Powering innovation

Clean TeQ Holdings Limited

HALF-YEAR FINANCIAL REPORT 31 DECEMBER 2017

Contents

Directors’ Report

For the financial half-year ended 31 December 2017

The directors present their report, together with the financial statements, on the Consolidated Entity consisting of Clean TeQ Holdings Limited (referred to hereafter as the ‘Parent Entity’, ‘the Company’ or ‘Clean TeQ’) and the entities it controlled (referred to hereafter as the ‘Consolidated Entity’), for the financial half-year ended 31 December 2017, referred to hereafter as the ‘financial half-year’, and the auditor’s review report thereon.

DIRECTORS

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

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

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

Sam Riggall (Managing Director and Chief Executive Officer)

Li Binghan (Non-Executive Director)

Eric Finlayson (Independent Non-Executive Director)

Roger Harley (Independent Non-Executive Director – retired as director on 1 November 2017)

Ian Knight (Independent Non-Executive Director)

Stefanie Loader (Independent Non-Executive Director)

Michael Spreadborough (Independent Non-Executive Director)

PRINCIPAL ACTIVITIES

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

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

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

DIVIDENDS

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

REVIEW OF OPERATIONS

The loss for the Consolidated Entity amounted to $7,793,000 (31 December 2016: loss after tax of $8,168,000).

During the financial half-year ended 31 December 2017, the Consolidated Entity’s revenue from continuing operations increased to $1,435,000 (31 December 2016: $325,000) primarily due to increases in interest received and contract income from Water Projects booked to account in the financial half-year.

The continuing development of the Clean TeQ Sunrise Project resulted in $26,797,000 of expenditure being capitalised as an exploration and evaluation asset during the financial half-year. This expenditure, along with the net cash outflows from operating activities of $8,159,000 (31 December 2016 net outflow $2,445,000), was financed largely from existing cash reserves.

The Consolidated Entity’s net assets decreased during the financial half-year by $6,460,000 to $106,924,000 (30 June 2017: $113,384,000). Working capital, being current assets less current liabilities, amounts to a surplus of $39,313,000 (30 June 2017: $85,671,000 surplus), with cash reserves decreasing from $88,863,000 to $41,841,000 during the financial half-year.

METALS DIVISION

During the financial half-year, the Consolidated Entity announced that the Syerston Nickel Cobalt Scandium Project in New South Wales would be renamed to the Clean TeQ Sunrise Project. The new name signifies the change in focus of the Project as an emerging global source of cobalt sulphate, nickel sulphate and scandium, and provides a strong connection to the local area. Sunrise is the name of a property located to the south-west of the Project area which is owned by Clean TeQ.

The key focus for the Metals Division remains advancing the development of the Consolidated Entity’s Sunrise Project, with excellent progress being made towards its development during the financial half-year.

The Consolidated Entity completed a Mineral Resource Update during the half year, in preparation for a review of the Ore Reserve estimate which is being conducted in conjunction with the ongoing Definitive Feasibility Study (‘DFS’).

The updated resource (see Table 1 below) was announced during the half-year and highlighted a 30% increase in cobalt grades compared to the resource estimation completed in 2016. For full details of the 2017 Resource Update please see the ASX announcement dated 9 October 2017.

Directors' Report

Table 1: Sunrise Cobalt/Nickel Mineral Resource Estimate (0.06% Co cut-off)

Classification Category	Tonnage	Ni Grade %	Co Grade %	Ni Metal Tonnes	Co Metal Tonnes
Measured	40	0.75	0.15	299,000	59,000
Indicated	47	0.55	0.12	259,000	58,000
Measured + Indicated	**87**	**0.64**	**0.13**	**558,000**	**116,000**
Inferred	14	0.24	0.11	35,000	16,000
Total	**101**	**0.59**	**0.13**	**593,000**	**132,000**

The updated Clean TeQ Sunrise Mineral Resource Estimate (2017 Resource) was produced by independent consultants Widenbar & Associates Pty Ltd (Lynn Widenbar), and Development & Mining Services (Peter Kitto) in October 2017. This Mineral Resource Estimate was released to the Australian Securities Exchange (ASX) under the guidelines of the JORC Code (2012 edition) in October 2017 and was also published in a technical report titled, "Syerston Nickel Cobalt Project, New South Wales, Australia NI 43-101 Technical Report" with an effective date of October 30, 2017, prepared in accordance with Canadian National Instrument 43-101 (NI 43-101), which is available via the SEDAR profile of Clean TeQ Holdings Limited at www.sedar.com or on the Clean TeQ Holdings Limited website at www.cleanteq.com.

