

# Notice of general meeting

and explanatory notes

**Clean TeQ Holdings Limited**  
**ACN 127 457 916**

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Date: Tuesday, 7 September 2010

Time: 10:00 am (Melbourne time)

Location: 270 Hammond Road, Dandenong South,  
Victoria, 3175

28 July 2010

Dear Shareholder

I enclose for your consideration a notice of meeting and explanatory notes for a general meeting of the Shareholders of Clean TeQ (**Meeting**) to be held on Tuesday, 7 September 2010 at 10:00 am (Melbourne time) at 270 Hammond Road, Dandenong South, Victoria, 3175 (**Notice**).

### **The issue of convertible notes to La Jolla Cove Investors Inc.**

By this Notice, Shareholders are asked to consider and, if thought fit, approve an ordinary resolution relating to the issue of a convertible note (and the issue of Shares on the conversion of the convertible note) to La Jolla Cove Investors Inc. (**La Jolla**), a California-based private investment company (**Resolution 1**).

The proposed issue of convertible notes (**Notes**) to La Jolla flows from a Securities Purchase Agreement executed by Clean TeQ and La Jolla on 30 June 2010 (as amended) (**Securities Purchase Agreement**). Under that agreement, Clean TeQ agreed to issue, and La Jolla agreed to acquire, up to 4 Notes, each with an issue price (or face value) of US\$1.5 million (to raise up to US\$6 million). The moneys raised by Clean TeQ from the issue of the Notes to La Jolla will be used by the Company to accelerate the commercialisation of its technologies and/or to fund expansion of the business of Clean TeQ (by acquisition or organic growth). Resolution 1 relates to the proposed issue of the first Note only.

If Shareholders approve Resolution 1 at the Meeting, the Directors expect to issue the first Note to La Jolla within 2 Business Days of the date of the Meeting.

Following the issue of the first Note, La Jolla may purchase, at its election, up to 3 additional Notes. While the purchase of these additional Notes is at the discretion of La Jolla, and Clean TeQ cannot compel La Jolla to purchase any additional Notes, La Jolla has advised Clean TeQ that its current intention is that it will subscribe the full US\$6 million in aggregate of convertible notes. However, shareholder approval under Resolution 1 will only relate to the first Note.

### **La Jolla Cove Investors Inc.**

La Jolla is a US based private investment company. It considers itself a leader in financing small-cap publicly listed companies and seeks to partner with businesses looking for capital and strategic advice to expand their current operations. La Jolla's expertise lies in creating flexible financial structures which enable a company to grow without impacting working capital needs.

Once La Jolla has made an investment, it seeks to add value to the company in which it has invested by providing financial resources, strategic advice and mergers and acquisitions expertise and implementation services.

### **The issue of the Note is in Clean TeQ's best interests at this time**

In the current market environment, it is difficult, and costly, for a small-cap Australian company to undertake a successful equity capital raising and, for Clean TeQ by reason of the nature of its business and asset base, to raise debt funding through Australian banks. Given these restrictions on its ability to fund working capital and/or expansion of its business, the Directors consider that the raising of capital by the issue of the Note is in the best interests of Clean TeQ at this time.

The benefits to Clean TeQ of the issue of the Note to La Jolla include the following:

- the cost of the funds raised by Clean TeQ from the issue of the Note and the interest rate on the moneys provided by La Jolla is competitive in the current market;
- Clean TeQ will not be required to give security to secure repayment of the moneys advanced;
- Clean TeQ will be able to leverage La Jolla's expertise and contacts to add additional value to its business, particularly if it elects to expand its business into the US; and
- the Conversion Price (refer to section 1.4 of the explanatory notes which accompany and form part of the Notice) is, in the Directors' opinion, not dissimilar to the issue price that Clean TeQ would have had to accept if it had elected to raise the required funding in the current market environment by an issue of any new Shares.

The Directors consider that forming a strategic relationship with La Jolla through the issue of the first Note (and, going forward, any subsequent Notes) will be highly beneficial to Clean TeQ.

