd, in which both companies hold 50% equity, is the entity that will bring Clean TeQ's technology to the rapidly growing market for water desalination in the coal seam gas sector, particularly in Queensland and New South Wales. Nippon Gas invested A$4.0m in the venture for its 50% equity and Clean TeQ provided the venture with an exclusive licence to use its proprietary CIF™ technology in this industry in Australia. Clean TeQ will provide administration and engineering services to Associated Water for the first year of operation.

On 4 February 2012, the Company received approval for a $750,000 overdraft facility from its principal banker. The Company executed the overdraft facility on 13 February 2012.

On 6 February 2012, the Company issued 2,000,000 ordinary fully paid shares to Corp 8 Inc in consideration for their assistance in the identification of joint venture partners in Japan. The shares were issued at a deemed value of $0.055 (5.5 cents) per share being the closing price of the Company's share price on 2 February 2012.

On 16 March 2012, the Company announced a private placement of 14,000,000 new ordinary shares to Nippon Gas Co., Ltd at an issue price of $0.146 (14.6 cents) per share raising $2,044,000.

On 28 June 2012, the Company announced the sale of UV Guard Australia Pty Ltd, a 100% owned subsidiary. The sale price was $1.35 million plus inventory with the sale contracts executed on 28 June 2012 and completion of the sale finalised in July 2012. As a result UV Guard Australia Pty Ltd has been disclosed as a discontinued operation held for sale at 30 June 2012.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 19 July 2012 the Company completed the sale of 100% owned subsidiary UV Guard Australia Pty Ltd with the sale being effective 1 July 2012.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any specific significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity 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 consolidated entity.

INFORMATION ON DIRECTORS

Greg Toll	Executive Chairman and Director
Qualifications	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.
Experience and expertise	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 and was appointed Executive Chairman on 1 October 2010. Prior to joining Clean TeQ, Greg held senior executive positions in R&D, sales and marketing with Uncle Bens', Masterfoods, Nestle and Lion Nathan.
Other current directorships	Nil
Former directorships (in the last 3 years)	Nil
Special responsibilities	Greg is a member of the Market Disclosure Committee.
Interests in shares (including related parties)	13,070,229 fully paid ordinary shares
Interests in options	195,000 unlisted options exercisable at $0.60 (60 cents) on or before 2 November 2012

Peter Voigt	Executive Director and Chief Executive Officer
Qualifications	Peter has a Bachelor and Masters of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology.
Experience and expertise	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 licences. He became a director of the Company on 10 September 2007. On 2 August 2010 Peter was appointed Chief Executive Officer. 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 Arnott's and Uncle Bens'.
Other current directorships	Nil
Former directorships (in the last 3 years)	Nil
Special responsibilities	Nil
Interests in shares (including related parties)	25,831,596 fully paid ordinary shares
Interests in options	195,000 unlisted options exercisable at $0.60 (60 cents) on or before 2 November 2012

Roger Harley	Independent Non-Executive Director
Qualifications	Roger has a science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.
Experience and expertise	Roger Harley is a founder and principal of independent corporate advisory firm, Fawkner Capital. He is also a Non-Executive Director of National Financial Solutions. Previously he worked 11 years for Deutsche Bank, and held positions including Director of Corporate Finance and Director of Equity Capital Markets. Roger Harley has had various appointments by the Commonwealth Government that related to the oversight of innovation and venture capital programs and policies. These include membership of the Pooled Development Funds Registration Board, the Industry Research and Development Board and Innovation Australia. His previous Board positions include Director of Medibank Private.
Other current directorships	Nil
Former directorships (in the last 3 years)	Nil
Special responsibilities	Roger is Chair of the Audit Committee and a member of the Nomination and Remuneration Committee and Market Disclosure Committee.
Interests in shares	1,551,718 fully paid ordinary shares
Interests in options	None

Bob Cleary	Independent Non-Executive Director
Qualifications	B. Sc(tech) Chem Eng, graduated as a Chemical Engineer from the University of NSW.
Experience and expertise	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 Bob has continued to be involved in the Australian and international resources industry through his role as a Director of a number of resources 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.
Other current directorships	Stonehenge Mineral Limited (ASX Code : SHE), Crossland Uranium Mines Limited (ASX Code : CUX)
Former directorships (in the last 3 years)	Natasa Mining Limited (company de-listed from ASX on 29 June 2010)
Special responsibilities	Bob is Chair of the Nomination and Remuneration Committee and a member of the Audit Committee.
Interests in shares	None
Interests in options	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Melanie Leydin was appointed to the position of Company Secretary and Chief Financial Officer on 7 July 2011. Melanie is a Chartered Accountant and is a Registered Company Auditor.

She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources and biotechnology industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements.

Melanie has 20 years experience in the accounting profession and is a director and/or company secretary for a number of oil and gas, junior resources and exploration entities on the Australian Stock Exchange.

Marc Lichtenstein resigned as company secretary on 7 July 2011.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**
Greg Toll	11	11	-	-	-	-
Peter Voigt	11	11	-	-	-	-
Bob Cleary	8	11	2	2	2	3
Roger Harley	10	11	2	2	3	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

No meetings of the Market Disclosure Committee were held during the year.

REMUNERATION REPORT (AUDITED)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

A Principles used to determine the nature and amount of remuneration

The Board of Directors are responsible for approving the compensation arrangements for the Directors and senior executives following recommendations received from the Remuneration and Nomination Committee. 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.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the consolidated entity.

Key management personnel are detailed below:

- Greg Toll – Executive Chairman
- Peter Voigt – Executive Director and Chief Financial Officer
- Roger Harley – Independent Non-Executive Director
- Bob Cleary – Independent Non-Executive Director
- Melanie Leydin – Company Secretary and Chief Financial Officer
- Ross Dive – Executive Director of UV Guard Australia Pty Ltd

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

Compensation levels for key management personnel and the Company Secretary 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 given trends in comparative companies and the objectives of the compensation strategy. Independent advice was not sought during the 2012 financial year.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and create the broader outcome of creating 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 consolidated entity's performance including:
  - the consolidated entity'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.

The Directors and executives remuneration and incentive policies and practices are performance based and aligned to the consolidated entity's vision, values and overall business objectives. They are designed to motivate key management personnel to pursue the consolidated entity's long term growth and success.

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 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 consolidated entity. 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 can exercise discretion on the payment of bonuses and options as the plans provide for such discretion.

Refer to section E of this remuneration report for an analysis of the consolidated entity's recent performance and link to overall remuneration.

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 consolidated entity, 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 consolidated entity 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.

At the end of the financial year, the Nomination and Remuneration Committee assesses the actual performance of the consolidated entity, 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 expectation. There were no bonuses or incentives paid during the 2011 and 2012 financial years due to the Company not reaching budgeted results.

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, at the time of the public listing of the Company, were issued a tranche of options that vested at the time of listing.

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 consolidated entity 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 consolidated entity.

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, however in the current year no short or long term incentives were awarded due to the Company not reaching budgeted results.

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 with reference to fees paid to other Non-Executive Directors of comparable companies, and are presently $50,000 per annum.

Non-Executive Directors do not receive performance related remuneration and are not entitled to receive bonuses. Directors' fees cover all main Board and Committee activities.

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, other than superannuation.

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 this remuneration report.

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 toll road payments. The Company pays fringe benefits tax on these benefits.

Voting and comments made at the company's 24 November 2011 Annual General Meeting ('AGM')

The company received 96.9% of 'for' votes in relation to its remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) are set out in the following tables:

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	$	$	$	$	$	$	$
NON-EXECUTIVE DIRECTORS							
Bob Cleary	41,686	-	-	-	-	-	41,686
Roger Harley	45,872	-	-	4,128	-	-	50,000
EXECUTIVE DIRECTORS							
Greg Toll	150,000	-	-	18,676	-	1,000	169,676
Peter Voigt	240,000	-	-	21,600	-	1,000	262,600
OTHER KEY MANAGEMENT PERSONNEL							
Melanie Leydin*	78,000	-	-	-	-	-	78,000
Marc Lichtenstein**	24,107	-	-	2,169	-	1,000	27,276
Ross Dive***	140,000	-	-	12,600	-	1,000	153,600
	719,665	**-**	**-**	**59,173**	**-**	**4,000**	**782,838**

* Melanie Leydin was appointed Chief Financial Officer on 7 July 2011 and as a result details of her remuneration are from that date.

** Marc Lichtenstien resigned as Chief Financial Officer on 7 July 2011 and as a result details of his remuneration are included to that date.