Please refer to the NI 43-101 technical report for detailed information about assay methods and data verification measures used to support the scientific and technical information disclosed in this report. Lynn Widenbar, Principal Consultant (Widenbar & Associates), BSc (Geology)(Hons), MSc (Mineral Exploration) (Hons), DIC, MAusIMM, MAIG, by virtue of his education, membership of a recognised professional association and relevant work experience, is an independent Qualified Person, as this term is defined by the NI 43-101. Peter Kitto, Principal Consultant (Development and Mining Services), BSc (Geology)(Hons), FAusIMM, by virtue of his education, membership of a recognised professional association and relevant work experience, is an independent Qualified Person, as this term is defined by the NI 43-101. The scientific and technical information in this report has been reviewed and approved by Mr Widenbar and Mr Kitto, each a Qualified Person under the terms of National Instrument 43-101. Each of Mr Widenbar and Mr Kitto are independent of Clean TeQ Holdings Limited, and have verified the technical data disclosed in this report.

Due to the significant increase in potential cobalt production as a result of the mineral resource update, the DFS is currently re-assessing the impact on the design and costing of the resin-in-pulp adsorption/desorption and refinery circuits of the process flow sheet as well as evaluating more selective mining approaches to the mine plan. The new work has resulted in a delay to the anticipated timing of completion of the DFS to Q1 2018. The scope of the DFS has also be expanded to assess the potential for platinum recovery via a separate beneficiation circuit. Onsite activities to support completion of the DFS during the financial half-year included bulk-sample test pitting, sizer crush testing and drilling.

The Resource Update also resulted in an increase in both scandium and platinum resources at Sunrise. The scandium Mineral Resource for the Project has increased significantly to 45.7 Mt @ 420 ppm Sc for 19,222 tonnes of contained metal using a 300ppm cut-off. Of this total resource, 27% is in the Measured and Indicated categories. This compares to the previously reported scandium Mineral Resource (17 March 2015) of 28.2 Mt @ 419 ppm Sc for 11,819 contained metal tonnes, using a 300 ppm Sc cut-off (i.e. an increase in contained scandium metal of 63%).

The platinum in the Mineral Resource for the Project has increased significantly to 103 Mt @ 0.33 g/t Pt for 1,076,170 ounces, using a 0.15 g/t cut-off. Of this total resource, 94% (metal content) is in the Measured and Indicated categories. This compares to the previously reported Mineral Resource (20 September 2015) of 109 Mt @ 0.20 g/t for 700,888 ounces of contained platinum. The updated platinum Resource is inclusive of a higher-grade zone of 1.7 Mt @ 1.87 g/t Pt for 103,435 ounces at a 1 g/t Pt cut-off grade.

During the financial half-year, the Consolidated Entity announced the acquisition of two autoclaves, critical components of the proposed processing plant for the Sunrise Project. The acquisition significantly de-risks the Project schedule, with delivery lead times in today's market for similar equipment being almost three years.

The autoclaves, which were acquired from Vale International S.A. (a subsidiary of Brazilian multinational metals and mining group, Vale SA) for US$6.5 million have never been used, are ideally sized for the Project and are in excellent condition. The autoclaves have been shipped from New Caledonia to Port Pirie in South Australia where they will be stored until they are ready to be transported by road to the Sunrise Project site for installation.

The Consolidated Entity completed the production of samples of high purity nickel sulphate and cobalt sulphate from the processing of ore at the Sunrise Project site at the Consolidated Entity's nickel and cobalt recovery and purification demonstration plant at ALS Metallurgy in Perth. These samples were dispatched to a number of potential customers in the lithium ion battery supply chain for testing and analysis, with the objective of securing product offtake commitments.

The Consolidated Entity has continued to engage in discussions regarding potential offtake commitments for nickel and cobalt sulphate production from the Sunrise Project site with several companies in the lithium ion battery cathode supply chain during the financial half-year.

Significantly, the Consolidated Entity announced the signing of a binding offtake agreement with Beijing Easpring Material Technology Co Ltd ('Easpring') for the supply of hydrated cobalt sulphate and nickel sulphate products. Under the agreement, Easpring will purchase fixed tonnages, from year 2 following rampup of the Project, of 18,000 tonnes per annum nickel sulphate ($NiSO_4.6H_2O$) (approximately 4,000tpa nickel metal equivalent) and 5,000 tonnes per annum cobalt sulphate ($CoSO_4.7H_2O$) (approximately 1,000tpa cobalt metal equivalent) representing approximately 20 per cent of forecast production, for an initial five-year period commencing from the start of commercial production.

