Annual Report 2018

CLEAN TEQ
Powering innovation

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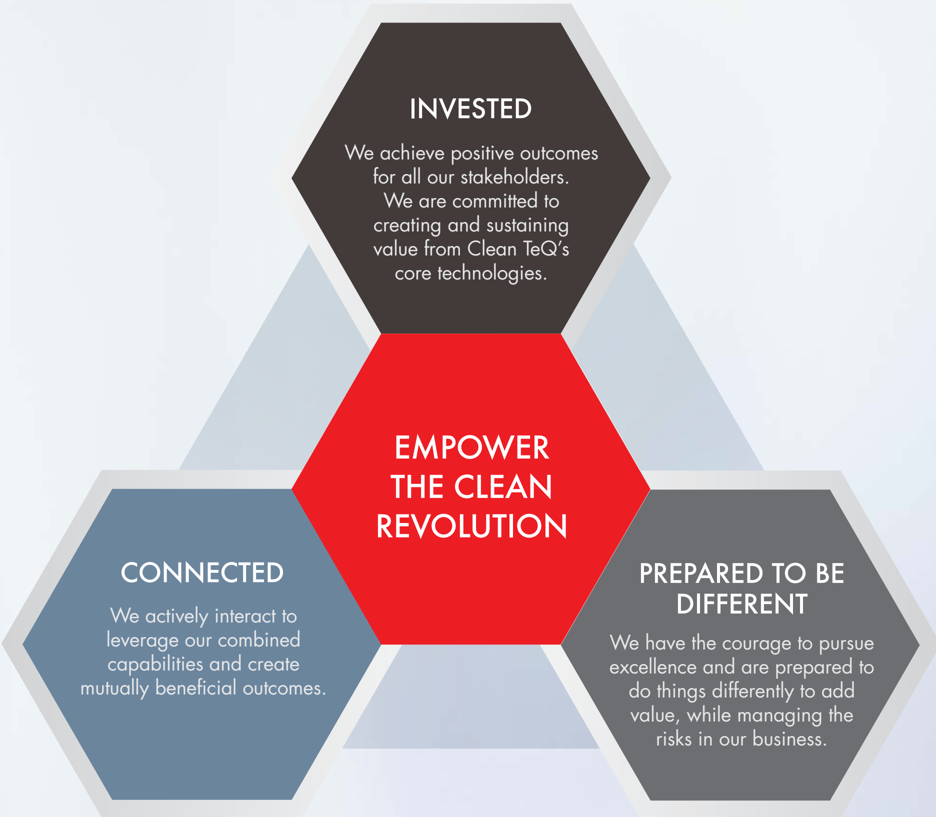
OUR VISION AND VALUES

Clean TeQ's vision is to empower the clean revolution.

We apply our proprietary technologies to find better ways to solve planet earth's most pressing environmental problems.



Highlights of the Year

The 2018 Financial Year has been one of significant advancement for Clean TeQ. With many notable achievements over the year, we are well positioned to deliver on our vision to empower the clean revolution.

SIGNIFICANTLY ADVANCED DEVELOPMENT OF CLEAN TEQ SUNRISE

Outstanding progress made on engineering, design, technical studies, permitting and government and community engagement

SECURED FUNDING TO ACCELERATE PROJECT DEVELOPMENT

A$155 million capital raising completed in March 2018 to fund the Project's early works and detailed engineering

COMPLETED CLEAN TEQ SUNRISE DEFINITIVE FEASIBILITY STUDY

A key Project milestone, completed in June 2018, which demonstrated the Project's outstanding technical and economic outcomes

MAIDEN PRODUCT OFFTAKE AGREEMENT SIGNED

Binding product offtake agreement with Beijing Easpring for nickel and cobalt sulphate in August 2017

STRONG PROGRESS ON DELIVERY OF MULTIPLE PROJECTS BY CLEAN TEQ WATER

Completed construction of Oman Project; Fosterville Gold and DRC projects well advanced

PIPELINE OF OPPORTUNITIES DEVELOPED FOR NEW WATER PROJECTS

Several feasibility studies and pilot programs underway

EXPANDED STRATEGIC PARTNERSHIPS

Agreements with Chinalco and Chongqing University for scandium alloy development added to existing partnerships with Airbus and UAC

INCREASED MARKET RECOGNITION

Successful Toronto Stock Exchange Listing and inclusion in the S&P/ASX 200 All Australian Index

Looking ahead…

As we look to the future, Clean TeQ is focused on several key milestones which will position the business for future success and generate strong returns for our stakeholders.