*** Ross Dive is executive director of the company's 100% owned subsidiary, UV Guard Australia Pty Ltd.

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
	$	$	$	$	$	$	$
NON-EXECUTIVE DIRECTORS							
Roger Harley	45,872	-	-	4,128	-	-	50,000
Bob Cleary	45,872	-	-	4,128	-	-	50,000
Jeremy Carter*	26,400	-	-	2,376	-	-	28,776
Ralph Pliner**	25,000	-	-	-	-	-	25,000
EXECUTIVE DIRECTORS							
Greg Toll	178,500	-	-	16,065	-	1,000	195,565
Peter Voigt	186,666	-	-	16,800	-	1,000	204,466
OTHER KEY MANAGEMENT PERSONNEL							
Ross Dive***	135,962	-	-	12,237	-	4,218	152,417
Marc Lichtenstein	220,000	-	-	19,800	-	1,000	240,800
	864,272	**-**	**-**	**75,534**	**-**	**7,218**	**947,024**

* Jeremy Carter resigned as a director on 2 August 2010 and as a result details of his remuneration are disclosed to that date.

** Ralph Pliner resigned as a director on 30 September 2010 and as a result details of his remuneration are disclosed to that date.

*** Ross Dive is executive director of the company's 100% owned subsidiary, UV Guard Australia Pty Ltd.

The proportion of total remuneration linked to performance is as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
	2012	2011	2012	2011	2012	2011
OTHER KEY MANAGEMENT PERSONNEL						
Ross Dive	100%	97%	-	-	-	3%
Bob Cleary	100%	100%	-	-	-	-
Roger Harley	100%	100%	-	-	-	-
Greg Toll	100%	100%	-	-	-	-
Peter Voigt	100%	100%	-	-	-	-
Jeremy Carter	-	100%	-	-	-	-
Ralph Pliner	-	100%	-	-	-	-
Melanie Leydin	100%	-	-	-	-	-
Marc Lichtenstein	100%	100%	-	-	-	-

C Service agreements

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

The consolidated entity has entered into service contracts with each key management person that provides for the payment of benefits where the contract is terminated by the consolidated entity 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.

D Share-based compensation

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.

In the 2009 financial year the Company introduced the Employee Tax Exempt Share Plan which allows employees who have completed the necessary length of service with the consolidated entity 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 consolidated entity. If an employee ceases employment with the consolidated entity the trading lock on the shares is lifted. The shares are provided at no cost to the employees.

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012 and the comparative year is set out below:

	Date	No. of shares	Issue price	$
Greg Toll	11 July 2011	27,322	$0.0336	1,000
Peter Voigt	11 July 2011	27,322	$0.0336	1,000
Marc Lichtenstein	11 July 2011	27,322	$0.0336	1,000
Ross Dive	11 July 2011	27,322	$0.0336	1,000

Options

There were no options issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2012.

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012 are set out below:

	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
Ross Dive	-	150,000	50,000	50,000

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2012 and the comparative year is set out below:

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
	$	$	$	%
Greg Toll	-	-	4,485	-
Peter Voigt	-	-	4,485	-
Marc Lichtenstein	-	-	3,738	-

There were no options issued to Directors or other key management personnel during the financial year.

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2012 are summarised below:

	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000
Profit/(loss) after income tax	2,924	511	1,333	(5,274)	1,248

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2008	2009	2010	2011	2012
Share price at financial year end ($A)**	0.325	0.345	0.280	0.040	0.130
Movement in share price ($A)**	(0.175)	0.020	(0.065)	(0.240)	0.090
Total dividend declared ($'000)*	1,200	-	-	-	-
Short-term incentives for the year ($000)	-	-	-	-	-
Long-term incentives for the year ($000)	-	-	-	-	-

* A dividend of $1,200,000 was paid by Clean TeQ Limited prior to the restructure of the consolidated entity 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.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Clean TeQ Holdings Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
9 November 2007	9 November 2012	$0.600	535,000
24 April 2008	24 April 2013	$0.410	10,000
20 May 2008	20 May 2013	$0.500	10,000
1 April 2009	1 April 2013	$0.210	10,000
1 April 2009	1 April 2014	$0.230	10,000
22 June 2009	22 June 2013	$0.360	10,000
22 June 2009	22 June 2014	$0.400	10,000
5 March 2010	5 March 2013	$0.600	582,011
30 June 2011	30 June 2014	$0.080	1,000,000
30 June 2011	30 June 2015	$0.250	500,000
30 June 2011	30 June 2016	$0.400	500,000
1 July 2010	1 July 2013	$0.280	115,000
1 July 2010	1 July 2014	$0.310	115,000
1 July 2010	1 July 2015	$0.340	115,000
4 March 2010	4 March 2013	$0.345	125,000
16 February 2012	16 February 2015	$0.175	1,000,000
16 February 2012	16 February 2015	$0.250	500,000
			5,147,011

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

For details of options issued to directors and executives as remuneration refer to the remuneration report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no shares of Clean TeQ Holdings Limited issued on the exercise of options during the year ended 30 June 2012 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 33 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 33 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER AUDIT PARTNERS OF PITCHER PARTNERS

There are no officers of the company who are former audit partners of Pitcher Partners.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

AUDITOR

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Peter Voigt
Director

29 August 2012
Melbourne

PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Clean TeQ Holdings Limited

In relation to the independent audit for the year ended 30 June 2012, 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
29 August 2012

PITCHER PARTNERS
Melbourne

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Clean TeQ Holdings Limited ("The Company") are responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company 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 in the remainder of this statement.

2. Structure the Board to add value

The current composition of the Board consists of two Executive Directors and two independent Non-Executive Directors. Currently both 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 not an independent Non-Executive Director. The roles of Chairman and Chief Executive Officer are not exercised by the same person. These roles are exercised by Greg Toll who is the Executive Chairman, whilst Peter Voigt is 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 Chairman, may seek independent professional advice from a suitably qualified adviser at the Consolidated entity's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman'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 Consolidated entity, and monitoring compliance with regulatory requirements and ethical standards. Short term incentives may then be awarded by the Committee in accordance with the level of performance of each executive.

The Committee 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. This committee reports directly to the Board of Directors.

The Consolidated entity has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Consolidated entity concerning performance of directors. Directors also have the opportunity to visit the Consolidated entity 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 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.

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 Consolidated entity'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.

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.

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 Consolidated entity are set out in the notes to the financial statements.

The Company has adopted a Diversity Policy that considers the benefits of diversity, ways to promote a culture of diversity, factors to be taken into account in the selection process of candidates for Board and senior management positions in their Company, education programs to develop skills and experience in preparation for Board and senior management positions, processes to include review measurable diversity performance objectives for the Board, CEO and senior management.

The Diversity Policy states that the Company will report, where appropriate, in each annual report, the measurable objectives for achieving gender diversity set by the Board.

The following table provides a break-up of the gender diversity in the organisation:

	Number	%
Number of women employees in the whole organisation	5	10
Number of women in senior executive positions	1	20
Number of women on the Board	-	-

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 two 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 Chairman of the Board.

The Audit Committee members during the year were:

- Roger Harley (Chairman) (appointed 23 June 2010) – Independent Non-Executive
- Bob Cleary (appointed 23 June 2010) – Independent 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 need 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 2012 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:

- Greg Toll (Chairman) (appointed 24 September 2007 and appointed Chairman on 1 October 2010)
- Roger Harley

The Market Disclosure Committee did not meet during the year as all disclosure issues were discussed by the Board as a whole.

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 Consolidated entity 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 Consolidated entity 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 Consolidated entity during the period. The quarterly financial report is lodged with the ASX;
- proposed major changes in the Consolidated entity 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 Consolidated entity.

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.

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 and 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 Financial Officer was appointed on 7 July 2011.