The Consolidated Entity and Easpring will also investigate the potential for a partnership in downstream precursor, and possibly battery cathode production, at the Sunrise Project. The agreement represents a significant milestone for the Sunrise Project as it develops into a leading global supplier of battery grade cobalt and nickel to the lithium ion battery industry.

During the financial half-year, the Consolidated Entity announced that it had secured a 300-person accommodation facility to support the construction phase of the Sunrise Project. The facility will be purchased from Fleetwood Corporation for A$3.8 million and includes 306 rooms, administration area, first aid centre, mess and recreation facilities, with the flexibility to expand capacity as required. The acquisition price represents a significant discount to the cost of a newly built facility, which is consistent with the Consolidated Entity's strategy to identify and procure pre-made facilities to reduce capital costs and fast-track development of the Project.

The facility was originally constructed in 2014 for a natural gas project in Queensland, Australia. It is in excellent condition and ideally suited for the site conditions and operational requirements of the Project. The Consolidated Entity paid an initial deposit of $440,000 with the balance due in 2018 when the facility is delivered and installed at the Sunrise Project area.

During the financial half-year, the Consolidated Entity announced the appointment of Industrial and Commercial Bank of China ('ICBC'), Société Générale, National Australia Bank and Natixis as Mandated Lead Arrangers ('MLAs') to arrange a debt financing facility to fund a significant proportion of the development cost of the Sunrise Project. Each of the MLAs have undertaken to use best efforts to provide US$125 million, for a total of US$500 million for the proposed total credit facilities required for the development of the Project.

This includes providing a debt facility to fund capital expenditure and working capital and other credit facilities including bonds and bank guarantees. The financing will be contingent upon completion of a successful due diligence process, credit approval and agreement of formal documentation of terms and conditions.

WATER DIVISION

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

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

Design and engineering of the plant was completed and plans submitted to the Shanxi Urban & Rural Planning Design Institute for approval. The design institute has subsequently approved and finalized the feasibility study report and the project has received initial government approval.

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

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

The technology uses the Consolidated Entity's proprietary CIF® technology to remove toxic pollutants and in particular sulphate, antimony and arsenic from the wastewater stream. This solution is being provided to Multotec as an equipment design and supply package.

Multotec is the principal contractor with overall responsibility for delivering the CIF® wastewater management systems for the mineral processing facility. Fabrication of the CIF® waste water treatment plant equipment was completed by the Consolidated Entity.

The equipment is currently being shipped from Tianjin, China to Oman and upon its arrival will be constructed and commissioned.

Directors' Report

During the financial half-year the Consolidated Entity announced that through its wholly owned subsidiary Clean TeQ Water Pty Ltd, it had entered into a landmark agreement with Fosterville Gold Mine Pty Ltd ('Fosterville') to design, supply and commission a two million litre-per-day Clean TeQ DeSALx® mine water treatment plant.

The award of the contract follows a period of extensive due diligence and testwork conducted by Fosterville to validate the efficacy of the Consolidated Entity's proprietary DeSALx® system for the treatment of mining process waters. The value of the contract is $3,500,000 and serves as a significant milestone for the Clean TeQ Water division.

The Fosterville Gold Mine is located in Bendigo in regional Victoria, about a two hour drive from Melbourne. Design of the Fosterville water treatment plant is already underway, with equipment supply, installation and commissioning all scheduled for 2018.

A number of significant water purification project opportunities have been identified, both inside and outside China, in a number of key markets with a focus on treatment of waste water from mining operations.

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

The research and development of graphene oxide based adsorbents and membranes in cooperation with Monash University and Ionic Industries has achieved some significant milestones over the period. A process has been developed based on the Consolidated Entity's proprietary ion exchange technology, to remove contaminants from technical grade graphite oxide.

The refined graphite oxide has been converted to nematic phase graphene oxide solution which will be used as the raw material to produce graphene oxide based adsorbents and membranes.

Over the coming months the Consolidated Entity will produce graphene oxide based adsorbents and membranes in quantities to allow for the demonstration of their efficacy in water treatment applications.