### **Resolution 1 – approving the issue of the first Note for the purposes of ASX Listing Rule 7.1**

As noted above, Resolution 1 is an ordinary resolution which relates to the approval of the issue of the first Note to La Jolla (and any new Shares issued to La Jolla on the conversion of the first Note and / or on payment of interest in respect of the first Note) for the purposes of ASX Listing Rule 7.1.

### **Resolution 2 – approving the issue of Shares and the grant of Options on 5 March 2010 for the purposes of ASX Listing Rule 7.4**

Shareholders are also asked to consider and, if thought fit, approve a separate ordinary resolution (**Resolution 2**) relating to the approval of the issue of 1,746,032 Shares and 582,011 Options to Atom Funds Management Pty Ltd (**Atom**) which took place on 5 March 2010 (respectively, **March 2010 Shares** and **March 2010 Options**) for the purposes of ASX Listing Rule 7.4.

### **Recommendation – vote IN FAVOUR OF the Resolutions**

The approval by Shareholders of the Resolutions is important because this will enable Clean TeQ to:

- issue the first Note to La Jolla, which the Directors expect to occur within 2 Business Days of the date of the Meeting; and
- raise additional capital through the issue of additional equity securities to pursue other opportunities without the need to obtain further Shareholder approval.

Accordingly, your Directors unanimously recommend that Shareholders vote **IN FAVOUR OF** each of the Resolutions.

Further information in relation to the Resolutions is set out in the enclosed Notice. No other matters of business will be considered at the Meeting.

You are encouraged to attend and vote at the Meeting. If you are unable to attend the Meeting, a copy of your proxy form is enclosed. Please complete the proxy form by filling out your voting preference and lodging the proxy form in the specified manner by the specified date.

Thank you for your continued support. The Directors and management of Clean TeQ look forward to delivering ongoing sustainable value for all Shareholders.

Yours sincerely



**Ralph Pliner**  
**Chairman**

Clean TeQ Holdings Limited  
ACN 127 457 916

## Notice of general meeting

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Clean TeQ Holdings Limited (**Clean TeQ** or **Company**) gives notice that a general meeting of the members of Clean TeQ will be held on Tuesday, 7 September 2010 at 10:00 am (Melbourne time) at 270 Hammond Road, Dandenong South, Victoria, 3175.

The explanatory materials which accompany and form part of this Notice more fully describe the matters to be considered at the Meeting.

### Business

**1. Resolution 1 – Approval to issue the first Note to La Jolla (and to issue new Shares on conversion of the first Note and on payment of interest in respect of the first Note)**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 7.1 and all other purposes, approval be given to the issue by the Company of a Note to La Jolla and the issue of new Shares to La Jolla (upon conversion of any or all of the Note (or part thereof) and as payment of interest in respect of the Note pursuant to the terms of the Securities Purchase Agreement (as amended)), on the terms and conditions set out in the explanatory notes which accompany and form part of this Notice."*

**2. Resolution 2 – Approval of the issue of Shares and Options to Atom which occurred on 5 March 2010**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 7.4 and all other purposes, approval be given to the issue by the Company of:*

- (a) 1,746,032 Shares on 5 March 2010 to Atom at an issue price of \$0.315 per Share; and*
  - (b) 582,011 Options on 5 March 2010 to Atom for no monetary consideration,*
- on the terms set out in the explanatory notes which accompany and form part of this Notice."*

**Date:** 28 July 2010

By order of the Board



**Marc Lichtenstein**  
Company Secretary

# Notes

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## Entitlement to vote

Clean TeQ has determined that a person's entitlement to attend and vote at the Meeting will, in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), be the entitlement of that person set out in the register of Shareholders as at 7.00 pm (Melbourne time) on Sunday, 5 September 2010.

## Voting exclusion

### Resolution 1

In accordance with the ASX Listing Rules, Clean TeQ will disregard any votes cast in respect of Resolution 1 by La Jolla or any associate of La Jolla.

However, Clean TeQ need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Resolution 2

In accordance with the ASX Listing Rules, Clean TeQ will disregard any votes cast in respect of Resolution 2 by Atom or any associate of Atom.

