

## CLEAN TEQ CEO'S REPORT

**As at 30 June 2010**

In this my first Clean TeQ CEO Report, I will comment on the performance of Clean TeQ Holdings Limited (ASX: CLQ) for the year ending 30 June 2010 and outline my expectations for the Company as we move into an era of growing environmental awareness.

Clean TeQ delivers environmental engineering technology and services to government authorities, industrial and mining companies in Australia, as well as, a number of overseas locations. Over the past 20 years, we have developed an extensive range of proprietary and licensed technologies used for the purification of air and water and the extraction of minerals in mining processing operations. Our strategy is to be at the forefront of the appraisal, development and application of purification processes based around biology, separation and oxidation technologies.

During the year ended 30 June 2010 the Company's performance recovered from the impact of the GFC, recording revenue and profit growth. Revenue for the year ending 30 June 2010 has increased to \$17.1 million, which was in line with the projections for the Company prior to the GFC. The net profit after tax is \$1.33 million and is a creditable improvement compared to the corresponding previous period. Clean TeQ listed just prior to the deterioration of the global economy and the Company has weathered the turbulence well with the current year producing a significant rebound in both revenue and profit compared to the previous corresponding period.

### Performance

	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000
Revenue	17,116	8,552	15,219	7,025	5,569
EBITDA	2,494	388	4,409	3,188	1,134
NPAT	1,334	511	2,924	1,907	1,059

The 2010 financial year has seen the Company return to growth. In order to service the growing pipeline of opportunities in our business, the number of people employed has almost doubled since we listed approximately 3 years ago. This investment in people will enhance our sales and delivery capabilities and will enable the Company to continue to grow.

At 30 June 2010 the Company had no material debt and \$3.36 million cash on deposit. The cash position of the business has declined during this year as a result of the ongoing investment in research and development in mining and water applications, additional working capital requirements and the acquisition of UV-Guard. With effect from 1 July 2009, the Company acquired all of the shares of UV-Guard Australia Pty Ltd ("UV-Guard").

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UV-Guard now forms an integral part of Clean TeQ. UV-Guard is a Sydney based Australian company that specialises in the design, sale and distribution of ultraviolet disinfection products that are used in the water and wastewater industries.

## **Our Company and Divisions**

Clean TeQ is a Company with proprietary product offerings and developments in three key Divisions – Air, Water and Mining. Clean TeQ has maintained a long term commitment to the expansion of its portfolio of proprietary biological and extraction technologies.

- **Air Division**

The Air Division is the longest established business unit and has been providing air pollution solutions across the private and public sectors of the Australian market for over 20 years. We continue to form alliances with other emerging technology providers to provide the best solutions to our customers.

Over the past year this business unit has experienced increased margin pressure as overseas competitors enter the Australian marketplace. Clean TeQ will counter these moves through a renewed investment in our sales and delivery expertise.

The 2010 financial year has been the best year on record for the Air Division. Revenue for this year has increased to \$9.1 million which continues the year on year improvement in sales. This Division is focussed on growing the pipeline of opportunities across Australia and pursuing a possible international expansion through an acquisition.

- **Water Division**

Over the past year the Water Division has continued to develop new technical solutions through in-house developments and alliances with other cleantech companies with complementary technology.

Key development work is focused on our continuous ion exchange technology (Clean-iX®) both as a stand-alone process and in conjunction with reverse osmosis. We are implementing a demonstration project showcasing this technology, which has been partially funded by a Commonwealth Government Climate Ready Grant of approximately \$1.0 million. Of particular importance is the potential use of the technology in the growing global water recycling marketplace associated with coal seam gas produced water and mine tailings water.

During the year we acquired UV-Guard Australia Pty Ltd, a provider of ultraviolet based products and services. Ultraviolet disinfection and advanced oxidation is recognized as one of the fastest growing segments in the water industry. UV-Guard is profitable and provides positive cash flow to the Group.

The Water Division has achieved revenue for the year of \$3.19 million.

- **Mining Division**

Clean TeQ has made considerable investment in the development of the continuous ion exchange processes (Clean-iX®) for metal extraction and purification. Key focus areas for Clean-iX® have been on nickel and cobalt, uranium and gold where the technology has the potential to deliver lower capital and operating costs and higher recoveries.

The Mining Division achieved revenues for the year of \$4.47 million through the provision of consultancy services, project delivery and license fees. This Division is currently working on projects in Australia and internationally in gold, uranium and base metals. The goal of the Division is to deliver our technology into commercial scale hydrometallurgical processing plants. In order to achieve this outcome, the Company is currently seeking to identify strategic partners.

### **Research & Development**

Our significant investment in research and development over many years has underpinned the business growth and development. Over the past decade Clean TeQ has made substantial investment in research and development. The \$3.1 million investment in the 2010 financial year is testament to our commitment to developing Intellectual Property as a means of competitive advantage. The Company is now focussed on moving developed technologies into the next stage of their life cycle, which entails commercialising these technologies and generating returns for our shareholders.

### **Funding**

In July 2010, the Company entered into an agreement with La Jolla Cove Investors Inc. for the issuing of convertible notes of up to US\$6.0 million. The convertible notes, which are subject to shareholder approval, provide Clean TeQ with additional working capital to support the commercialisation of its technologies and to pursue targeted acquisition opportunities.

### **Management and Board Changes**

Due to current health issues, Greg Toll has stepped down as the CEO with effect from 2 August 2010 and I was appointed to the position of CEO on this date. Greg Toll's contribution to the Company has been invaluable as he has been one of the key drivers behind the successful IPO and business expansion over the past decade. Greg's business knowledge and expertise will not be lost to the business as he continues as a Director and moves into the role of Chairman from October 2010.

At the end of May 2010, Barry Lewin retired as a Director and the Board has taken this opportunity to refresh itself. Accordingly, on 1 June 2010 Roger Harley and Bob Cleary joined the Board whilst Jeremy Carter retired on 2 August 2010. Ralph Pliner has notified the Board of his intention to step down as Chairman at the end of September 2010. I thank Barry and Jeremy for their contributions to Clean TeQ over the last 3 years.

As we move into the next phase of our growth, the experience that Roger and Bob bring to the Company ensures that we have the appropriate leadership to position the Company to take full advantage of its opportunities.

## Outlook

Whilst the Company expects that it will be able to report another year of revenue growth in the 2011 financial year, it is likely that the performance in the first half of the year will be below that achieved in the first half of 2010 financial year.

The Company is currently seeing increasing competitiveness in the air purification market, which is impacting sales and margins. The Company is responding to this challenge through a series of measures including improved sales and delivery programs and the implementation of a cost reduction program.

The challenge for the Water and Mining Divisions is to secure commitments to move from demonstration stage to commercial roll out of our Clean-iX® technologies.

## Finally

The Directors and I would like to thank all employees for their enthusiasm and commitment throughout the past year. Furthermore, I would like to express my thanks to my fellow Board members for their input and leadership over this period. Their contributions are the springboard for the future growth of our business.

Yours faithfully



Peter Voigt  
Chief Executive Officer