The Company's ordinary shares on the TSX commenced trading on the Toronto Stock Exchange ('TSX') Friday 15th December 2017 under the stock symbol 'CLQ'. The Company's ordinary shares continue to trade under the symbol 'CLQ' on the Australian Securities Exchange and 'CTEQF' on the United States OTCQX Exchange. This dual secondary listing on TSX occurred shortly after the Consolidated Entity was included on the benchmark ASX/S&P 300 index for the first time.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Consolidated Entity announced on 1 November 2017 that Mr Roger Harley, had retired as a Non-Executive Director of the Consolidated Entity with effect from the conclusion of the 2017 Annual General Meeting. Mr Harley was appointed to the Board of Consolidated Entity in June 2010 and since his appointment has played an instrumental part in the growth of the Consolidated Entity. The Board would like to thank Mr Harley for his valuable and substantial contribution.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

ROUNDING OF AMOUNTS

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the directors' report for the financial half-year ended 31 December 2017.

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

On behalf of the directors

Sam Riggall
Managing Director and Chief Executive Officer

22 February 2018
Melbourne

Lead Auditor's Independence Declaration

For the financial half-year ended 31 December 2017

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

To the Directors of Clean TeQ Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Clean TeQ Holdings Limited for the half-year ended 31 December 2017 there have been:

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

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

KPMG

KPMG

Dana Bentley

Partner

Melbourne

22 February 2018

Consolidated statement of profit or loss and other comprehensive income

For the financial half-year ended 31 December 2017

	Notes	Consolidated 31 Dec 2017 $'000	Consolidated 31 Dec 2016 $'000
Revenue	5	1,435	325
Expenses			
Raw materials and other direct costs		(379)	(13)
Employee benefits expenses	6	(3,805)	(6,458)
Depreciation and amortisation expenses		(399)	(449)
Legal and professional expenses		(1,244)	(239)
Occupancy expenses		(661)	(151)
Marketing expenses		(475)	(365)
Other expenses		(2,163)	(744)
Finance costs		(102)	(74)
Loss before income tax benefit from continuing operations		**(7,793)**	**(8,168)**
Income tax benefit		–	–
Loss after income tax benefit from continuing operations		**(7,793)**	**(8,168)**
Profit after income tax benefit from discontinued operations		–	–
Loss after income tax benefit for the financial half-year attributable to the owners of Clean TeQ Holdings Limited		**(7,793)**	**(8,168)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		–	–
Other comprehensive income for the financial half-year, net of tax		–	–
Total comprehensive income for the financial half-year attributable to the owners of Clean TeQ Holdings Limited		**(7,793)**	**(8,168)**
Total comprehensive income for the year is attributable to:			
Continuing operations		(7,793)	(8,168)
Owners of the company		–	–
		(7,793)	**(8,168)**

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

Consolidated statement of profit or loss and other comprehensive income

	Consolidated	
	31 Dec 2017 Cents	31 Dec 2016 Cents
Earnings per share for loss from continuing operations attributable to the owners of Clean TeQ Holdings Limited		
Basic earnings per share	(1.35)	(1.81)
Diluted earnings per share	(1.35)	(1.81)
Earnings per share for loss attributable to the owners of Clean TeQ Holdings Limited		
Basic earnings per share	(1.35)	(1.81)
Diluted earnings per share	(1.35)	(1.81)

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

Consolidated statement of financial position

as at 31 December 2017

	Note	Consolidated 31 Dec 2017 $'000	Consolidated 30 June 2017 $'000
Current assets			
Cash and cash equivalents		41,841	88,863
Trade and other receivables		2,769	993
Inventories		96	96
Research and development tax receivable		2,183	2,088
Total current assets		**46,889**	**92,040**
Non-current assets			
Other financial assets		228	80
Investment in equity accounted investee	7	804	804
Property, plant and equipment		16,027	2,662
Intangibles	8	10,084	10,406
Exploration and evaluation assets	9	41,176	14,379
Total non-current assets		**68,319**	**28,331**
Total assets		**115,208**	**120,371**
Current liabilities			
Trade and other payables	10	3,240	3,172
Employee benefits		369	300
Deferred revenue		1,017	47
Notes payable	11	2,950	2,850
Total current liabilities		**7,576**	**6,369**
Non-current liabilities			
Deferred revenue		472	495
Employee benefits		40	68
Provisions		196	55
Total non-current liabilities		**708**	**618**
Total liabilities		**8,284**	**6,987**
Net assets		**106,924**	**113,384**
Equity			
Issued capital	12	137,878	137,517
Reserves	13	9,456	8,484
Accumulated losses		(40,410)	(32,617)
Total equity		**106,924**	**113,384**