FINALISE PRODUCT OFFTAKE AGREEMENTS AND COMPLETE FINANCING FOR CLEAN TEQ SUNRISE PROJECT

COMPLETE EARLY WORKS AND FRONT-END ENGINEERING AND DESIGN (FEED) BEFORE COMMENCING CONSTRUCTION IN 2019

FINALISE COMMISSIONING AND HANDOVER OF VARIOUS CLEAN TEQ WATER PROJECTS WHILE CONTINUING TO DEVELOP THE PIPELINE OF NEW OPPORTUNITIES

CONTINUE DELIVERING ON OUR COMMITMENT TO OUR PEOPLE, THE COMMUNITY AND THE ENVIRONMENT

Messages from the Co-Chairmen

Mr Jiang Zhaobai

Co-Chairman

It has been a great pleasure to see the Clean TeQ business evolve over the last year as it has built a solid foundation for future success and prosperity.

During the year, our Company has demonstrated Clean TeQ Sunrise's strategic importance for the rapidly growing electric vehicle market. The increasing adoption of electric vehicles represents a revolution in global transport. This will have a profound and transformative impact on air quality in our cities and lead to improved environmental and health outcomes worldwide. This is particularly the case in China where demand for zero emission electric vehicles continues to rise as the country transitions away from fossil fuels.

This revolution is having a significant impact on raw material demand, particularly for metals required for the lithium-ion batteries that power these vehicles. The Clean TeQ Sunrise Project is rapidly progressing towards development and will become a major supplier of nickel sulphate and cobalt sulphate to this important market.

Projects like Clean TeQ Sunrise are rare and must be developed to allow the electric vehicle and renewable energy storage markets to grow in tandem with global demand.

I look forward to another exciting and prosperous year ahead as the development of Clean TeQ Sunrise enters a new phase.

董事会联席主席的致辞

董事会联席主席姜照柏先生

我很荣幸地看到CLQ公司业务在过去一年里不断发展，这为公司未来的成功和繁荣奠定了坚实的基础。

过去的一年，我们验证了CLQ桑瑞斯项目对电动汽车市场快速发展具有的重要战略性意义。随着电动汽车使用的不断扩大，全球交通运输的革新日益显现。这将对我们城市的空气质量产生深远而变革性的影响，同时将为我们带来全球范围内环境和健康水平的提高。中国尤其如此，随着国家逐步从化石燃料转型，其对零排放电动汽车的需求正在日益提升。

这场变革正在对原材料需求产生重大影响，特别是针对那些为车辆供电的锂离子电池所需的金属元素。CLQ桑瑞项目正在迅速推进，将成为这个重要市场里硫酸镍和硫酸钴的主要供应商。

像CLQ桑瑞斯这样的项目并不多见，而我们必须要全力以赴发展这个项目，从而使得电动汽车和可再生能源储能市场与国际需求同步增长。

我对下一个令人兴奋和繁荣兴旺的一年满怀期待，CLQ桑瑞斯项目的发展进入一个新的阶段。

Mr. Jiang Zhaobai
Co-Chairman

姜照柏先生
董事会联席主席

Mr Robert Friedland

Co-Chairman

As our shareholders, partners, other stakeholders and followers will know and appreciate, Clean TeQ has achieved headline-making progress in its principal businesses during the past year.

The advancement of our Clean TeQ Sunrise nickel-cobalt-scandium Project and our Clean TeQ Water business is further confirmation that our company remains firmly on course to achieve our fundamental business objectives.

We are dedicated to playing a responsive, leadership role in contributing to the alleviation of impacts on the environment and on human-health that are linked to what has been a traditional, urban dependence on fossil fuels. We also are delivering solutions to treat wastewater, recycle water used in industrial processes and provide safe drinking water.

The challenges, of course, are immense; but the opportunities are unprecedented. Clean TeQ's resources and technologies now have recognized and respected roles in contributing to the building of a better world.