However, Clean TeQ need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Proxies

1. A Shareholder who is entitled to vote at the Meeting may appoint:
  - (a) one proxy if the Shareholder is only entitled to one vote; or
  - (b) one or two proxies if the Shareholder is entitled to more than one vote.
2. Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.
3. A proxy need not be a Shareholder.
4. If you require an additional proxy form, Clean TeQ will supply it on request.
5. The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by Clean TeQ, by no later than 10:00 am (Melbourne time) on Sunday, 5 September 2010, at:
  - (a) **By fax:** (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555.

- (b) **By mail:** Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, 8060.
  - (c) **By delivery:** Computershare Investor Services Pty Ltd, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, Australia, 3067.
6. Proxies given by corporate shareholders must be executed in accordance with their constitutions, or signed by a duly authorised attorney.
  7. A proxy may decide whether to vote on any motion, except where the proxy is required by law or Clean TeQ's constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit.
  8. If a Shareholder appoints the chairman of the Meeting as the Shareholder's proxy and does not specify how the chairman is to vote on an item of business, the chairman will vote, as proxy for that Shareholder, IN FAVOUR OF the item on a poll.

# Clean TeQ Holdings Limited

ACN 127 457 916

## Explanatory notes

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The purpose of these explanatory notes (which are included in and form part of the Notice) is to provide Shareholders with an explanation of the business of the Meeting and the Resolutions to be considered at the Meeting, and to assist Shareholders to determine how they wish to vote on each Resolution.

These explanatory notes should be read together with the Notice.

### 1. Resolution 1 – Approval to issue the first Note (and Shares) to La Jolla

#### 1.1 Background to Resolution 1

ASX Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by an ASX-listed company, where the securities proposed to be issued (or if convertible securities, the maximum number of ordinary securities into which the convertible securities can be converted) represent more than 15% of a company's ordinary securities on issue in any 12 month period.

Resolution 1 relates to the approval of the issue of the first Note to La Jolla (and any new Shares issued to La Jolla on the conversion of the first Note and on payment of interest in respect of the first Note) for the purposes of ASX Listing Rule 7.1 so that the issue of the Note to La Jolla (and any new Shares issued to La Jolla on the conversion of the Note and on payment of interest in respect of the Notes) will not need to be included in the 15% / 12 month calculation under ASX Listing Rule 7.1 for any future issues of equity securities made by Clean TeQ.

#### 1.2 Background to the proposed issue of the first Note

On 30 June 2010, Clean TeQ and La Jolla entered into the Securities Purchase Agreement pursuant to which Clean TeQ agreed to issue, and La Jolla agreed to acquire, up to 4 Notes, each with an Issue Price (or face value) of US\$1.5 million, to raise up to US\$6.0 million. As noted in the letter from the Chairman, La Jolla is a US based, private investment company that provides finance to small-cap publicly listed companies and seeks to partner with businesses looking for capital and strategic advice to expand their current operations.

The Directors consider that forming a strategic relationship with La Jolla through the issue of the first Note (and, going forward, any subsequent Notes) will be highly beneficial to Clean TeQ, particularly in the current economic climate, and the Directors are genuinely excited about the opportunities that La Jolla can help create for Clean TeQ.

#### 1.3 The issue of the Notes under the Securities Purchase Agreement

Under the Securities Purchase Agreement, Clean TeQ and La Jolla have agreed that the issue of the Notes will be sequential. In each case, the subscription by La Jolla for, and the issue by Clean TeQ of, a Note will arise only following the satisfaction of certain conditions. One such condition is that any approvals required for the issue of the Notes have been obtained (including the approval of Shareholders for the purposes of ASX Listing Rule 7.1).

If Shareholders approve Resolution 1, that condition will have been satisfied in respect of the first Note.

As to the remaining conditions, the Directors expect that Clean TeQ will be able to satisfy those conditions in respect of the issue of the first Note to La Jolla within 2 Business Days of the date of the Meeting.

## **1.4 The terms of the first Note**

### **Issue Price**

The Issue Price of the first Note is US\$1.5 million.