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

The Company 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 the Company, 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)
- Roger Harley (appointment on 30 September 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 Consolidated entity, including the nature of the Consolidated entity'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.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 $'000	2011 $'000
Revenue from continuing operations	5	12,035	3,998
EXPENSES			
Changes in finished goods		(653)	27
Raw materials and other direct costs		(5,392)	(3,110)
Administration expenses		(1,364)	(803)
Marketing expenses		(120)	(137)
Employee benefits expenses		(2,607)	(2,615)
Impairment of capitalised development costs		(123)	(3,042)
Depreciation and amortisation expenses	6	(490)	(746)
Acquisition costs		-	(196)
Share of loss on equity accounted for investment		(153)	-
Other expenses		(341)	(587)
Finance costs	6	(100)	(57)
Profit/(loss) before income tax benefit from continuing operations		692	(7,268)
Income tax benefit	7	308	1,798
Profit/(loss) after income tax benefit from continuing operations		1,000	(5,470)
Profit after income tax expense from discontinued operations	8	248	196
Profit/(loss) after income tax benefit for the year attributable to the owners of Clean TeQ Holdings Limited		1,248	(5,274)
Other comprehensive income			
Foreign currency translation		(1)	-
Other comprehensive income for the year, net of tax		(1)	-
Total comprehensive income for the year attributable to the owners of Clean TeQ Holdings Limited		**1,247**	**(5,274)**

		Cents	Cents
Earnings per share from continuing operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	44	0.816	(8.088)
Diluted earnings per share	44	0.785	(8.088)
Earnings per share from discontinued operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	44	0.202	0.290
Diluted earnings per share	44	0.195	0.290
Earnings per share for profit/(loss) attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	44	1.018	(7.798)
Diluted earnings per share	44	0.980	(7.798)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	1,454	1,347
Trade and other receivables	10	2,028	1,195
Inventories	11	1,801	1,725
Income tax receivable	12	421	-
Other financial assets	13	75	-
		5,779	4,267
Assets of disposal groups classified as held for sale	14	1,790	-
Total current assets		7,569	4,267
NON-CURRENT ASSETS			
Investments accounted for using the equity method	15	2,045	-
Other financial assets	16	117	-
Plant and equipment	17	442	333
Intangibles	18	10,002	9,905
Deferred tax	19	2,663	2,596
Total non-current assets		15,269	12,834
Total assets		22,838	17,101
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	20	2,412	1,109
Borrowings	21	24	727
Employee benefits	22	282	301
Other	23	1,389	1,016
		4,107	3,153
Liabilities directly associated with assets classified as held for sale	24	172	-
Total current liabilities		**4,279**	**3,153**
NON-CURRENT LIABILITIES			
Borrowings	25	49	63
Deferred tax	26	2,733	2,596
Employee benefits	27	30	37
Total non-current liabilities		2,812	2,696
Total liabilities		7,091	5,849
Net assets		**15,747**	**11,252**
EQUITY			
Issued capital	28	13,151	10,059
Reserves	29	190	82
Retained profits		2,406	1,111
Total equity		**15,747**	**11,252**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity	Reserves	Retained profits	Total equity
	$'000	$'000	$'000	$'000
CONSOLIDATED				
Balance at 1 July 2010	8,175	200	6,256	14,631
Loss after income tax benefit for the year	-	-	(5,274)	(5,274)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,274)	(5,274)
Transactions with owners in their capacity as owners:				
Share-based payments	20	11	-	31
Shares issued	500	-	-	500
Issue of ordinary shares related to business combinations	94	-	-	94
Issue of ordinary shares related to convertible notes	1,270	-	-	1,270
Lapse of options during the year	-	(129)	129	-
Balance at 30 June 2011	**10,059**	**82**	**1,111**	**11,252**
Balance at 1 July 2011	10,059	82	1,111	11,252
Profit after income tax benefit for the year	-	-	1,248	1,248
Other comprehensive income for the year, net of tax	-	(1)	-	(1)
Total comprehensive income for the year	-	(1)	1,248	1,247
Transactions with owners in their capacity as owners:				
Share-based payments	-	156	-	156
Shares issued	3,283	-	-	3,283
Lapse of options	-	(47)	47	-
Cost of capital raised	(191)	-	-	(191)
Balance at 30 June 2012	**13,151**	**190**	**2,406**	**15,747**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
		2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		11,687	8,944
Payments to suppliers (inclusive of GST)		(12,027)	(12,080)
		(340)	(3,136)
Interest received		60	92
Interest and other finance costs paid		(95)	(61)
Income taxes paid		-	(16)
Net cash used in operating activities	42	(375)	(3,121)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	17	(232)	(12)
Development expenditure		(1,055)	(1,332)
Acquisition of other intangibles		(34)	(35)
Proceeds from sale of property, plant and equipment		-	1
Net cash used in investing activities		(1,321)	(1,378)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,985	500
Proceeds from issue of convertible notes		469	2,220
Repayment of convertible notes		(1,166)	(200)
Repayment of finance lease		(5)	(5)
Net (Payment of) / proceeds from hire purchases		11	(24)
Payment for investment in associate		(120)	-
Cash on deposit for security over bank guarantees		(192)	-
Net cash from financing activities		1,982	2,491
Net increase/(decrease) in cash and cash equivalents		286	(2,008)
Cash and cash equivalents at the beginning of the financial year		1,347	3,355
Cash and cash equivalents at the end of the financial year	9	**1,633**	**1,347**

The accompanying notes form part of these financial statements.

NOTE 1. GENERAL INFORMATION

The financial report covers Clean TeQ Holdings Limited as a consolidated entity consisting of Clean TeQ Holdings Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Clean TeQ Holdings Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

270-280 Hammond Road
Dandenong South VIC 3175

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 August 2012. The directors have the power to amend and reissue the financial report.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. These accounting standards or interpretations are disclosed later in this note.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

The consolidated entity has applied AASB 2011-5 amendments from 1 July 2011. These amendments extended relief from consolidation, the equity method and proportionate consolidation where the ultimate or intermediate parent applied not-for-profit Aus paragraphs in Australian IFRSs as adopted in Australia.

Going concern

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

At the date of this report the Directors consider the going concern basis of accounting is appropriate for the consolidated entity.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for where applicable, revaluations to the fair value of certain classes of assets, as described in the accounting policies.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 37.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Holdings Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Clean TeQ Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign currency translation

The financial report is presented in Australian dollars, which is Clean TeQ Holdings Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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.

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.

Technology licensing income

Technology licensing income is recognised based on the substance of the contractual arrangements entered into. Upfront 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.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sales 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. Grants that compensate the consolidated entity for the cost of an asset are recognised in profit or loss as other revenue on a systematic basis over the useful life of the asset.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Clean TeQ Holdings Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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.

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

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.

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.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus acquisition costs and post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Income earned from joint venture entities is recognised as revenue in the parent entity's profit or loss, whilst in the consolidated financial statements they reduce the carrying amount of the investment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives as follows:

Factory equipment	2.5 to 20 years (straight line and diminishing value)
Office furniture and equipment	2.5 to 20 years (straight line and diminishing value
Capitalised leased equipment	3-7 years (diminishing value)
Motor vehicles	5-6 years (diminishing value)

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Other financial assets

Cash on deposit used as security for bank guarantees that matures within four and twelve months of each reporting period is disclosed as a current other financial asset. Those deposits that do not mature for in excess of twelve months are disclosed as non-current other financial assets.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business combination. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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. Developments costs are amortised at the stage of commercialisation. 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.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

Impairment of non-financial assets

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings
- interest on hire purchases
- interest on finance leases

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Clean TeQ Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 127 Separate Financial Statements (Revised) AASB 128 Investments in Associates and Joint Ventures (Reissued)

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions

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

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Long service leave provision

As discussed in Note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Investment in associate

The investment in associate is 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. The joint venture prepares audited accounts and the carrying value of the investment is reviewed with reference to these audited accounts.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into 3 operating segments: Air purification, Water Purification and Resource Recovery. These operating segments are based on the internal reports that are reviewed and used by the CEO, who is the consolidated entity's chief operating decision maker (CODM), in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Air Purification

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

Water Purification

Clean TeQ's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use. Clean TeQ is developing technologies for use in the purification and recycling of waste water and the desalination of brackish water. Our UV Guard business specialises in the design, sale and distribution of ultra violet disinfection products that are used in the water and wastewater industries. The UV Guard business has been disclosed as discontinued operation in the current financial year.

Resource Recovery

The Clean-iX® Technology is at the core of this Division and aims to provide cost effective extraction techniques for 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 gross profit as included in the internal management reports that are reviewed by the consolidated entity's CEO. Segment gross 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 consolidated entity operates predominately in Australia.

Major customers

During the year ended 30 June 2012, approximately 42% (2011: 0%) of the consolidated entity's external revenue was derived from sales to Associated Water Pty Ltd, Gosford City Council and Queensland Gas Corporation through licensing of water technology and air and water projects undertaken.