Clean TeQ Sunrise is set to become a globally significant source of high-purity nickel and cobalt sulphate – essential raw materials for the lithium-ion battery market. The demand for these commodities continues to grow as sales of electric vehicles accelerate – exceeding one million units last year for the first time. Now, market watchers and forecasters are predicting that consumer demand for electric vehicles will overtake sales of conventional gasoline- and diesel-powered vehicles within about two decades.

Completion of the Definitive Feasibility Study for Clean TeQ Sunrise in June this year represented a very important achievement. With this study concluded, we are well positioned to secure the offtake agreements and the funding to enable construction of the Project to proceed in 2019. The market interest in Clean TeQ Sunrise's remarkable store of mineral resources is exceptionally strong, as is the Project's potential to generate substantial returns for Clean TeQ's shareholders.

Clean TeQ Water had a successful year in 2017/18 and is positioned to demonstrate the value of its technology in a number of international projects – some already under construction, with additional opportunities in the development pipeline.

We are committed to seizing the opportunities ahead of us as a producing miner and technology developer and implementer. Members of the Board of Directors are confident that senior management, under the leadership of Chief Executive Officer Sam Riggall, and the women and men of Clean TeQ will continue to build and deliver significant value for our stakeholders.

Mr Robert Friedland
Co-Chairman

Message from the Chief Executive Officer

Sam Riggall
Chief Executive Officer

The 2018 financial year was important for Clean TeQ. We achieved several milestones, which take us closer to development of our Clean TeQ Sunrise Project in New South Wales. We also made good progress with Clean TeQ Water, delivering on contracts and building a pipeline of new opportunities. Both these businesses bring a unique value proposition to the industries in which they operate, utilising our proprietary technologies to empower the clean revolution that is at the heart of our mission statement.

At Clean TeQ Sunrise, the key achievement was completion of the Definitive Feasibility Study in June. The Study highlighted the Project's outstanding technical and economic merit and confirmed that Clean TeQ Sunrise is a globally significant source of nickel, cobalt and scandium. Once developed, the Project will be a major supplier of critical raw materials to the lithium ion battery market.

The Definitive Feasibility Study confirmed that Clean TeQ Sunrise can deliver large volumes of critical battery raw materials while generating outstanding financial returns over many decades. The Project is forecast to deliver over US$14 billion in revenue and average annual EBITDA of US$344 million over the first 25 years of operations. Average C1 cash costs of negative US$1.46/lb of nickel (net of by-product credits) positions Clean TeQ Sunrise in the lowest cost quartile, while a Net Present Value of US$1.392 billion (A$1.856 billion) supports a post-tax Internal Rate of Return (IRR) of 19.1%. The economic fundamentals of the Project are very strong.

Importantly, during the year the Company signed its first product off-take agreement with Beijing Easpring. The agreement covers annual tonnages representing approximately 20% of Clean TeQ Sunrise production over the first five years, with pricing linked to spot commodity prices. Beijing Easpring is one of the world's preeminent cathode companies, with a reputation for high-quality products and rapid innovation. Clean TeQ is delighted to have partnered with such a strong business.

In parallel to the Definitive Feasibility Study, we have progressed other components of the Project that will allow its development to be undertaken as quickly as possible including:

- the acquisition of two autoclaves, critical long lead components for the Project;
- the purchase of an accommodation facility for our construction workforce;
- re-estimated the Clean TeQ Sunrise mineral resource, which resulted in an increase in the cobalt grade of the resource;
- securing Mining Leases over the Project area;
- securing a number of key permit modifications.

With the DFS now complete, early works and long-lead item procurement commencing and a strong implementation team in place, we are focused on progressing the Project into formal construction over the coming year. Financing and offtake discussions are well advanced with a range of counterparties. Once complete, this will allow us to consider a Final Investment Decision in early 2019 with construction expected to commence shortly thereafter.

It has also been a highly successful year for the Clean TeQ Water business. New projects have been secured in Oman, the Democratic Republic of Congo and Australia, while our work towards developing projects in China is well advanced. At the end of June 2018, Clean TeQ Water had four key projects under construction, all of which are expected to be commissioned and delivered to their respective customers in the coming financial year. The completion of these contracts are important milestones for Clean TeQ Water and will provide impetus for future growth.