### **Payment of the Issue Price**

The payment of the Issue Price of the first Note will be made by La Jolla in instalments, in the following manner:

- (a) on the date of issue of the Note (**Issue Date**), La Jolla will pay to Clean TeQ US\$250,000 (**Initial Payment**); and
- (b) commencing in the month following the Issue Date, La Jolla will pay to Clean TeQ, on a date in that month and each subsequent month as selected by La Jolla, an amount of not less than US\$250,000 (or such lesser amount that equals the remaining amount of the Issue Price to be paid by La Jolla on the Note) (**Monthly Payment**).

Clean TeQ may request that the Monthly Payment from La Jolla for a particular month be reduced to US\$125,000 or increased to an amount of up to US\$400,000.

The obligation on La Jolla to make each Monthly Payment is conditional on the satisfaction of essentially the same conditions precedent to the issue of the Note at the time the Monthly Payment is required to be made.

### **Interest**

Interest is payable to La Jolla on the proceeds received from La Jolla as payment of the Issue Price of the Note less any amount which has been the subject of a conversion into new Shares (**Principal Amount**) at the rate of 4.75% per annum monthly in arrears.

The payment of interest must be made in cash or, at the option of Clean TeQ, in new Shares issued at the then applicable Conversion Price.

### **Maturity Date**

The maturity date of the Note is the date which is 3 years from the Issue Date of the Note (**Maturity Date**).

### **Security**

The Note is unsecured, and the Principal Amount ranks for repayment behind all secured debts owed by Clean TeQ and equally with all other unsecured debts owed by Clean TeQ.

### **Conversion**

La Jolla may convert the Note either in whole or in part, provided that:

- (a) any conversion must be for an amount of not less than US\$50,000; and
- (b) conversion may not occur more than once per calendar week,

by the delivery to Clean TeQ of a Conversion Notice.

Any new ordinary shares in the capital of Clean TeQ issued pursuant to a Conversion Notice shall have attached to them the same rights, privileges, limitations and conditions as the existing ordinary shares on issue in the capital of Clean TeQ.

## **Clean TeQ's prepayment right**

If on the day La Jolla issues a Conversion Notice, the Volume Weighted Average Share Price is below \$0.315, Clean TeQ will have the right, by no later than 5 Business Days after the date of the Conversion Notice, to prepay that portion of the Principal Amount of the Note that La Jolla has sought to convert pursuant to the Conversion Notice, plus any accrued and unpaid interest, at 105% of such amount.

If Clean TeQ elects to exercise this prepayment right, La Jolla has the right to withdraw its Conversion Notice, in which case no payment is required to be made by Clean TeQ.

## **Conversion Price**

The number of new Shares into which the Notes may be converted is equal to the Principal Amount that is to be converted (as specified in the Conversion Notice) divided by the Conversion Price.

The Conversion Price is equal to the lesser of:

- (a) A\$2.50; and
- (b) 80% of the average of the Volume Weighted Average Share Price on the last 5 Trading Days on which Shares were traded prior to the issue of a Conversion Notice.

As the Issue Price of the Note is denominated in US dollars, the exchange rate between US dollars and Australian dollars at any given time will be relevant. The US\$/A\$ exchange rate will impact on the amount (in Australian dollars) owed by Clean TeQ to La Jolla from time to time and the number of new Shares to be issued to La Jolla on the conversion of the Note.

By way of example, if the Note is converted in whole at a time when the relevant Volume Weighted Average Share Price is equivalent to the Share price as at the close of trade on 27 July 2010 (ie. \$0.22), then based on the US\$/A\$ exchange rate on 27 July 2010 of 90.16 US cents for every Australian dollar, the number of new Shares issued to La Jolla on conversion of the Note will be 9,452,892 new Shares, as outlined below:

$$\begin{aligned} \frac{(\text{US}\$1,500,000/0.9016)}{(80\% \times \text{A}\$0.22)} &= \frac{\text{A}\$1,663,708.96}{\text{A}\$0.176} \\ &= 9,452,892 \text{ new Shares} \end{aligned}$$

Please note that this is an example only.

