

## CLEAN TEQ CEO'S REPORT

### As at 30 June 2008

It is with great pleasure that I present the CEO's report for the recently listed Company, Clean TeQ Holdings Limited (ASX: CLQ) in relation to the financial year ending 30 June 2008. This has been a period of significant change for the Company. We have achieved and in some instances exceeded what we had set out to do during the 2008 financial year.

We successfully listed the Company on the Australian Stock Exchange in November 2007 when we presented our plans and forecasts in the prospectus. We have exceeded some of these forecasts and experienced significant financial growth over the period. Highlights during the period are as follows.

#### Performance

In terms of our operating performance we have achieved what we set out to do in this financial year, with new financial records for the Group. We have reached record levels of revenue, earnings before depreciation, amortisation, interest and tax ("EBITDA") and net profit after tax ("NPAT") for the year ending 30 June 2008. This is highlighted in the table below.

	<b>Actual 30 June 2008 \$'000</b>	<b>Forecast 30 June 2008 \$'000</b>	<b>Actual 30 June 2007 \$'000</b>	<b>Actual 30 June 2006 \$'000</b>
Revenue	15,219	15,435	7,025	5,569
EBITDA	4,409	4,210	3,188	1,134
NPAT	2,924	2,856	1,907	1,059

Revenue has grown by 117% whilst the NPAT has increased by 53% compared to the 2007 financial year. Although our revenue base has increased significantly we have incurred increased employment costs and we have continued to invest in excess of 10% of our revenue in research and development which will facilitate the

future growth of the Group. Furthermore, we have exceeded our forecast EBITDA for the current period which has resulted in an increased income tax expense being incurred, whilst our overall performance is still ahead of the forecast NPAT.

The actual revenue earned during the period was 1.4% less than the forecast but still greater than double the previous year's revenue. This difference in revenue against our forecast is a result of the project based operating model of the business. Revenue is earned based on project milestones being achieved. Accordingly, revenue from some of the projects entered into during the current period will now be earned in the 2009 financial year. This is a fundamental characteristic of this type of business.

Clean TeQ generated free cash flow from its operating activities of \$4.238 million during the current financial year. This is an increase of 21% compared to the previous corresponding period. A significant portion of the free cash flow is being reinvested in the business by way of further research and development for air, mining and water applications, and the recruitment of a number of new staff members to support the future increased level of operational activity. This investment will continue to drive growth for the business in the future.

At 30 June 2008 the Group has negligible debt and thus is sheltered from the impact of the global credit crunch. The Group has appropriate levels of cash reserves to ensure that it is in a position to leverage the potential opportunities that may arise in the Air, Water and Resource Recovery industries. Furthermore, the Group has a strong pipeline of potential opportunities in each division that it is working towards securing.

### **Our Divisions**

The current financial year has seen continued expansion and development of our unique technology base across each of our divisions. We have experienced significant growth across all three areas in the business.

- **Air Purification**

The Air Purification Division continues to experience strong year on year growth as businesses continue to incorporate environmental improvement as a core business attribute. We are well positioned to take advantage of this growing trend and continue to have a significant pipeline of opportunities.

Revenue from the Air Division has increased as a result of the average size of the projects undertaken by the Group increasing. Furthermore, the number of projects undertaken by the Air Purification Division continued to increase during the period.

- **Resource Recovery**

The Resource Recovery Division has exceeded its revenue targets compared to the prospectus forecasts. Licence fees in this division decreased during the current financial year but fees for services increased during the period more than offsetting any decrease in licence fees.

The Resource Recovery Division's performance for the year has met our expectations, and we are currently in the process of expanding the use of our Clean-iX® technology for a number of resource recovery solutions. During the period we completed the construction of our first Nickel/Cobalt pilot plant for BHP Billiton using our Clean-iX® technology. We are currently in the process of designing and building a uranium pilot plant for Paladin Energy at the Langer Heinrich Uranium mine in Namibia.

- **Water Purification**

The Water Purification Division has developed a solid portfolio of products. During the year it entered into a significant contract for the supply of a Submerged Ultrafiltration Membrane Water Treatment Plant. Commercialisation of the Clean-iX® technology for water treatment / recycling is continuing with a favourable review of the technology being conducted by Worley Parsons during the course of the year. The Worley Parsons Report indicated that our technology has a substantially lower capital cost to install, delivers

higher yields and operates at similar costs compared with traditional water treatment plants. We currently have a number of potential water opportunities that we are exploring.

This Water Purification Division is still in the early stages of its development. The growth in the Water Purification Division is expected to continue during the 2009 financial year and beyond.

### **Our People**

The key to the success of our business is our people. The growth in the business has been achieved by the hard work undertaken by all of our people during the course of the last financial year. We have continued to expand the number of people in the business, and our human resource numbers have increased by more than 50% during the period. This should enable us to service the significant growth we are experiencing.

A significant percentage of the company is owned by our people. At the time that the Company was successfully floated on the Australian Stock Exchange all our employees chose to acquire shares in the Company. During the period the Board has adopted the Employee Share Plan and issued options to all employees who have qualified by completing six months continuous service with the Group. Over time we would hope that a growing percentage of the Company is owned by our employees.

The Directors and I would like to thank all employees for the wonderful efforts that they have put in over the past 12 months. They have ensured that the Company continues to experience a strong pipeline of new opportunities. Furthermore, I would like to express my appreciation to my fellow Board members for their guidance and support over the last year.

Finally, this financial year has provided Clean TeQ Holdings Limited with a sound financial platform which places the company in a good position to ensure that we continue to grow strongly.

Yours faithfully



Greg Toll  
Chief Executive Officer