Information about reportable segments

Business segments	Air	Resource	Water	Other	Consolidated
	2012 $'000	2012 $'000	2012 $'000	2012 $'000	2012 $'000
External revenue	6,037	-	7,503	708	14,248
Segment revenue	6,037	-	7,503	708	14,248
Segment results	1,684	-	5,094	363	7,141
Unallocated expenses					(6,169)
Income tax benefit					276
Profit for the year					1,248
Segment assets					
Unallocated assets					
Total assets	2,934	4,757	9,531	5,616	22,838
Segment liabilities					
Unallocated liabilities					
Total liabilities	1,654	-	1,132	4,305	7,091
Other segment information:					
Capital expenditure including capitalised development expenditure	102	221	732	1	1,056
Impairment of capitalised development expenditure	-	-	-	123	123
Loss from equity accounted investment	-	-	(153)	-	(153)
Amortisation of intangibles	26	-	344	34	404

NOTE 4. OPERATING SEGMENTS CONTINUED

Business segments	Air	Resource	Water	Other	Consolidated
	2011 $'000	2011 $'000	2011 $'000	2011 $'000	2011 $'000
External revenue	2,417	274	3,675	299	6,665
Segment revenue	2,417	274	3,675	299	6,665
Segment results	443	119	1,604	285	2,451
Unallocated expenses					(9,389)
Income tax benefit					1,664
Loss for the year					(5,274)
Segment assets	669	4,688	7,252	-	12,609
Unallocated assets					4,492
Total assets				-	17,101
Segment liabilities	85	-	1,253	-	1,338
Unallocated liabilities					4,511
Total liabilities				-	5,849
Other segment information:					
Capital expenditure including capitalised development expenditure	28	438	768	132	1,366
Amortisation of intangibles	267	32	280	76	655
Impairment of capitalised development expenditure	60	345	364	2,273	3,042

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

NOTE 5. REVENUE

	Consolidated	
	2012 $'000	2011 $'000
From continuing operations		
SALES REVENUE		
Contract revenue	9,840	3,754
Government grants	20	-
License fee income	2,000	-
	11,860	3,754
OTHER REVENUE		
Interest	60	91
Other revenue	115	153
	175	244
Revenue from continuing operations	**12,035**	**3,998**

NOTE 6. EXPENSES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
COST OF SALES		
Cost of sales	6,045	4,214
DEPRECIATION		
Motor vehicles under lease	12	21
Factory equipment	34	30
Office equipment and furniture	38	38
Capitalised leased assets	2	2
Total depreciation	86	91
AMORTISATION		
Capitalised development costs	277	490
Other intangible assets	127	165
Total amortisation	404	655
Total depreciation and amortisation	**490**	**746**
IMPAIRMENT		
Capitalised development costs	123	3,042
EMPLOYEE BENEFIT EXPENSES		
Wages and salaries	1,989	2,270
Employee entitlements expense including movements in provisions for employee entitlements	43	43
Superannuation	189	196
Equity settled share based payments	22	31
Other costs	364	75
Total employee benefit expense	**2,607**	**2,615**
FINANCE COSTS		
Interest and finance charges paid/payable	100	57
RENTAL EXPENSE RELATING TO OPERATING LEASES		
Minimum lease payments	148	219

NOTE 7. INCOME TAX BENEFIT

	Consolidated	
	2012 $'000	2011 $'000
INCOME TAX BENEFIT		
Current tax	(346)	-
Deferred tax	70	(1,664)
Aggregate income tax benefit	**(276)**	**(1,664)**
Income tax benefit is attributable to:		
Loss from continuing operations	(308)	(1,798)
Profit from discontinued operations	32	134
Aggregate income tax benefit	**(276)**	**(1,664)**
NUMERICAL RECONCILIATION OF INCOME TAX BENEFIT AND TAX AT THE STATUTORY RATE		
Profit/(loss) before income tax benefit from continuing operations	692	(7,268)
Profit before income tax expense from discontinued operations	280	330
	972	(6,938)
Tax at the statutory tax rate of 30%	292	(2,081)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	19	72
Tax losses (reinstated)/not brought to account	(447)	443
Concessional R&D deduction	(140)	(97)
Other deductions	-	(1)
Tax claim on licence fee	600	-
Deferred tax balances in relation to joint venture investment	(600)	-
Income tax benefit	**(276)**	**(1,664)**

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTE 8. DISCONTINUED OPERATIONS

	Consolidated 2012 $'000	2011 $'000
FINANCIAL PERFORMANCE INFORMATION		
Sales of goods and services	2,213	2,667
Total revenue	2,213	2,667
Raw materials and consumables used	(882)	(1,131)
Administration expenses	(114)	(183)
Marketing expenses	(6)	(32)
Employee benefits expenses	(819)	(839)
Depreciation and amortisation expenses	(9)	(10)
Other expenses	(99)	(139)
Finance costs	(4)	(3)
Total expenses	(1,933)	(2,337)
Profit before income tax expense	280	330
Income tax expense	(32)	(134)
Profit after income tax expense	248	196
Profit after income tax expense from discontinued operations	**248**	**196**
CASH FLOW INFORMATION		
Net cash from/(used in) operating activities	27	(22)
Net cash used in investing activities	(6)	-
Net cash used in financing activities	(7)	(6)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**14**	**(28)**

Details of the disposal

On 28 June 2012, the company executed a contract to sell 100% of its shares in UV Guard Australia Pty Ltd. The contract was completed on 19 July 2012, with the sale effective from 1 July 2012. The company received $1,350,000 plus inventory on hand as consideration for the sale. The sale consideration exceeds the net assets of UV Guard Australia Pty Ltd at 30 June 2012 and as a result there has been no impairment recognised.

The decision has also been made to close the operations of UV Guard New Zealand Limited. At 30 June 2012, the only asset that the company held was cash, and for this reason no impairment has been recognised.

Both UV Guard Australia Pty Ltd and UV Guard New Zealand Limited form part of the Water Purification business segment in Note 4 – Operating Segments.

NOTE 9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $'000	2011 $'000
Cash at bank	1,233	520
Cash on deposit	43	280
Cash on deposit used as security for bank guarantees	178	547
	1,454	**1,347**

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2012 $'000	2011 $'000
Balances as above	1,454	1,347
Cash and cash equivalents — classified as held for sale (Note 14)	179	-
Balance as per statement of cash flows	**1,633**	**1,347**

The effective interest rate on short-term bank deposits at 30 June 2012 was 4.50% (2011: 5.37%). These deposits have a maximum maturity of 90 days of year end. Any balances with maturities exceeding this have been disclosed as other financial assets. An amount of $413,000 (2011: $827,000) is held on a deposit as security for any guarantees or short-term credit requirements of the consolidated entity. Refer to Note 25 for details of the used and unused bank guarantee facility.

NOTE 10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $'000	2011 $'000
Trade receivables	1,965	1,110
Other receivables	63	85
	2,028	**1,195**

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $346,000 as at 30 June 2012 ($464,000 as at 30 June 2011).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2012 $'000	2011 $'000
31-60 days	335	345
60-90 days	11	35
90 + days	-	84
	346	**464**

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 2012 or 30 June 2011 and thus should not be provided for.

NOTE 11. CURRENT ASSETS – INVENTORIES

	Consolidated	
	2012 $'000	2011 $'000
Raw materials – at net realisable value	390	430
Work in progress – at cost	1,296	527
Finished goods – at cost	115	768
	1,801	**1,725**

Raw materials includes grape skin extract which was initially recognised at a cost of $598,000. At 30 June 2012 the carrying value of grape skin extract is $309,000, which includes costs incurred to convert some of the liquid extract into powder. In the 2007 financial year the Company determined that the net realisable value of these raw materials be written down to $299,000.

NOTE 12. CURRENT ASSETS – INCOME TAX RECEIVABLE

	Consolidated	
	2012 $'000	2011 $'000
Income tax receivable	**421**	**-**

Income tax receivable represents the refund due to the Company on capitalised expenditure during the current financial year as a result of the change in research and development tax concessions which have become effective from 1 July 2011.

NOTE 13. CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2012 $'000	2011 $'000
Cash on deposit used as security for bank guarantees	**75**	**-**

NOTE 14. CURRENT ASSETS – ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

	Consolidated	
	2012 $'000	2011 $'000
Cash and cash equivalents	179	-
Trade and other receivables	463	-
Inventory	684	-
Plant and equipment	28	-
Deferred tax asset	15	-
Goodwill – at cost	405	-
Income tax refundable	16	-
	1,790	**-**

Refer to Note 8 – Discontinued Operations for further details.

NOTE 15. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2012 $'000	2011 $'000
Investment in associate	2,045	-

Refer to Note 39 for further information on interests in joint ventures.

During the current year, the company entered into a joint venture agreement with Nippon Gas Co., Ltd, to provide desalination facilities and services in the Australian coal seam gas industry. The joint venture is known as Associated Water Pty Ltd. Both companies have a 50% equity interest. CleanTeQ Holdings Limited have provided an exclusive licence to use its CIF™ technology with its 50% share valued at $2,000,000. In addition to this further costs of approximately $197,000 have been capitalised.