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

Consolidated statement of changes in equity

For the financial half-year ended 31 December 2017

Consolidated	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2016	39,856	(20,433)	3,302	22,725
Loss after income tax benefit for the financial half-year	–	(8,168)	–	(8,168)
Total comprehensive income for the financial half-year	–	(8,168)	–	(8,168)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs	15,294	–	–	15,294
Share-based payments (note 20)	–	–	4,731	4,731
Total contribution and distribution:	15,294	–	4,731	20,025
Total transactions with owners of the Company	15,294	–	4,731	20,025
Balance at 31 December 2016	55,150	(28,601)	8,033	34,582
Balance at 1 July 2017	137,517	(32,617)	8,484	113,384
Loss after income tax benefit for the financial half-year	–	(7,793)	–	(7,793)
Total comprehensive income for the financial half-year	–	(7,793)	–	(7,793)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs	361	–	–	361
Share-based payments (note 20)	–	–	972	972
Total contribution and distribution:	361	–	972	1,333
Total transactions with owners of the Company	361	–	972	1,333
Balance at 31 December 2017	137,878	(40,410)	9,456	106,924

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

Consolidated statement of cash flows

For the financial half-year ended 31 December 2017

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	44	436
Payments to suppliers and employees (inclusive of GST)	(8,704)	(2,896)
Cash used in operating activities	(8,660)	(2,460)
Interest received	641	17
Interest and other finance costs paid	–	(2)
Net cash used in operating activities	(8,019)	(2,445)
Cash flows from investing activities		
Payments for property, plant and equipment	(13,441)	(86)
Proceeds from sale of property, plant and equipment	–	20
Acquisition of equity accounted investee	–	(529)
Payments for exploration and evaluation assets	(25,775)	(4,178)
Net cash (used in)/from investing activities	(39,216)	(4,773)
Cash flows from financing activities		
Proceeds from issue of shares, net of issuance costs	361	15,294
Cash on deposit for security over bank guarantees	(148)	169
Net cash from financing activities	213	15,463
Net increase/(decrease) in cash and cash equivalents	(47,022)	8,245
Cash and cash equivalents at the beginning of the period	88,863	7,226
Cash and cash equivalents at the end of the period	41,841	15,471

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

Notes to the financial statements

For the financial half-year ended 31 December 2017

NOTE 1. GENERAL INFORMATION

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

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

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

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 February 2018. The directors have the power to amend and reissue the financial statements.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the financial half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(a) Rounding of amounts

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

A number of new standards and amendments to standards are effective for annual period beginning after 1 July 2017; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 16 Leases

IFRS 16 requires companies to bring most leases on-balance sheet from 2019. Companies with leases will appear to be more asset-rich, but also more heavily indebted. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The adoption of these standards may have an impact on the Consolidated Entity's financial assets, and is not expected to have a significant impact on the Consolidated Entity's financial liabilities, however the impact is not expected to be material to net equity.

(c) Going concern

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

The Consolidated Entity reported a net loss after tax from continuing operations for the financial half-year of $7,793,000 (31 December 2016: loss of $8,168,000). Working capital, being current assets less current liabilities, amounts to a surplus of $39,313,000 (30 June 2017: $85,671,000 surplus), with cash reserves decreasing from $88,863,000 to $41,841,000 during the financial half-year. Net cash outflows from operating activities were $8,019,000 for the financial half-year (31 December 2016: $2,445,000 net outflow).

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

- The Consolidated Entity has available cash on hand as at 31 December 2017 of $41,841,000;
- The Consolidated Entity has recently been awarded a number of water purification contracts which are expected to generate positive cashflows over the course of 2018;
- The Consolidated Entity anticipates that a significant proportion of the 2017 and forecast 2018 financial years' development expenditure, including a large proportion of Sunrise Project testwork and feasibility study expenditure, will be eligible to receive a cash inflow rebate from the Australian Tax Office for eligible research and development expenditure; and
- The forecast cash flows for the Consolidated Entity indicate a positive cash position for at least the period of 12 months to February 2019.

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

During the financial half-year the Consolidated Entity made good progress in respect of the ongoing development of the Sunrise Project. The Consolidated Entity also made good progress in respect of the commercialisation of its water and metals recovery technologies. A number of significant project opportunities have been identified in a number of key markets with a focus on treatment of waste water from mining operations. The Consolidated Entity will continue working towards securing commercial contracts in the near future, and anticipates both the Water and Metals Divisions to produce substantial revenues in the future.

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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.

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.