Clean TeQ has also continued its commitment to developing new technologies which are targeted to improve or complement our existing suite of technology solutions. During the year, a significant investment was made in advancing our Continuous Ionic Filtration (CIF®) technology. Work is also underway to develop graphene oxide membranes for the next generation of water purification processes and encapsulated bacteria to treat nutrient issues in wastewater.

As a business, Clean TeQ has never been stronger. Over the last 12 months we have expanded our capabilities and grown our team to ensure we can deliver on our pipeline of opportunities. The expertise and experience we have within Clean TeQ puts us in a strong position to deliver on our strategy.

In March 2018, the Company successfully raised A$155 million from a range of international and institutional investors and a share purchase plan, thereby expanding our share register and providing a strong capital base from which to fund an accelerated work program for Clean TeQ Sunrise.

The year ahead is one of huge opportunity as we put our financing plan in place, commence construction of Clean TeQ Sunrise and pursue various projects within Clean TeQ Water. I would like to thank our staff for their hard work and commitment to our shared objectives, and our shareholders for their ongoing support. I look forward to providing regular updates as we achieve our key milestones throughout the year.

Sam Riggall

Chief Executive Officer

CLEAN TEQ SUNRISE

Clean TeQ Sunrise is the Company's flagship nickel, cobalt & scandium project located in New South Wales, Australia which is rapidly progressing toward full-scale development.

The Project is a globally significant mineral resource which, once developed, will become a major supplier of high purity raw materials which are critical to the lithium ion battery industry. The Project is also one of the highest grade scandium deposits in the world, with production destined to underpin development of the next generation of lightweight aluminium alloys for key transportation markets.

The Definitive Feasibility Study (DFS), completed in June 2018, represented a significant milestone for the Project. The Study demonstrated the Project's strong technical foundations and its ability to generate substantial value for all our stakeholders. The Project will be developed using Clean TeQ's proprietary Clean-iX® technology which will enable highly efficient, low cost production of nickel sulphate and cobalt sulphate – the key raw materials required for lithium ion battery cathodes.

Clean TeQ Sunrise is development ready with a defined mineral resource underpinning a 40+ year mine life, secure freehold tenure, and key approvals, permits and mining leases in place.

Key achievements of the year:

Maiden offtake agreement signed with Beijing Easpring

A binding five-year offtake agreement for annual tonnages representing approximately 20% of cobalt and nickel sulphate production was signed with Beijing Easpring in August 2017. Beijing Easpring is one of the world's largest producers of high quality cathode material for the lithium ion battery industry and is an important partner for Clean TeQ.

Completed a significant mineral resource update

The Project's exceptional potential to produce high volumes of cobalt was highlighted with a resource update in October 2017 that demonstrated a 30% increase in cobalt ore grades and 16% increase in contained cobalt metal compared to the 2016 resource estimate.

Appointed Mandated Lead Arrangers for a project debt facility

The Project attracted strong banking support with Industrial Commercial Bank of China (ICBC), Société Générale, National Australia Bank and Natixis appointed as mandated lead arrangers (MLAs) to make best efforts to provide US$500 million of a project debt facility.

Successfully completed raising to accelerate Project development

Completion of a A$155 million institutional Placement and Share Purchase Plan to enable development of the Project to be accelerated. The capital raising was well supported by international and Australian institutional investors, and will fund early works, detailed engineering and long lead item acquisition prior to a final investment decision.

Mining Leases granted

In early 2018, Mining Leases were granted over the Project area providing security of tenure and the ability to commence operations once a final investment decision has been made.

Completed Definitive Feasibility Study

Completion of the Definitive Feasibility Study, a major milestone for the Project, was achieved in June 2018 and demonstrated the Project's strong technical credentials and outstanding financial outcomes.

Acquired critical long-lead items

During the year Clean TeQ acquired two autoclaves, key pieces of equipment for the processing plant, and an accommodation facility. Acquisition of these will allow the Project's development to be significantly fast-tracked.

Continued to proactively engage with the community

Throughout the year, Clean TeQ maintained a close and active connection with the local communities in the Shires of Parkes, Forbes and Lachlan. This engagement forms an important part of our commitment to ensure the Project's success is shared by all our stakeholders.