The consolidated entity has recognised its share of after tax losses for the period totaling $152,000.

Refer to Note 39 for further financial information on joint arrangements.

NOTE 16. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated	
	2012 $'000	2011 $'000
Cash on deposit used as security for bank guarantees	117	-

NOTE 17. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Consolidated	
	2012 $'000	2011 $'000
Office furniture and equipment – at cost	376	320
Less: Accumulated depreciation	(275)	(244)
	101	76
Motor vehicles – at cost	132	131
Less: Accumulated depreciation	(47)	(41)
	85	90
Factory equipment – at cost	321	198
Less: Accumulated depreciation	(77)	(44)
	244	154
Capitalised leased equipment – at cost	22	21
Less: Accumulated depreciation	(10)	(8)
	12	13
	442	**333**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Factory equipment	Office furniture/ equipment	Motor vehicles	Capitalised lease equipment	Total
	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED					
Balance at 1 July 2010	183	114	111	15	423
Additions	7	5	-	-	12
Disposals	-	(1)	-	-	(1)
Transfers in/(out)	(1)	1	-	-	-
Depreciation expense	(35)	(43)	(21)	(2)	(101)
Balance at 30 June 2011	154	76	90	13	333
Additions	123	72	36	1	232
Classified as held for sale	-	(6)	(22)	-	(28)
Depreciation expense	(33)	(41)	(19)	(2)	(95)
Balance at 30 June 2012	**244**	**101**	**85**	**12**	**442**

Property, plant and equipment secured under finance leases

Refer to Note 35 for further information on property, plant and equipment secured under finance leases.

NOTE 18. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated 2012 $'000	Consolidated 2011 $'000
Goodwill – at cost	-	405
	-	405
Development – at cost	16,051	15,118
Less: Accumulated amortisation	(6,832)	(6,554)
	9,219	8,564
Patents and trademarks – at cost	712	678
Less: Accumulated amortisation	(163)	(129)
	549	549
Licenses – at cost	460	520
Less: Accumulated amortisation	(226)	(133)
	234	387
	10,002	**9,905**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Capitalised development $'000	Licenses $'000	Goodwill $'000	Patent and trademarks $'000	Total $'000
CONSOLIDATED					
Balance at 1 July 2010	10,764	520	405	546	12,235
Additions	1,332	-	-	35	1,367
Impairment of assets	(3,042)	-	-	-	(3,042)
Amortisation expense	(490)	(133)	-	(32)	(655)
Balance at 30 June 2011	8,564	387	405	549	9,905
Additions	1,055	-	-	34	1,089
Classified as held for sale	-	-	(405)	-	(405)
Impairment of assets	(123)	-	-	-	(123)
Write off of assets	-	(60)	-	-	(60)
Amortisation expense	(277)	(93)	-	(34)	(404)
Balance at 30 June 2012	**9,219**	**234**	**-**	**549**	**10,002**

NOTE 18. NON-CURRENT ASSETS – INTANGIBLES CONTINUED

The write off of licenses in the current year related to an adjustment made to the purchase price paid for a licence acquired in 2010 that was recognised as a liability in the statement of financial position at 30 June 2011.

Capitalised 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 consolidated entity. If any project is unlikely to give rise to a future economic benefit it is expensed and written off immediately.

An impairment of $123,000 has been recognised in current year on capitalised research and development. Last financial year, as part of the annual impairment testing the Board reviewed the subdued marketplace activity and noted that the consolidated entity's ability to commercialise new technologies was compromised and as such there was a slowdown in the rate of commercialisation. As a result of the Board taking a more conservative approach to the holding value of capitalised development, an amount of $3.042m in previously capitalised research and development was impaired in the 2011 year.

The Clean-iX® Water Recycling project is material to the financial statements. This project has capitalised development costs to date of $2,439,000 (2011: $2,274,000). 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 $1,909,000 (2011:$1,849,000) is also material to the financial statements. Amortisation of this technology commenced in the current financial year. The capitalised development costs associated with the use of the Clean-iX® technology in the uranium resource recovery process of $2,707,000 (2011: $2,486,000) and the similar separation technology used for gold extraction & purification of $910,000 (2011: $910,000) are material capitalised development costs. These projects have not been commercialised to date and accordingly have not begun to be amortised at 30 June 2012. No other projects are deemed to be significant to the financial statements.

NOTE 19. NON-CURRENT ASSETS – DEFERRED TAX

	Consolidated	
	2012 $'000	2011 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued expenses	230	-
Acquisitions costs	1	2
Employee benefits	111	100
Software development costs	2	3
Deferred income	-	239
Unused tax losses	1,420	2,176
Unrealised exchange losses	-	1
Investment in Associated Water Pty Ltd	646	-
Deferred capital gain on disposal of subsidiary	100	-
Legal and consulting fees	72	-
	2,582	2,521
Amounts recognised in equity:		
Transaction costs on share issue	81	75
	81	75
Deferred tax asset	**2,663**	**2,596**

NOTE 20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2012 $'000	2011 $'000
Trade payables	1,975	561
Other payables	437	548
	2,412	**1,109**

Refer to Note 31 for further information on financial instruments.

NOTE 21. CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2012 $'000	2011 $'000
Convertible notes payable	-	697
Hire purchase	24	25
Lease liability	-	5
	24	**727**

On 2 November 2011, the Company announced the termination of the convertible note loan agreement with La Jolla Cove Investors Inc. (LJCI) dated 30 June 2010.

Refer to Note 25 for further information on assets pledged as security and financing arrangements and Note 31 for further information on financial instruments.

NOTE 22. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated	
	2012 $'000	2011 $'000
Annual leave	139	153
Long service leave	143	148
	282	**301**

NOTE 23. CURRENT LIABILITIES – OTHER

	Consolidated	
	2012 $'000	2011 $'000
Deferred revenue	**1,389**	**1,016**

The deferred income balance at 30 June 2012 consists of $613,000 (2011: $86,000) which relates to Air Pollution Control sales contracts and $Nil (2011: $134,000) 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 $776,000 (2011: $796,000) has also been recognised as deferred income. This income is being recognised over 17 years, being the useful life of the related asset.

NOTE 24. CURRENT LIABILITIES – LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated	
	2012 $'000	2011 $'000
Trade payables	75	-
Accrued expenses	13	-
Employee provisions	50	-
Provision for income tax	8	-
Hire purchase	26	-
	172	**-**

Refer to Note 8 – Discontinued Operations for further details.

NOTE 25. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2012 $'000	2011 $'000
Hire purchase	**49**	**63**

Refer to Note 31 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2012 $'000	2011 $'000
Convertible notes payable	-	697
Hire purchase	73	88
Lease liability	-	5
	73	**790**

Assets pledged as security

The bank overdraft is secured by the assets and undertakings of the consolidated entity.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

NOTE 25. NON-CURRENT LIABILITIES – BORROWINGS CONTINUED

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Total facilities		
Bank overdraft	750	-
Guarantees against work in progress	413	827
Finance lease and hire purchase facilities	99	93
Convertible note facility	-	1,394
	1,262	**2,314**
Used at the reporting date		
Bank overdraft	-	-
Guarantees against work in progress	370	546
Finance lease and hire purchase facilities	99	93
Convertible note facility	-	697
	469	**1,336**
Unused at the reporting date		
Bank overdraft	750	-
Guarantees against work in progress	43	281
Finance lease and hire purchase facilities	-	-
Convertible note facility	-	697
	793	**978**

NOTE 26. NON-CURRENT LIABILITIES – DEFERRED TAX

	Consolidated 2012 $'000	Consolidated 2011 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Unearned interest	3	3
Intangible assets	2,730	2,569
Unrealised exchange gains	-	24
Deferred tax liability	**2,733**	**2,596**

NOTE 27. NON-CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated 2012 $'000	Consolidated 2011 $'000
Long service leave	**30**	**37**

NOTE 28. EQUITY – ISSUED CAPITAL

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	2012 $'000	2011 $'000
Ordinary shares – fully paid	**143,651,853**	**97,078,465**	**13,151**	**10,059**