Notes to the financial statements

NOTE 3. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Exploration & Evaluation Assets

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

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

Intangible assets

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

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

At each reporting date the directors and management undertake an impairment review to determine their value in use as derived from discounted cash flow modelling. The impairment review carried out as at 31 December 2017 did not reveal any impairment.

Estimation of reserves

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

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

Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each financial reporting date. Fair value is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

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

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

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

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

Geographical segments

Geographically, the Consolidated Entity operates predominately in Australia.

Notes to the financial statements

Operating segment information

Consolidated – 31 December 2017	Metals $'000	Water $'000	Intersegment eliminations/ unallocated* $'000	Total $'000
Revenue				
Sales to external customers	–	465	–	465
Rental income	46	–	–	46
Interest income	–	–	649	649
Other revenue		275	–	275
Total revenue	**46**	**740**	**649**	**1,435**
Reportable segment (loss)/profit before tax	**(1,276)**	**(1,472)**	**(5,045)**	**(7,793)**
Profit/(loss) before income tax benefit				**(7,793)**
Income tax benefit				–
Loss after income tax benefit				**(7,793)**
Assets				
Segment assets	65,153	7,478	42,577	115,208
Total assets				**115,208**

Consolidated – 31 December 2016	Metals $'000	Water $'000	Intersegment eliminations/ unallocated* $'000	Total $'000
Revenue				
Sales to external customers	1	126	–	127
Rental income	40	–	–	40
Interest income	–	–	17	17
Other revenue	81	60	–	141
Total revenue	**122**	**186**	**17**	**325**
Reportable segment (loss)/profit before tax	**(1,017)**	**(895)**	**(6,256)**	**(8,168)**
Profit/(loss) before income tax benefit				**(8,168)**
Income tax benefit				–
Loss after income tax benefit				**(8,168)**
Assets				
Segment assets	17,641	5,734	16,358	39,733
Total assets				**39,733**

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

Notes to the financial statements

NOTE 5. REVENUE

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Sales revenue		
Contract revenue	465	127
Government grants	178	129
Rental income	46	40
	689	296
Other revenue		
Interest	649	17
Other revenue	97	12
	746	29
Revenue	1,435	325

NOTE 6. EMPLOYEE BENEFITS EXPENSES

	Consolidated	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Wages and salaries	(2,146)	(1,059)
Employee entitlements	(30)	(5)
Superannuation	(133)	(111)
Equity settled share based payments	(972)	(4,731)
Other costs	(524)	(552)
	(3,805)	(6,458)

NOTE 7. INVESTMENT IN EQUITY ACCOUNTED INVESTEE

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Investment in joint venture	804	804
	804	804

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

NOTE 8. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Capitalised development costs – at cost	18,213	18,424
Less: Accumulated amortisation and impairments	(9,979)	(9,885)
	8,234	8,539
Patents and trademarks – at cost	713	713
Less: Accumulated amortisation and impairments	(354)	(337)
	359	376
Licence rights – at cost	4,542	4,542
Less: Accumulated amortisation and impairments	(3,051)	(3,051)
	1,491	1,491
	10,084	10,406

NOTE 9. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
At the beginning of the period	14,379	3,201
Additions	26,797	13,619
Reversal of accrual	–	(351)
R&D tax incentive on exploration asset off-set	–	(2,088)
Disposals	–	(2)
At end of the period	41,176	14,379

Exploration tenement summary

Licence Number	Project Name	Location	Equity Interest 31 Dec 2017	Equity Interest 30 June 2017
EL4573	Sunrise	NSW	100%	100%
EL8561	Sunrise	NSW	100%	100%

NOTE 10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Trade payables	1,704	2,520
Other payables	1,536	652
	3,240	3,172

NOTE 11. CURRENT LIABILITIES – NOTES PAYABLE

	Consolidated	
	31 Dec 2017 $'000	30 June2017 $'000
Notes payable	2,950	2,850

As part of the acquisition of the Sunrise Project from Ivanhoe Mines Ltd on 31 March 2015, a promissory note was issued by the Consolidated Entity with a face value of $3,000,000 payable in three years' time and carrying a zero coupon. This promissory note is secured by first ranking mortgages against the real property of the Sunrise Project. The promissory note is recognised at its amortised cost of $2,950,000 (30 June 2017: amortised cost of $2,850,000).

