

Joint Venture for Water Desalination in the Australian Coal Seam Gas Industry

- Newly formed 50:50 JV for fast growing Australian coal seam gas water desalination market
- JV partner is Nippon Gas, an entrepreneurial Japanese \$1b p.a. revenue gas supply company
- Innovative water treatment technology licensed into JV by Clean TeQ for A\$4m

Clean TeQ Holdings Limited (**ASX; CLQ**) is pleased to announce that it has established a Joint Venture with Tokyo based Nippon Gas Co., Ltd (TSE: 8174) to provide water desalination facilities and services in the Australian coal seam gas industry. The Joint Venture will use Clean TeQ's innovative "Continuous Ionic Filtration" (CIF™) technology as a basis for the desalination processes. The Joint Venture will be known as "Associated Water Pty Ltd".

Nippon Gas is a public company that manufactures and sells liquefied petroleum gas, utility gas and gas-related equipment in Japan. Nippon Gas, has in 2011 reported full-year revenue of ¥104.1 billion (A\$1.2 billion), has about 975,000 customers and is targeting 1 million customers by the end of March 2012.

Associated Water Pty Ltd, in which both companies hold 50% equity, is the entity that will bring Clean TeQ's technology to the rapidly growing market for water desalination in the coal seam gas sector, particularly in Queensland and New South Wales. Nippon Gas will invest A\$4.0m in the venture for its 50% equity and Clean TeQ will provide the venture with an exclusive license to use its proprietary CIF™ technology in this industry in Australia. Clean TeQ will provide administration and engineering services to Associated Water in the first years of operation.

The Australian coal seam gas water market has the potential to be one of the largest emerging water treatment market opportunities globally. The rapid expansion in exploration and development of coal seam gas fields has led to an urgent need for new and cost effective water treatment solutions with an emphasis on the minimization of the environmental legacy of by-product brine streams.

Capital expenditure on water treatment in the Australian coal seam gas market is estimated to be around \$300m to \$500m p.a. for the next 6 years. Treatment plant operating costs are similarly estimated to be around \$500m p.a. (at peak production) and will continue for the life of the gas fields, i.e. to about 2030.

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Associated Water Pty Ltd will be targeting this large marketplace with its unique water desalination technologies.

Clean TeQ commenced development of its patented CIF™ technology in 2004 with the aim of providing a simple and cost effective desalination technology that could operate reliably with water that has a high fouling and scaling potential. CIF™ will be used alone or in conjunction with reverse osmosis and evaporation technology to provide reliable and cost effective desalination of coal seam gas water. Implementation of the CIF™ technology will allow water recovery to be maximised and the costs of brine management to be minimized.

The CIF™ development has benefitted from a Federal Government Climate Ready Grant and a Western Australian Premier's Water Grant. The outcome is a unique, simple and readily scalable solution for the desalination of coal seam gas water which flows from the drilling process. In a typical desalination operation, the system will aim to recover over 90% of the water as clean water which can be used for agriculture, livestock, industry or, alternatively returned to the environment. This compares well to the conventional approaches which typically deliver less than 80% water recovery and involve significantly high cost associated with managing a 20% plus brine by-product stream.

Associated Water's business plan is to directly provide water desalination solutions to coal seam gas companies as well as to provide services and technology to water treatment companies servicing the industry. It expects to provide a lower cost solution than is currently available to industry participants.

Clean TeQ has recently announced that it is currently supplying two 2 MLD plants to Queensland Gas Co (QGC) to desalinate coal seam gas water for reuse as cooling water at the Condamine Power Plant. This practical demonstration of the benefit of Clean TeQ's water desalination process will be used in marketing the CIF™ technology widely throughout the industry. This contract with QGC is the first example of the major opportunities open to Associated Water Pty Ltd in treating the extracted water from the expected 20,000 to 30,000 coal seam gas wells that will be developed by the major coal seam gas companies in Queensland and New South Wales.

The CEO of Clean TeQ, Peter Voigt, said "The market for the treatment of water in the coal seam gas sector is very significant and offers a great opportunity for innovative Australian companies to provide economically sustainable solutions. We are especially pleased that Nippon Gas has seen the opportunity to join with us in the delivery of these solutions. This partnership will allow the secure delivery of our water

treatment solutions to the gas industry and will benefit the local communities that have expressed concern over the fate of the water produced by the drilling of coal seam gas wells. We are confident that this Joint Venture with Nippon Gas will become a major participant in the water treatment business in the coal seam gas industry in Queensland and New South Wales.”

“This venture places a value on a small part only of the extensive IP portfolio that has been developed by Clean TeQ over the past decade for both water and mining applications. The next stage of the commercialisation pathway is to extend the reach of our IP and technologies into other markets, both vertical and geographic,” said Peter Voigt.

Nippon Gas President and CEO Mr Shinji Wada said “We are delighted that Nippon Gas is able to partner with Clean TeQ to target their IP in water treatment to the coal seam gas sector in Australia. Nippon Gas is keen to invest in new markets that require alternative solutions which then may be applicable to other industries around the world, including Japan. As the world’s resources diminish, the potential for water and mineral related technologies is growing rapidly, and Japan and Asia are dependent on new solutions in these areas. We see many other opportunities for further collaboration between our companies in the future.”

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About Clean TeQ Holdings Limited (ASX: CLQ)

Clean TeQ (ASX: CLQ) is a leading Australian clean technology business that focuses on providing solutions for the purification of air, water and mineral resources. The Company’s technologies provide our customers with focused, fit-for-purpose solutions that are specifically targeted to “do more with less”. Clean TeQ provides innovative technologies and partners with leading technology suppliers worldwide. For more information about Clean TeQ please visit the Company’s website at www.cleanteq.com.

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