Movements in ordinary share capital

Details	Date	No. of shares	Issue price	$'000
Balance	1 July 2010	58,702,827		8,175
Employee share issue	13 September 2010	71,420	$0.280	20
UV Guard Acquisition earn out	20 October 2010	334,650	$0.280	94
Convertible note – partial conversion	26 October 2010	366,178	$0.150	55
Convertible note – partial conversion	8 November 2010	433,276	$0.115	50
Convertible note – partial conversion	22 November 2011	719,770	$0.104	75
Convertible note – partial conversion	13 December 2011	838,415	$0.066	55
Convertible note – partial conversion	21 December 2011	1,976,285	$0.076	150
Convertible note – partial conversion	29 December 2011	1,326,260	$0.075	100
Convertible note – partial conversion	10 January 2011	2,325,581	$0.065	150
Convertible note – partial conversion	31 January 2011	1,273,345	$0.059	75
Convertible note – partial conversion	14 February 2011	1,949,318	$0.051	100
Convertible note – partial conversion	11 March 2011	1,436,782	$0.035	50
Convertible note – partial conversion	25 March 2011	1,940,299	$0.034	65
Convertible note – partial conversion	6 April 2011	1,592,357	$0.031	50
Convertible note – partial conversion	18 April 2011	2,586,207	$0.029	75
Convertible note – partial conversion	10 May 2011	2,057,613	$0.024	50
Convertible note – partial conversion	18 May 2011	2,127,660	$0.024	50
Convertible note – partial conversion	30 May 2011	2,127,660	$0.024	50
Convertible note – partial conversion	6 June 2011	2,892,562	$0.024	70
Private placement	14 June 2011	10,000,000	$0.050	500
Balance	**30 June 2011**	**97,078,465**		**10,059**
Employee share issue	11 July 2011	601,084	$0.037	22
Entitlement issue	29 September 2011	27,367,478	$0.037	1,013
Shares issued to UV Guard	11 November 2011	2,604,826	$0.036	94
Shares issued to Corp 8	6 February 2012	2,000,000	$0.055	110
Placement to Nippon Gas Co., Ltd	19 March 2012	14,000,000	$0.146	2,044
Cost of capital raising				(191)
Balance	**30 June 2012**	**143,651,853**		**13,151**

NOTE 28. EQUITY – ISSUED CAPITAL CONTINUED

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

Share buy-back

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

Capital risk management

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

The Board's target is for employees of the consolidated entity, 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 consolidated entity's employees.

The Board ultimately 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 consolidated entity may increase its debt levels if and when required in order to achieve increased returns for shareholders.

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

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

NOTE 29. EQUITY – RESERVES

	Consolidated	
	2012 $'000	2011 $'000
Foreign currency reserve	(1)	-
Share-based payments reserve	191	82
	190	**82**

	Foreign currency	Share based payments	Total
	$'000	$'000	$'000
CONSOLIDATED			
Balance at 1 July 2010	-	200	200
Share based payments	-	11	11
Lapsed options transferred to retained earnings	-	(129)	(129)
Balance at 30 June 2011	-	82	82
Foreign currency translation	(1)	-	(1)
Lapsed options transferred to retained earnings	-	(47)	(47)
Share based payments	-	156	156
Balance at 30 June 2012	**(1)**	**191**	**190**

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Refer to Note 45 – Share based payments for further details on share based payments made during the year.

NOTE 30. EQUITY – DIVIDENDS

Dividends

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

Franking credits

	Consolidated	
	2012 $'000	2011 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	**572**	**572**

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

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 entity has assumed the benefit of franking credits in the current financial year $572,000 (2011: $572,000).

NOTE 31. FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- operational risk

This note presents information about the consolidated entity'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 consolidated entity, 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 consolidated entity's activities. The consolidated entity, 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 consolidated entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the consolidated entity. 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.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. There is no material exposure to foreign exchange risk.

Interest rate risk

The consolidated entity currently has no significant debt subject to variable interest rates. Accordingly the consolidated entity has limited exposure to interest rate movements. The consolidated entity has a term deposit facility used as security for bank guarantees.

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the consolidated entity's receivables from customers.

Trade and other receivables

The consolidated entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the consolidated entity'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 consolidated entity's 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 consolidated entity's standard payment and delivery terms and conditions are offered. Each new contract of works to be under taken by the consolidated entity, which is greater then a predetermined level, must be approved by the Board prior to the contract being signed.

Many of the consolidated entity's customers are large multinationals and government organisations who have been transacting with the consolidated entity for a number of years. Losses have occurred very infrequently since the inception of the business. The majority of sales transactions undertaken by the consolidated entity 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 consolidated entity.

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. Refer to Note 10 for debtors aging analysis.

Guarantees

The consolidated entity's policy is to provide financial guarantees only to wholly-owned subsidiaries. Details of outstanding guarantees are provided in Note 40.

The consolidated entity provides guarantees for work performed on each project contracts. These guarantees are put in place at the commencement of the contract and remain in place until approximately 12 months after the completion of the contract. These guarantees are issued under the company's guarantee facility.

Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity'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 consolidated entity's reputation.

During the 2011 year, the Company entered into an agreement with La Jolla Cove Investors Inc. for the issuing of convertible notes of up to US$6 million. The agreement was terminated during the current year.

The consolidated entity adopts milestone and progress invoicing, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the consolidated entity 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 consolidated entity maintains the following lines of credit:

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2012 $'000	2011 $'000
Bank overdraft	750	-
Guarantees against work in progress	43	281
Convertible note facility	-	697
	793	**978**

NOTE 31. FINANCIAL INSTRUMENTS CONTINUED

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated 2012	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$'000	$'000	$'000	$'000	$'000
NON-DERIVATIVES						
Non-interest bearing						
Trade payables	-	2,050	-	-	-	2,050
Other payables	-	458	-	-	-	458
Employee benefits	-	332	30	-	-	362
Interest-bearing – fixed rate						
Hire purchase	8.64	50	49	-	-	99
Total non-derivatives		**2,890**	**79**	**-**	**-**	**2,969**

Consolidated 2011	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	%	$'000	$'000	$'000	$'000	$'000
NON-DERIVATIVES						
Non-interest bearing						
Trade payables	-	561	-	-	-	561
Other payables	-	548	-	-	-	548
Employee benefits	-	301	37	-	-	338
Interest-bearing – fixed rate						
Convertible notes payable	10.54	697	-	-	-	697
Hire purchase	9.21	25	63	-	-	88
Lease liability	10.05	5	-	-	-	5
Total non-derivatives		**2,137**	**100**	**-**	**-**	**2,237**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

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

Compliance with consolidated entity's standards is supported by a programme of periodic reviews undertaken by management.

NOTE 32. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of Clean TeQ Holdings Limited during the financial year:

- Greg Toll (Executive Chairman and Director)
- Peter Voigt (Executive Director and Chief Executive Officer)
- Bob Cleary (Independent Non Executive Director)
- Roger Harley (Independent Non Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

- Melanie Leydin (Company Secretary and Chief Financial Officer – appointed 7 July 2011)
- Marc Lichtenstein (Company Secretary and Chief Financial Officer – resigned 7 July 2011)
- Ross Dive (Director of UV Guard Australia Pty Ltd)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2012 $	2011 $
Short-term employee benefits	719,665	864,272
Post-employment benefits	59,173	75,534
Share-based payments	4,000	7,218
	782,838	**947,024**

The key management personnel receive no compensation in relation to the management of the company. Key management personnel are compensated for management of the consolidated entity.

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 32. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
ORDINARY SHARES					
Greg Toll**	8,783,151	27,322	4,251,423	-	13,061,896
Peter Voigt**	19,744,565	27,322	6,051,376	-	25,823,263
Marc Lichtenstein*	137,135	-	-	(137,135)	-
Ross Dive	40,000	-	1,302,413	-	1,342,413
Roger Harley**	-	-	1,551,718	-	1,551,718
	28,704,851	**54,644**	**13,156,930**	**(137,135)**	**41,779,290**

* Marc Lichtenstein has resigned during the year.

** Amount disclosed includes amounts held by associates.

2011	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
ORDINARY SHARES					
Ralph Pliner*	50,000	-	-	(50,000)	-
Greg Toll**	7,934,480	3,571	857,100	(12,000)	8,783,151
Peter Voigt**	19,740,994	3,571	-	-	19,744,565
Jeremy Carter*	5,890,310		-	(5,890,310)	-
Mark Lichtenstein	137,135	-	-	-	137,135
Ross Dive	40,000	-	-	-	40,000
	33,792,919	**7,142**	**857,100**	**(5,952,310)**	**28,704,851**

* Not a director at 30 June 2011 therefore disclosure no longer required.