## **Mandatory conversion in the 3 months prior to the Maturity Date**

Clean TeQ may elect to compel La Jolla to convert into new Shares, in each of the 3 months prior to the Maturity Date of the Note, one-third of the Principal Amount of the Note remaining outstanding as at the date which is 3 months prior to the Maturity Date, provided there has not been any event of default in respect of the Note.

## **Redemption**

Unless converted, the Note will be automatically redeemed on its Maturity Date. In these circumstances, the redemption money payable in respect of the Note must be paid to La Jolla on the Maturity Date.

## **Reorganisation of capital and adjustment for Fundamental Corporate Change**

If Clean TeQ, at any time while any Principal Amount of the Note is outstanding, reorganises its issued share capital in any way, the number of new Shares issued to La Jolla on conversion of the Note will be adjusted so that La Jolla neither receives a benefit that Shareholders do not receive nor suffers a disadvantage that the Shareholders do not suffer.

However, if a "Fundamental Corporate Change" (eg. a merger of Clean TeQ, the sale of substantially all of the assets and business of Clean TeQ, or the transfer of more than 50% of the Shares to a third party), occurs then La Jolla will have the right to:

- (a) require Clean TeQ to prepay 120% of the Principal Amount, together with all accrued and unpaid interest;
- (b) receive the same number of securities of the successor or acquiring corporation of Clean TeQ that a Shareholder would be entitled to receive if that Shareholder held the number of Shares that the outstanding portion of the Note may convert to at the Conversion Price applicable immediately prior to the Fundamental Corporate Change; or
- (c) require Clean TeQ, or the successor or acquiring corporation of Clean TeQ, to deliver to La Jolla convertible notes on the same terms as the Note in an amount equal to the amount outstanding under the Note immediately prior to the Fundamental Corporate Change.

### **Entitlements**

The Note will not carry any entitlement to attend or vote at a general meeting of Shareholders nor any entitlement to participate in any future issues of securities by Clean TeQ.

### **Transferability**

The Note is not transferable except for a transfer made to an affiliate of La Jolla or with the prior written consent of Clean TeQ (which it may give or withhold in its absolute discretion).

### **Conversion limits**

Conversion of the Note will not be required if that would cause La Jolla's (or anyone else's) voting power in Clean TeQ to increase to more than 20%.

### **ASX listing**

The Note will not be quoted on ASX or any other securities exchange.

Under the Securities Purchase Agreement, Clean TeQ is required to apply to ASX for quotation of any new Shares issued on the conversion of the Note within 2 Trading Days of the issue of those new Shares.

## **1.5 Information required by ASX Listing Rule 7.3**

ASX Listing Rule 7.3 requires the following information to be included in the Notice in respect of the proposed issue of the Note.

### **The number of securities to be issued**

Under the Securities Purchase Agreement, Clean TeQ will issue a minimum of 1 Note and a maximum of 4 Notes to La Jolla. However, only the first Note will be issued under Resolution 1. The issue of any subsequent Notes may be the subject of further shareholder approval (if required).

The formula for calculating the number of new Shares to be issued on the conversion of the first Note is set out in section 1.4 of these explanatory notes under the heading 'Conversion Price'.

### **The date by which Clean TeQ will issue the securities**

Provided that Shareholders approve Resolution 1, the Directors expect that the first Note will be issued within 2 Business Days after the date of the Meeting.

Under the Securities Purchase Agreement, Clean TeQ and La Jolla have agreed that the issue of the Notes (ie. the first Note and any subsequent Notes) will be sequential. The purchase of the 3 subsequent Notes, and the timing of such purchase, is at the discretion of La Jolla. Therefore, while the timing of the issue of the 3 subsequent Notes is not known at this time, it is very unlikely that any of these subsequent Notes will be issued within 3 months of the date of the Meeting.

Accordingly, it is important to note that the approval sought under Resolution 1 relates only to the first Note, as the first Note will be the only Note issued to La Jolla in the 3 month period following the date of the Meeting. Therefore, Clean TeQ may need to obtain the approval of Shareholders at a later time in

respect of the issue of Notes made, or sought to be made, more than 3 months after the date of the Meeting.

