

## CLEAN TEQ CEO'S REPORT

**As at 31 December 2009**

It is with pleasure that I update all shareholders on the progress of Clean TeQ Holdings Limited (ASX: CLQ) as at the half year ending 31 December 2009, which is 2 years since the IPO of the Company in November 2007. Revenue for the half year ending 31 December 2009 has increased by 135% to \$8.334 million, which is similar to that of the previous full year. The net profit after tax has increased to \$733,398. Clean TeQ listed just prior to the deterioration of the global economy. The Company has weathered the turbulence well and the current half year has produced a significant rebound in both revenue and profit compared to the corresponding period last year. Clean TeQ has grown revenue year on year at an average rate of approximately 25% per annum over the past decade.

Clean TeQ has invested in technology development and the acquisition of skilled personnel since its inception. The business is in the right place at the right time to capitalise on this investment, with increasing world-wide awareness of environmental issues. Furthermore, there is a world-wide desire to achieve greater recovery of resources at more cost competitive levels with reduced environmental impacts. Clean TeQ technologies are recognised as part of the cleantech market segment, which is growing strongly and will continue to do so.

With effect from 1 July 2009, the Company acquired all of the shares of UV-Guard Australia Pty Ltd ("UV-Guard"). UV-Guard now forms part of the Water Division. UV-Guard is a Sydney based Australian company that specialises in the design, sale and distribution of ultra violet disinfection products that are used in the water and wastewater industries. The performance of UV-Guard during the period has been profitable and ahead of budget.

### Performance

	<b>31 December 2009 \$'000</b>	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
Revenue	8,334	3,544	8,124
Earnings Before Interest, Tax			
Depreciation and Amortisation	1,166	203	2,064
Net Profit After Tax	733	225	1,564

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The half year ending 31 December 2009 has seen the Company return to growth. In order to service the growing pipeline of opportunities across each of our businesses, the number of people employed in the business has almost doubled since we listed approximately 2 years ago. This investment in people and enhancing our capabilities will enable the Company to continue to expand its operations in the future.

At 31 December 2009 the Company had no material debt and \$2.89 million cash on deposit. The cash position of the business has declined during this half year as a result of additional working capital requirements and the acquisition of UV-Guard.

### **Our Company and Divisions**

Clean TeQ is a Company with proprietary product offerings and developments in 3 key Divisions – Air, Water and Mining. The business has grown strongly over the past decade with high operating margins, no material debt and has been profitable throughout this period. On average, approximately 20% of revenue is invested in technology development each year, directed to patented technologies and to increasing our knowledge base. Our focus on technology development requires on-going investment in research and development, which requires capital. To date this has been provided from operational cash flows and from the IPO of the Company on the ASX.

Since Clean TeQ listed in late 2007, the number of shareholders on our register has increased by approximately 42% and this number is continuing to grow. During this period the Company has demonstrated a number of significant achievements, including:

- A growing, profitable business, including a rapidly expanding Air Division;
- An increasing number and size of projects;
- Absence of material debt;
- Blue chip customer base;
- Continuing investment in people and technology;
- Award of Federal Government Climate Ready Grant for \$1m;
- ISO 4801 HSE accreditation recently gained, in addition to ISO 9001 Quality and ISO 14001 Environmental accreditations;
- Acquired UV-Guard Australia Pty Ltd;
- Uranium extraction technology development via pilot projects in Southern Africa and Australia;
- Award of gold extraction project in North America;
- Development of wellness product – Lixir – based on extraction of anti-oxidants from grape skins utilising Clean-iX® technology;
- Restructured the business with General Managers now responsible for each Division;
- Relocated the Mining Division to Perth; and
- Technical collaborations with Companies in Israel, Singapore, USA, Austria, South Africa and Germany.

These achievements, along with a pipeline of continuing projects with existing and new customers underpin our expectations for a prosperous future for our Company.

- **Air Division**

The Air Division is the longest established business unit. It has been providing air pollution solutions across the private and public sectors of the Australian market for over 20 years. We continue to invest in both existing and new technologies to provide the best solutions to our customers.

Revenue for this half year ending 31 December 2009 is over 200% greater than the previous corresponding period. Furthermore, this Division has new large projects commencing in the second half of the current financial year, such as the recently awarded contract from Melbourne Water for approximately \$1.5 million. Opportunities to supply our solutions in other parts of the world are currently being considered.

- **Mining Division**

The Mining Division has invested heavily, over a number of years, in the development of its continuous ion-exchange processes (Clean-iX®) for the extraction of metals. Key focus areas have been on nickel/cobalt with BHP Billiton and Vale, uranium with Paladin Energy and BHP Billiton and gold with a number of companies. The advantages of this Clean-iX® technology are lower capital and operating costs and higher yields from the extraction of the resource. The potential applications for this technology are substantial.

The Mining Division is located in Perth so as to be near its potential customer base. This Division is working on projects in Australia as well as in Southern Africa and North America. During the period a project has commenced with Barrick Gold in the USA to provide a demonstration plant at one of their operating mines. This project is expected to generate revenue of approximately \$2 million in the current financial year. Furthermore, other studies are occurring which may lead to projects.

- **Water Division**

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

Key development work at present revolves around the pre-treatment of water prior to reverse osmosis, the solution of choice for many water applications. Reverse osmosis may have operational issues with the high levels of power consumption and cost thereof and the degree of maintenance required to operate the plant at optimal levels. This project of pre-treatment for reverse osmosis aims to utilize our proprietary Clean-iX® technology to overcome some of these limitations. The project is funded in part by a Commonwealth Government Climate Ready Grant for approximately \$1 million. The application of this solution for reverse osmosis plants is enormous, as there are thousands in operation around the world with more being built and/or proposed all the time.

During the half we acquired UV-Guard Australia Pty Ltd in Sydney. UV-Guard continues to deliver profitability and positive cash flows to the Group. The Water Division has achieved revenue growth of over 200% for the six months ending 31 December 2009.

## Research & Development

Investment in research and development has continued in the current half, with the equivalent of 16% of revenue being re-invested in research and development activity. This continues the Company's strong track record of research and development over the past decade.

## Outlook

Clean TeQ has delivered a substantial increase in revenue and profit in the current half year. Whilst it is too early to make any forecasts, indications are that this level of activity will continue for the full year.

## Finally

The Directors and I would like to thank all employees for their continuing contributions over this most recent six month period. Furthermore, I would like to express my appreciation to my fellow Board members for their contributions and guidance over this period.

Yours faithfully



Greg Toll  
Chief Executive Officer