** Amount disclosed includes amounts held by associates.

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
OPTIONS OVER ORDINARY SHARES					
Greg Toll	390,000	-	-	(195,000)	195,000
Peter Voigt	390,000	-	-	(195,000)	195,000
Marc Lichtenstein*	375,000	-	-	(375,000)	-
Ross Dive	150,000	-	-	-	150,000
	1,305,000	**-**	**-**	**(765,000)**	**540,000**

* Marc Lichtenstein has resigned during the year.

2012	Vested and exercis-able	Vested and unexercis-able	Vested at the end of the year
OPTIONS OVER ORDINARY SHARES			
Greg Toll	195,000	-	195,000
Peter Voigt	195,000	-	195,000
Ross Dive	100,000	-	100,000
	490,000	**-**	**490,000**

NOTE 32. KEY MANAGEMENT PERSONNEL DISCLOSURES CONTINUED

2011	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
OPTIONS OVER ORDINARY SHARES					
Ralph Pliner*	195,000	-	-	(195,000)	-
Greg Toll*	585,000	-	-	(195,000)	390,000
Peter Voigt*	585,000	-	-	(195,000)	390,000
Jeremy Carter*	234,000	-	-	(234,000)	-
Mark Lichtenstein*	537,500	-	-	(162,500)	375,000
Ross Dive	-	150,000	-	-	150,000
	2,136,500	**150,000**	**-**	**(981,500)**	**1,305,000**

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

2011	Vested and exercis- able	Vested and unexercis- able	Vested at the end of the year
OPTIONS OVER ORDINARY SHARES			
Greg Toll	390,000	-	390,000
Peter Voigt	390,000	-	390,000
Marc Lichtenstein	375,000	-	375,000
Ross Dive	50,000	-	50,000
	1,205,000	**-**	**1,205,000**

In accordance with the remuneration policy described in the remuneration report, 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. Options previously granted as remuneration that lapsed or been exercised during the year are detailed in the Remuneration Report.

Related party transactions

There have been no loans provided to key management personnel or their related parties in the 2012 and 2011 financial years.

NOTE 33. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the company:

	Consolidated	
	2012 $	2011 $
AUDIT SERVICES – PITCHER PARTNERS		
Audit or review of the financial statements	142,000	123,500
OTHER SERVICES – PITCHER PARTNERS		
Other assurance services	-	3,820
Accounting standard interpretation advice	21,000	5,978
Taxation services	77,000	22,055
	98,000	31,853
	240,000	**155,353**

Other assurance services undertaken by Pitcher Partners in 2011 included the review of the costs incurred and activities undertaken by the Company in relation to the Climate Ready Grant.

NOTE 34. CONTINGENT LIABILITIES

The consolidated entity had no contingent liabilities at 30 June 2012 or 30 June 2011.

NOTE 35. COMMITMENTS

	Consolidated	
	2012 $'000	2011 $'000
LEASE COMMITMENTS – FINANCE		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	6
Total commitment	-	6
Less: Future finance charges	-	(1)
Net commitment recognised as liabilities	**-**	**5**
Representing:		
Lease liability – current (Note 21)	**-**	**5**

NOTE 35. COMMITMENTS CONTINUED

	Consolidated	
	2012 $'000	2011 $'000
HIRE PURCHASES		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	39	32
One to five years	73	69
Total commitment	112	101
Less: Future finance charges	(13)	(13)
Net commitment recognised as liabilities	**99**	**88**
Representing:		
Current hire purchase liability (Note 21) and current hire purchase liability classified as held for sale (Note 24)	50	25
Non-current hire purchase liability (Note 25)	49	63
	99	**88**
OPERATING LEASES (NON-CANCELLABLE)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	153	148
One to five years	308	461
	461	**609**

The finance leases were settled in full during the current financial year.

During the current year financial year the consolidated entity entered into one hire purchase for a vehicle, expiring in January 2015. No new hire purchase agreements were entered into in the prior year. The comparative hire purchase liability relates to three motor vehicle leases which expire within 3 years. The interest rates on hire purchases vary from 7.21% to 10.24%.

The operating 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.

NOTE 36. RELATED PARTY TRANSACTIONS

Parent entity

Clean TeQ Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 38.

Joint ventures

Interests in joint ventures are set out in Note 39.

Key management personnel

Disclosures relating to key management personnel are set out in Note 32 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2012 $	2011 $
SALE OF GOODS AND SERVICES		
Sale of technology license to Associated Water Pty Ltd (an entity in which Clean TeQ Limited is joint venture partner)	2,000,000	-
Provision of management, labour and administration (an entity in which Clean TeQ Limited is joint venture partner)	205,000	-

These fees are charged on normal commercial terms and conditions in accordance with the consultancy services and administration services agreements.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2012 $	2011 $
CURRENT RECEIVABLES		
Trade receivables from Associated Water Pty Ltd (an entity in which Clean TeQ Limited is joint venture partner)	63,000	-

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

NOTE 37. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Parent	
	2012 $'000	2011 $'000
STATEMENT OF COMPREHENSIVE INCOME		
Profit/(loss) after income tax	450	(3,541)
Total comprehensive income	450	(3,541)
STATEMENT OF FINANCIAL POSITION		
Total current assets	814	489
Total assets	11,626	9,516
Total current liabilities	1,769	3,294
Total liabilities	1,769	3,310
Net assets	**9,857**	**6,206**
Equity		
Issued capital	13,151	10,059
Share-based payments reserve	191	82
Accumulated losses	(3,485)	(3,935)
Total equity	**9,857**	**6,206**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Refer to Note 40 for details of guarantees provided by the parent entity.

Statement of comprehensive income

The loss for the 2011 year in the parent entity is as a result of an impairment of $2,235,000 of an investment in subsidiaries and an impairment of intercompany loans receivable of $537,000.

Contingent liabilities

The parent entity had no known contingent liabilities as at 30 June 2012 and 30 June 2011.

Capital commitments – property, plant and equipment

The parent entity does not have any contractual commitments for the acquisition of property, plant or equipment at 30 June 2012 or since the end of the financial year.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

NOTE 38. SUBSIDIARIES

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

		Equity holding	
Name of entity	Country of incorporation	2012 %	2011 %
Clean TeQ Limited	Australia	100.00	100.00
Resix Pty Ltd	Australia	100.00	100.00
CT Global Holdings Pty Ltd	Australia	100.00	100.00
LiXiR Functional Foods Pty Ltd	Australia	100.00	100.00
Clean TeQ Water Pty Ltd	Australia	100.00	100.00
Clean TeQ Resin Production Pty Ltd	Australia	90.00	90.00
UV Guard Australia Pty Ltd	Australia	100.00	100.00
Clean TeQ Asian Pacific Limited	Hong Kong	-	100.00
UV-Guard New Zealand Limited	New Zealand	100.00	100.00

NOTE 39. INTERESTS IN JOINT VENTURES

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures is set out below:

		Consolidated % interest	
Joint venture	Principal activities	2012 %	2011 %
Associated Water Pty Ltd	Water purification	50.00	-

Information relating to the joint venture partnership is set out below.

	Consolidated	
	2012 $'000	2011 $'000
SHARE OF ASSETS AND LIABILITIES		
Current assets	1,807	-
Non-current assets	2,128	-
Total assets	3,935	-
Current liabilities	85	-
Non-current liabilities	3	-
Total liabilities	88	-
Net assets	**3,847**	**-**
SHARE OF REVENUE, EXPENSES AND RESULTS		
Revenue	31	-
Expenses	(249)	-
Loss before income tax	**(218)**	**-**

NOTE 40. DEED OF CROSS GUARANTEE

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Clean TeQ Limited
Resix Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Clean TeQ Holdings Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of comprehensive income and statement of financial position of the 'Closed Group'.

