

## **CLEAN TEQ CEO'S REPORT**

**As at 30 June 2009**

On behalf of Clean TeQ Holdings Limited (ASX:CLQ) I am pleased to announce the Company's results for the year ending 30 June 2009 and to update you on the activities of the business as we emerge strongly from a difficult year.

The 2009 financial year was characterized by the impact of the deteriorating global financial position. We were not immune to this global event and a number of our contracted and proposed projects were delayed or cancelled as customers conserved their cash reserves. Consequently, our revenue was impacted. We enter the 2010 financial year with the strongest order book in the Company's history as a result of the awarding of new projects late in the year and the continuation of delayed projects. The Company currently has signed contracts in excess of its 2009 full year revenue.

During the current financial period we have continued to invest in our business, both in terms of our people and our technologies. This ongoing investment supporting our business model is enabling us to enter the current financial year in a solid position.

Globally the cleantech market, which includes a diverse range of innovative products and services that optimise the use of natural resources and/or reduce the environmental impact of their use, is one of the high growth sectors of the economy. Ernst & Young in its June 2009 cleantech report stated that the global cleantech market has been growing at a compound annual growth rate of 45% since 2004 and should continue to accelerate as economic conditions improve. Clean TeQ has positioned itself to capitalise on this growth with investment in technology development over many years.

### **Our Company**

Clean TeQ is focused on delivering better ways to manage nature's valuable resources. For the past 20 years Clean TeQ has continually developed and commercialised technologies which are now recognized as part of the cleantech sector. This investment has created 3 key divisions— Air, Water and Mining. Clean TeQ Air is the most established of these divisions in the marketplace. The Clean TeQ Mining and Water Divisions will add increasing value to the Company and its shareholders as they grow and deliver their full potential.

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## Performance

Our operating performance was down in this financial year. During the course of the current financial year a number of major projects were deferred or cancelled which has had an impact on our overall performance.

|         | 30 June 2009<br>\$'000 | 30 June 2008<br>\$'000 | 30 June 2007<br>\$'000 | 30 June 2006<br>\$'000 |
|---------|------------------------|------------------------|------------------------|------------------------|
| Revenue | 8,552                  | 15,219                 | 7,025                  | 5,569                  |
| EBITDA  | 388                    | 4,409                  | 3,188                  | 1,134                  |
| NPAT    | 511                    | 2,924                  | 1,907                  | 1,059                  |

The profit was reduced by a greater percentage than the revenue as we have maintained our investment in people despite the decrease in revenue. The ongoing investment in research and development and its concessional tax treatment has given rise to an income tax benefit during the current period.

Clean TeQ generated free cash flow from its operating activities of \$1.546 million during the current financial year. This free cash is being reinvested in the business by way of:

- further research and development in air, mining and water applications; and
- the recruitment of new staff members to support the expected increased level of operational activity.

At 30 June 2009 the Company has negligible debt and \$5.196 million of cash on hand. The Company has appropriate levels of cash reserves for its current ongoing operational activities. Further funding may be required to leverage the potential investment opportunities that may arise in the current market.

## Our Divisions

- **Air**

The Air division is an established business unit in the Company. It has been providing air pollution control solutions across the private and public sectors in Australia for 20 years. We continue to invest in both existing and new technologies to provide the best solutions to our customers, with our biological air solutions representing world's best practice. Two of the largest odour control projects in Australia in the past year have been awarded to Clean TeQ.

Revenue from this division has continued to increase year on year, with 9% growth in this financial year. The major contracts won include projects in Perth and Canberra worth \$9 million between them and a project with Brisbane City Council late in the current financial year

for over \$1m. Furthermore, approximately 10 smaller projects were completed. We are currently establishing a service and maintenance function within the Air division to increase our recurrent revenue. The potential for overseas expansion with these technologies is significant and we are investigating these opportunities.

- **Mining**

The Mining division which has invested heavily in technology over a number of years is close to commercialising its technology. The current period's activities have been focused on confirming the efficacy of the Clean-iX® uranium recovery technology, in conjunction with Paladin Energy, through the operation of a pilot plant in Namibia. In addition to uranium development, this division is actively pursuing applications for its Clean-iX® technology in gold and base metals with several leading mining companies.

In order to enable this business unit to achieve its potential in the near term, the Company has appointed a team of experienced mining executives who have previously held senior operating roles on behalf of leading global companies, including Rio Tinto and BHP Billiton. This has provided enormous credibility in this area and has generated an increasing number of proposals for demonstration of the technology.

During the course of the current financial year the Mining team has relocated from Melbourne to Perth to be closer to their prospective customer base.

- **Water**

The Water division is developing new technical solutions in-house and forming alliances with other companies with complementary technology to expand access to new water sources.

Several engineers have recently been employed in this division to accelerate this development. During the 2009 financial year the Company was awarded a Climate Ready Grant from the Commonwealth Government for almost \$1m to study the application of our proprietary Clean-iX® technology as a pre-treatment in the desalination market.

During the course of developing alliances other water opportunities have materialised in more traditional applications. Late in the financial year contracts were signed for the design and construction of three wastewater treatment plants in China. With the potential for more contracts in China, which are being actively pursued, this opens the opportunity for a Clean TeQ water business being established in China. We have also won and implemented a water treatment project for a major mining company in Western Australia. These opportunistic projects will continue, but consistent with our approach in the Air and Mining divisions, the future lies in the development of our own proprietary applications.

## Research & Development

It is our significant investment in research and development that has underpinned the business development to date. Over the past decade Clean TeQ has invested significant percentages of annual revenue in research and development. The \$2.6 million investment in the 2009 financial year approximates 30% of revenue. These are substantial amounts that indicate our resolve to have a broad portfolio of potential solutions to underpin our expected growth in future years. Wherever possible we will attempt to access Government Grants to assist with this development and to accelerate our proposed growth.

During the current period we have used our Clean-iX® technology to demonstrate the platform nature of this technology in the separation and purification of polyphenols from waste grape marc. This waste stream from the wine industry has traditionally had little value and has been dumped or used as low value animal feed. The Clean-iX® process can generate significant value to this low value material, with the formulation of nutraceutical capsules for human use to enhance wellness. The developed product has been launched as LiXiR, via its own website. These developments highlight the unlocked upside value in Clean TeQ as a result of its research and development over a sustained period of time.

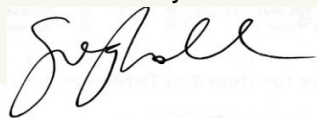
## Business Model

The Clean TeQ business model is based on investment in research and development and commercialisation of a portfolio of Intellectual Property. This has led the Company to the position where it has incubated an established Air business with growing revenue and profitability, a Mining business with technology that is attracting strong interest from a number of global players and a Water business that is at an early stage of commercialisation, but which has significant potential in the long term.

## Finally

Along with all the Directors, I would like to acknowledge the passion and dedication of all our people to the development of Clean TeQ over the past year. It is an honour to lead such a smart team of people who are committed to creating a great cleantech business. Furthermore, I would like to express my appreciation to my fellow Board members for their guidance and support over the past year. Their expertise and commitment represents a significant contribution to the future growth of our business.

Yours faithfully



Greg Toll  
Chief Executive Officer