NOTE 12. EQUITY – ISSUED CAPITAL

	Consolidated			
	31 Dec 2017 Shares	30 June 2017 Shares	31 Dec 2017 $'000	30 June 2017 $'000
Ordinary shares – fully paid	580,450,182	576,266,310	137,878	137,517

Movements in ordinary share capital

Details	Date	Shares	Issue Price	$'000
Balance	1 July 2017	576,266,310		137,517
Exercise of Options by Option Holder	26 July 2017	36,545	$0.3010	11
Exercise of Options by Option Holder	26 July 2017	29,900	$0.3010	8
Exercise of Options by Option Holder	11 August 2017	1,637,001	$0.1450	–
Exercise of Options by Option Holder	29 August 2017	200,751	$0.2820	–
Shares Issued as a result of Employee Share Plan	7 September 2017	10,219	$0.0979	–
Exercise of Options by Option Holder	19 October 2017	500,000	$0.2712	136
Exercise of Options by Option Holder	24 October 2017	231,884	$0.3010	70
Exercise of Options by Option Holder	6 November 2017	625,345	$0.2712	–
Exercise of Options by Option Holder	6 November 2017	303,756	$0.3100	–
Exercise of Options by Option Holder	20 November 2017	108,471	$0.5850	–
Exercise of Options by Option Holder	22 December 2017	500,000	$0.2712	136
Capital raising costs		–		–
Balance	31 December 2017	580,450,182		137,878

Notes to the financial statements

Ordinary shares

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

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

Share buy-back

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

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 2017 Annual Report.

NOTE 13. EQUITY – RESERVES

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Share based payments reserve	9,456	8,484
	9,456	8,484

Movements in reserves

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

Consolidated	Share Based Payments $'000	Total $'000
Balance as at 1 July 2017	8,484	8,484
Lapsed options	–	–
Share based payments	972	972
Balance as at 31 December 2017	9,456	9,456

NOTE 14. EQUITY – DIVIDENDS

Dividends

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

NOTE 15. CONTINGENT LIABILITIES

The Consolidated Entity has a contingent liability, incurred in the financial year ended 30 June 2015, to pay a 2.5% gross revenue royalty on output mined from the Sunrise Project. This royalty is payable to Ivanhoe Mines, and is payable by Scandium 21 Pty Ltd, a company within the consolidated group. This royalty was part of the consideration paid for the acquisition of the Sunrise Project from Ivanhoe Mines, on 31 March 2015.

Notes to the financial statements

NOTE 16. COMMITMENTS

	Consolidated	
	31 Dec 2017 $'000	30 June 2017 $'000
Operating leases (non-cancellable)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	663	275
One to five years	912	1,032
More than five years	–	25
	1,575	1,332

The Group has a capital commitment of $3,400,000 relating to the purchase of equipment which is expected to be settled by June 2018.

NOTE 17. RELATED PARTY DISCLOSURES

Parent Entity

Clean TeQ Holdings Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in note 18.

Transactions with related parties

No transactions occurred with related parties outside the consolidated entity.

Receivable from and payable to related parties

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

Loans to/from related parties

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

NOTE 18. INTERESTS IN SUBSIDIARIES

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

		Ownership interest	
Name	Principal place of business/Country of incorporation	31 Dec 2017 %	30 June 2017 %
Clean TeQ Limited	Australia	100%	100%
Clean TeQ Metals Pty Ltd	Australia	100%	100%
Clean TeQ Water Pty Ltd	Australia	100%	100%
Associated Water Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Scandium Holding Company Pty Ltd	Australia	100%	100%
Scandium21 Pty Ltd	Australia	100%	100%
Syerston Scandium Pty Ltd	Australia	100%	100%
Uranium Development Pty Ltd	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	100%
Shanyi Hoyo Clean TeQ Environmental Co Ltd	China	50%	50%
Clean TeQ Environmental Protection Technology (Beijing) co., Ltd	China	100%	100%

Notes to the financial statements

NOTE 19. EVENTS AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since 31 December 2017 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 20. SHARE-BASED PAYMENTS