	2012 $'000	2011 $'000
STATEMENT OF COMPREHENSIVE INCOME		
Revenue from continuing operations	12,095	4,020
Changes in finished goods	(653)	27
Raw materials and other direct costs	(5,392)	(3,109)
Administration expenses	(1,364)	(602)
Marketing expenses	(120)	(136)
Employee benefits expenses	(2,607)	(2,660)
Impairment of capitalised development costs	(123)	(3,042)
Depreciation and amortisation expenses	(397)	(615)
Share of loss on equity accounted for investment	(153)	-
Other expenses	(313)	(999)
Finance costs	(100)	(57)
Profit/(loss) before income tax benefit	873	(7,173)
Income tax benefit	272	1,667
Profit/(loss) after income tax benefit	1,145	(5,506)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	**1,145**	**(5,506)**

	2012 $'000	2011 $'000
STATEMENT OF FINANCIAL POSITION		
Current assets		
Cash and cash equivalents	1,454	1,181
Trade and other receivables	2,559	1,254
Inventories	1,801	1,034
Income tax receivable	421	-
Other financial assets	75	-
	6,310	3,469
Non-current assets		
Investments accounted for using the equity method	2,045	-
Other financial assets	667	550
Plant and equipment	442	303
Intangibles	9,889	9,234
Deferred tax	2,663	2,588
	15,706	12,675
Total assets	22,016	16,144
Current liabilities		
Trade and other payables	2,412	879
Borrowings	24	721
Employee benefits	282	257
Other	1,389	1,016
	4,107	2,873
Non-current liabilities		
Borrowings	49	33
Deferred tax	2,733	2,588
Employee benefits	30	38
	2,812	2,659
Total liabilities	6,919	5,532
Net assets	**15,097**	**10,612**
Equity		
Issued capital	13,151	10,059
Reserves	190	82
Retained profits	1,756	471
Total equity	**15,097**	**10,612**

NOTE 41. EVENTS AFTER THE REPORTING PERIOD

On 1 July 2012 the Company completed the sale of 100% owned subsidiary UV Guard Australia Pty Ltd, effective 1 July 2012.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 42. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2012 $'000	2011 $'000
Profit/(loss) after income tax benefit for the year	1,248	(5,274)
Adjustments for:		
Depreciation and amortisation	499	756
Impairment of intangibles	123	3,042
Share-based payments	22	31
Foreign exchange differences	-	(52)
Non-cash license fee income	(2,000)	-
Share of associate losses	153	-
Cash re-classified as financing as held on security for bank guarantees	192	-
Earnout paid through share issue	94	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,296)	1,336
Decrease/(increase) in inventories	(760)	364
Increase in income tax refund due	(436)	-
Increase in deferred tax assets	(82)	(1,014)
Increase/(decrease) in trade and other payables	1,326	(1,559)
Increase in provision for income tax	8	-
Increase/(decrease) in deferred tax liabilities	137	(650)
Increase/(decrease) in employee benefits	24	(47)
Increase/(decrease) in other operating liabilities	373	(54)
Net cash used in operating activities	**(375)**	**(3,121)**

NOTE 43. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated	
	2012 $'000	2011 $'000
Investment in controlled entities settled by the issue of parent entity shares	94	94
Settlement of convertible notes by issue of parent entity shares	-	1,270
Issue of shares in lieu of services	110	-
	204	**1,364**

NOTE 44. EARNINGS PER SHARE

	Consolidated	
	2012 $'000	2011 $'000
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Profit/(loss) after income tax attributable to the owners of Clean TeQ Holdings Limited	**1,000**	**(5,470)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	122,618,795	67,634,350
Adjustments for calculation of diluted earnings per share:		
Options	4,726,396	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**127,345,191**	**67,634,350**

	Cents	Cents
Basic earnings per share	0.816	(8.088)
Diluted earnings per share	0.785	(8.088)

NOTE 44. EARNINGS PER SHARE CONTINUED

	Consolidated	
	2012 $'000	2011 $'000
EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS		
Profit/(loss) after income tax attributable to the owners of Clean TeQ Holdings Limited	**248**	**196**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	122,618,795	67,634,350
Adjustments for calculation of diluted earnings per share:		
Options	4,726,396	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**127,345,191**	**67,634,350**

	Cents	Cents
Basic earnings per share	0.202	0.290
Diluted earnings per share	0.195	0.290

	Consolidated	
	2012 $'000	2011 $'000
EARNINGS PER SHARE FOR PROFIT/(LOSS)		
Profit/(loss) after income tax attributable to the owners of Clean TeQ Holdings Limited	**1,248**	**(5,274)**

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	122,618,795	67,634,350
Adjustments for calculation of diluted earnings per share:		
Options	4,726,396	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**127,345,191**	**67,634,350**

	Cents	Cents
Basic earnings per share	1.018	(7.798)
Diluted earnings per share	0.980	(7.798)

The options have been classified as potential ordinary shares and are included in the determination of diluted earnings per share, except where the consolidated entity has generated a loss.

NOTE 45. SHARE-BASED PAYMENTS

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.

On 30 June 2011 2,000,000 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 1,000,000 of these options were issued at a strike price of 8 cents, 500,000 options issues at a strike price of 25 cents and 500,000 options issued at a strike price of 40 cents.

On 16 February 2012, the company issued 1,500,000 to a consultant with a three year term to maturity. The exercise price in relation to 1,000,000 of these options was $0.175 (17.5 cents) and $0.25 (25 cents) in relation to the other 500,000.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2 years (2011: 2 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/02/12	16/02/15	$0.165	$0.175	105.08%	0.00%	3.93%	$0.1069
16/02/12	16/02/15	$0.165	$0.250	105.08%	0.00%	3.93%	$0.0960

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 40 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors

Peter Voigt
Director

29 August 2012
Melbourne

PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

CLEAN TEQ HOLDINGS LIMITED
ABN 34 127 457 916
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CLEAN TEQ HOLDING LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Clean TeQ Holdings Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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
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AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CLEAN TEQ HOLDING LIMITED

Independence

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

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 2012 and of its performance for the year ended on that date; and

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

(b) the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 31 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Clean TeQ Holdings Limited and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

S D WHITCHURCH
Partner

29 August 2012

PITCHER PARTNERS
Melbourne

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 30 September 2012.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Category of holding	Number of holders of ordinary shares
1 – 1,000	20
1,001 – 5,000	125
5,001 – 10,000	126
10,001 – 100,000	333
100,001 and over	97
Total	**701**
Holding less than a marketable parcel	**81**

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Shareholder	Ordinary shares	
	Number held	% of total shares issued
Aqua Guardian Group Limited	21,853,352	15.20
Thierville Pty Ltd <The Star Super Fund A/C>	21,193,207	14.74
Nippon Gas Co., Ltd	14,000,000	9.74
Mr Gregory L Toll + Mrs Margaret E Toll <Toll S/F A/C>	12,540,720	8.72
Wasabi Energy Limited	10,771,356	7.49
Jeremy's Haven Pty Ltd	5,690,310	3.96
Thierville Pty Ltd	4,550,801	3.16
Bell Potter Nominees Ltd <BB Nominees A/C>	2,820,000	1.96
HSBC Custody Nominees (Australia) Pty Ltd	2,477,614	1.72
Leymar International Pty Ltd	2,000,000	1.39
Graeme M A Hespe1	1,636,683	1.14
Ambello Bacteria Cultures Pty Ltd	1,486,683	1.03
Mal Clarke & Associates Pty Ltd <Mal Clarke Family A/C>	1,350,000	0.94
Mr Nickolai Zontov	1,316,534	0.92
Mr David N Colbran	1,300,000	0.90
Cop8 Inc	1,200,000	0.83
Pever Pty Ltd <P Sherman S/F A/C>	1,044,091	0.73
Mr John H Valder + Mrs Kay O Valder <Jayvee No 3 Superfund A/C>	1,000,000	0.70
Yieldhi Enterprises Limited	983,288	0.68
Reynolds Coal Marketing Pty Ltd <Super Fund A/C>	702,000	0.63
	110,114,639	**76.58**

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

Shareholder	Ordinary shares	
	Number held	% of total shares issued
Aqua Guardian Group Limited	21,853,352	15.20
Thierville Pty Ltd <The Star Super Fund A/C>	21,193,207	14.74
Nippon Gas Co., Ltd	14,000,000	9.74
Mr Gregory L Toll + Mrs Margaret E Toll <Toll S/F A/C>	12,540,720	8.72
Wasabi Energy Limited	10,771,356	7.49

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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

There are no other classes of equity securities.

CORPORATE DIRECTORY

COMPANY

The registered office of the company is:

Clean TeQ Holdings Limited

Melbourne – Head Office
270-280 Hammond Road
Dandenong South, Victoria 3175
Australia
Ph: +61 3 9797 6700
Fax: +61 3 9706 8344
www.cleanteq.com

DIRECTORS

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

COMPANY SECRETARY

Melanie Leydin

AUDITOR

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

BANKERS

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

LAWYERS

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

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067
Ph: +61 3 9415 5000
Fax: +61 3 9473 2500

ANNUAL GENERAL MEETING

15 November 2012 at 10.00am (AEDT)

Level 3, 123 Queen Street
Melbourne, Victoria 3000

STOCK EXCHANGE LISTING

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

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CleanTeQ Holdings Ltd
ABN 34 127 457 916

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Dandenong South VIC 3175

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www.cleanteq.com

ASX code: CLQ

CleanTeQ | Annual Report 2012