### **The issue price of the securities**

The issue price of the first Note is US\$1.5 million.

The formula for calculating the issue price of any new Shares issued on the conversion of the Note is set out in section 1.4 of these explanatory notes under the heading 'Conversion Price'.

### **The names of the allottees of the securities**

The first Note will be issued to La Jolla. Some background information regarding La Jolla is set out in the letter from the Chairman.

### **The terms of the securities**

The terms of the first Note are outlined in section 1.4 of these explanatory notes.

### **The intended use of the funds raised**

The moneys raised by Clean TeQ from the issue of the first Note to La Jolla will be used by the Company to accelerate the commercialisation of its technologies and/or to fund expansion of the business of Clean TeQ (by acquisition or organic growth).

## **1.6 Voting exclusion statement**

In accordance with the ASX Listing Rules, Clean TeQ will disregard any votes cast in respect of Resolution 1 by La Jolla or any associate of La Jolla.

However, Clean TeQ need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **1.7 Recommendation – vote IN FAVOUR OF Resolution 1**

As noted in the letter from the Chairman, the Directors consider that there are a number of benefits to Clean TeQ in issuing the first Note to La Jolla, including the relatively inexpensive cost of the funds raised from the issue of the Note and the opportunity to utilise La Jolla's expertise and contacts to add additional value to Clean TeQ's business.

Further, the approval by Shareholders of Resolution 1 will enable Clean TeQ to raise additional capital through the issue of additional equity securities to other third parties without the need to obtain further Shareholder approval.

Accordingly, your Directors unanimously recommend that Shareholders vote **IN FAVOUR OF** Resolution 1.

## **2. Resolution 2 – Approval of the issue of Shares and Options to Atom on 5 March 2010**

### **2.1 Background to Resolution 2**

ASX Listing Rule 7.4 provides that an issue of securities made without the approval of the shareholders under ASX Listing Rule 7.1 will be treated as having been made with that approval for the purposes of ASX Listing Rule 7.1 if the issue of the securities did not breach ASX Listing Rule 7.1 at the time of issue and holders of ordinary securities subsequently approve that issue of the securities.

Resolution 2 relates to the approval of the issue of the March 2010 Shares and the March 2010 Options to Atom for the purposes of ASX Listing Rule 7.4, such that the issue of the March 2010 Shares and the March 2010 Options will thereafter be treated as having been made with Shareholder approval for the purposes of ASX Listing Rule 7.1. The effect of the approval under ASX Listing Rule 7.4 is that the March 2010 Shares and the March 2010 Options (and any Shares issued on the exercise of the March 2010 Options) will not count in the 15% / 12 month calculation under ASX Listing Rule 7.1 and will therefore not impact on the Company's ability to issue equity securities (up to the 15% limit) at any time in the next 12 months.

## **2.2 Information required by ASX Listing Rule 7.5**

ASX Listing Rule 7.5 requires the following information to be included in the Notice in respect of the issue of the March 2010 Shares and the March 2010 Options.

### **The number of securities allotted**

The number of Shares allotted and issued to Atom on 5 March 2010 was 1,746,032 Shares.

The number of Options issued to Atom on 5 March 2010 was 582,011 Options.

### **The price at which the securities were issued**

The issue price of the March 2010 Shares was \$0.315 per Share.

The March 2010 Options were issued for no monetary consideration.

### **The terms of the securities**

The March 2010 Shares are fully paid ordinary shares in the capital of Clean TeQ. The March 2010 Shares rank equally in all respects with all other existing Shares.

The terms of the March 2010 Options are outlined below:

*Conversion ratio:* The exercise of one March 2010 Option will give rise to the right to be issued one Share.

*Exercise price:* \$0.60 for each March 2010 Option.

*Expiry date:* 5 July 2013.

*Unlisted:* The March 2010 Options are unlisted.

### **The names of the allottees of the securities**

The March 2010 Shares and the March 2010 Options were issued to Atom.

### **The use (or intended use) of the funds raised**

The moneys raised by Clean TeQ from the issue of the March 2010 Shares to Atom have been used to accelerate the growth and ongoing expansion of Clean TeQ.