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

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

2017/2018							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
25/02/2015	25/02/2018	$0.1574	8,000,000	–	–	–	8,000,000
01/03/2015	01/03/2018	$0.1495	4,000,000	–	(1,637,001)	(362,999)	2,000,000
06/07/2015	30/06/2018	$0.3010	666,214	–	(298,329)	–	367,885
20/11/2015	30/06/2018	$0.2305	8,000,000	–		–	8,000,000
20/11/2015	31/03/2018	$0.1450	2,000,000	–		–	2,000,000
20/11/2015	30/11/2018	$0.2712	3,500,000	–	(1,750,000)	–	1,750,000
16/05/2016	16/05/2019	$0.2820	3,300,000	–	(200,751)	(99,249)	3,000,000
06/09/2016	16/05/2019	$0.2820	1,000,000	–	–	–	1,000,000
06/09/2016	16/05/2019	$0.3100	9,125,000	–	(375,000)	–	8,750,000
15/12/2016	15/12/2019	$0.5850	500,000	–	(175,000)	–	325,000
22/02/2017	22/02/2020	$0.6549	3,000,000	–	–	–	3,000,000
20/06/2017	20/06/2020	$0.9500	600,000	–	–	–	600,000
19/07/2017	17/02/2020	$0.7700	–	750,000	–	–	750,000
07/09/2017	31/08/2020	$0.9500	–	350,000	–	–	350,000
13/11/2017	06/11/2020	$1.7300	–	75,000	–	–	75,000
			43,691,214	1,175,000	(4,436,081)	(462,248)	39,967,885
Weighted average exercise price:			$0.2749	$0.8849	$0.2444	$0.1779	$0.2973

The weighted average number of years for share options issued under the Plan is 0.92 years (30 June 2017: 1.36 years).

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

2017/2018							
Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
19/07/2017	17/02/2020	$0.69	$0.7700	88.46%	-%	2.67%	$0.379
07/09/2017	31/08/2020	$0.97	$0.9500	86.90%	-%	2.59%	$0.559
13/11/2017	06/11/2020	$1.58	$1.7300	85.65%	-%	2.62%	$0.853

NOTE 20. SHARE-BASED PAYMENTS (continued)

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

2017/2018							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of half-year
08/07/2015	01/07/2018	$0.00	1,166,416	–	–	(400,000)*	766,416
20/11/2015	01/07/2018	$0.00	880,000	–	–	–	880,000
16/05/2016	01/07/2019	$0.00	1,538,807	–	–	(369,344)*	1,169,463
06/09/2016	06/09/2019	$0.00	1,292,706	–	–	–	1,292,706
01/07/2017	01/07/2020	$0.00	–	1,724,254	–		1,724,254
			4,877,929	1,724,254	–	(769,344)	5,832,839

* Performance rights forfeited as the employee ceased employment.

The performance rights have the following vesting conditions:

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

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

2017/2018							
Grant date	Expiry date	Share price at grant date	Risk-free Interest rate	Expected volatility	Dividend yield	Vesting probability	Fair value at grant date
01/07/2017	01/07/2020	$0.66	1.92%	87.74%	–%	33.60%	$0.223

NOTE 21. FAIR VALUE MEASUREMENT

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

Unless otherwise stated, and except for notes payable as disclosed in the annual report for the year ended 30 June 2017, the carrying amounts of financial instruments reflect their fair value. The carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Directors' declaration

For the financial half-year ended 31 December 2017

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

(a) the consolidated financial statements and notes set out on pages 6 to 21, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance, for the six month period ended on that date; and

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

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

Signed in accordance with a resolution of the directors:

On behalf of the directors

Sam Riggall
Managing Director and Chief Executive Officer

22 February 2018
Melbourne

Independent auditor's review report

Independent Auditor's Review Report

To the shareholders of Clean TeQ Holdings Limited

Report on the Half-year Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

The ***Half-year Period*** is the 6 months ended on 31 December 2017.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Consolidated entity are responsible for:

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

Independent auditor's review report

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Clean TeQ Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Dana Bentley

Partner

Melbourne

22 February 2018

Corporate Directory

31 December 2017

DIRECTORS

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

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

Sam Riggall (Managing Director and Chief Executive Officer)

Li Binghan (Non-Executive Director)

Eric Finlayson (Independent Non-Executive Director)

Roger Harley (Independent Non-Executive Director – retired as a director on 1 November 2017)

Ian Knight (Independent Non-Executive Director)

Stefanie Loader (Independent Non-Executive Director)

Michael Spreadborough (Independent Non-Executive Director)

COMPANY SECRETARY

Melanie Leydin

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

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

Telephone: +61 3 9797 6700

SHARE REGISTER

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnson Street
Abbottsford, Victoria, 3067

Telephone: +61 3 9415 5000

AUDITORS

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

LEGAL ADVISORS

Baker & McKenzie

Level 19, 181 William Street
Melbourne, Victoria, 3000

STOCK EXCHANGE LISTING

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

WEBSITE

www.cleanteq.com

www.colliercreative.com.au #CLT0005

CLEAN TEQ

Powering innovation