Any moneys raised by Clean TeQ from the exercise of the March 2010 Options will be used for the same purpose.

## **2.3 Voting exclusion statement**

In accordance with the ASX Listing Rules, Clean TeQ will disregard any votes cast in respect of Resolution 2 by Atom or any associate of Atom.

However, Clean TeQ need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- (d) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## **2.4 Recommendation – vote IN FAVOUR OF Resolution 2**

The approval by Shareholders of Resolution 2 will enable Clean TeQ to increase the amount of additional capital it is able to raise through the issue of additional equity securities without the need for further Shareholder approval.

Accordingly, your Directors unanimously recommend that Shareholders vote **IN FAVOUR OF** each of Resolution 2.

# Glossary

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**A\$** means Australian dollars.

**ASX** means ASX Limited ACN 008 624 691.

**ASX Listing Rules** means the listing rules of ASX.

**Atom** means Atom Funds Management Pty Ltd ACN 118 597 452.

**Business Day** means a day other than a Saturday, Sunday or any other day on which banks located in Melbourne are authorised or obligated to close.

**Clean TeQ** means Clean TeQ Holdings Limited ACN 127 457 916.

**Conversion Notice** means the notice by which La Jolla notifies Clean TeQ that it wishes to convert the Note, either in whole or in part, into new Shares.

**Conversion Price** means the price at which new Shares are issued on the conversion of the relevant Principal Amount (as specified in the relevant Conversion Notice), in accordance with the formula outlined in section 1.4 of the explanatory notes.

**Directors** means the directors of Clean TeQ at the date of this Notice.

**Initial Payment** means the initial payment of US\$250,000 to be made by La Jolla on the Issue Date as part payment of the Issue Price of the first Note.

**Issue Date** means the date of issue of the first Note.

**Issue Price** means the issue price (or face value) of the first Note, being US\$1,500,000.

**La Jolla** means La Jolla Cove Investors Inc., a corporation registered in California, US of Suite 218, 1150 Silverado Street, La Jolla, California, US.

**March 2010 Options** means the 582,011 Options issued to Atom on 5 March 2010 for no monetary consideration.

**March 2010 Shares** means the 1,746,032 Shares issued to Atom on 5 March 2010 at an issue price of \$0.315 per Share.

**Maturity Date** means the date which is 3 years from the Issue Date in respect of the first Note.

**Meeting** means the general meeting of Shareholders convened by the Notice and scheduled to be held on Tuesday, 7 September 2010 at 10:00 am (Melbourne time) at 270 Hammond Road, Dandenong South, Victoria, 3175.

**Monthly Payments** means the monthly payments to be made by La Jolla towards the payment of the Issue Price of the first Note.

**Note** means one of the 4 convertible notes which may be issued by Clean TeQ to La Jolla under the Securities Purchase Agreement and, in respect of Resolution 1, means the first convertible note which the Directors expect to be issued within 2 Business Days of the date of the Meeting.

**Notice** means this notice of meeting and the explanatory notes and letter from the Chairman which accompany and form part of this notice of meeting.

**Option** means an option giving the holder the right, but not the obligation, to subscribe for a Share.

**Principal Amount** means, at any time, the then outstanding principal amount of the Note, but only such amount in respect of which La Jolla has actually advanced and not furnished a Conversion Notice.

**Resolutions** means the 2 ordinary resolutions to be considered by Shareholders at the Meeting.

**Securities Purchase Agreement** means the securities purchase agreement dated 30 June 2010 between Clean TeQ and La Jolla (as amended), pursuant to which the Notes will be issued to La Jolla, including the first Note which will be issued under Resolution 1.

**Share** means a fully paid ordinary share in the capital of Clean TeQ.

**Shareholder** means a shareholder of Clean TeQ.

**Trading Day** means a day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day which ASX declares and publishes is not a trading day.

**US** means the United States of America.

**US\$** means US dollars.

**Volume Weighted Average Share Price** means, for any date, the daily volume weighted average sale price of the Shares for such date on ASX.