CLEAN TEQ
SUNRISE

CLEAN TEQ SUNRISE DEFINITIVE FEASIBILITY STUDY HIGHLIGHTS

STRONG ANNUAL PRODUCTION

NICKEL: **19,620** TONNES PER ANNUM
COBALT: **4,420** TONNES PER ANNUM
AVERAGE OVER FIRST 10 YEARS

EXCELLENT PROJECT ECONOMICS

NPV OF **US$1.39 BILLION**
IRR OF **19.1%**

FIRST QUARTILE OPERATING COSTS

NEGATIVE **US$1.46/LB** NI
AFTER BY-PRODUCT CREDITS

EXCEPTIONAL CASH FLOWS

LIFE OF MINE REVENUE: **+US$14 BILLION**
LOM EBITDA: **~US$8.60 BILLION**
AVERAGE EBITDA: **US$344 MILLION** PER ANNUM

PRODUCTION OF HIGH PURITY BATTERY GRADE MATERIALS

- NICKEL SULPHATE
- COBALT SULPHATE

PLUS SCANDIUM OXIDE FOR AUTOMOTIVE & AEROSPACE APPLICATIONS

CAPITAL COST ESTIMATE

US$1.49 BILLION INCLUDING **$165 MILLION** CONTINGENCY

"The prospects of creating extremely substantial value for all of our stakeholders is apparent from the results of the Definitive Feasibility Study. We are truly excited to see the Sunrise Project move into the next stage of development."

Mr Robert Friedland
Co-Chairman

COMMUNITY BENEFITS

Clean TeQ is committed to working with our host communities to ensure the benefits generated by the Project are enjoyed by all of our stakeholders. Over the life of the mine, Clean TeQ Sunrise is set to deliver substantial financial returns for the community through employment opportunities, royalties, taxes and infrastructure upgrades.

Outcomes of the June 2018 Definitive Feasibility Study included estimates as follows:

Employment Opportunities: A peak construction workforce of 1,000 people and a steadystate operations workforce of 300 people (plus mining and logistics contractors and ancillary services).

Employee Salaries/Wages: A$1.9 billion (estimate includes mining contractor wages but excludes logistics contractors and ancillary services).

State Royalties and payroll tax: A$630 million over first 25 years.

Taxes (corporate tax): A$2.2 billion over first 25 years.

Local Community Contributions: This will cover payments to compensate communities for local project impacts (principally road upgrades and maintenance), council rates and additional ongoing local community enhancement initiatives.

Local Supply Opportunities: Benefits are also expected for local businesses as suppliers of goods and services to Clean TeQ Sunrise.

"When it comes to community investment and development, our approach seeks to recognise the importance of consulting the community about how it wants to grow and thrive.

"We are committed to working together with our host communities as we seek to maximise the benefits of our presence, manage any impacts through leading environmental practices and show respect and care for people as we go about our business."

Sam Riggall
Chief Executive Officer

CLEAN TEQ WATER

Clean TeQ Water aspires to provide solutions to the world's most challenging water treatment problems and become a world leader in the treatment and reuse of freshwater resources.

Clean TeQ Water's technologies are environmentally and economically sustainable, providing innovative solutions to the municipal and industrial waste water sectors.

Our technology suite includes a range of proprietary filtration and separation processes for primary separation including continuous ion exchange and membrane technologies. In addition, by-product management processes include membrane filtration, biological degradation, evaporation and crystallisation.

Clean TeQ Water continued its transition from technology development to commercialisation, with a number of Projects approaching completion and a strong pipeline of new opportunities.

CHINA – Municipal waste water treatment project

Joint Venture with Jinzhong Hoyo Municipal Urban Investment & Construction Co. Ltd for the construction of a 13,000 tonne per day municipal waste water treatment plant. The Project will utilise Clean TeQ's Continuous Ionic Filtration (CIF®) technology.

Status: Design and engineering underway with construction expected to commence in early 2019.

OMAN – Industrial waste water treatment project

Clean TeQ is designing, procuring and commissioning a Clean TeQ CIF® wastewater treatment solution at a minerals processing plant currently under construction in Oman. The plant will remove toxic pollutants, sulphates, antimony and arsenic to treat flue gas desulphurisation scrubber wastewater.

Status: Construction complete, with commissioning due during the third quarter of 2018.

AUSTRALIA – Mine waste water treatment project

Clean TeQ is also delivering a DeSALx® water treatment plant for the Fosterville Gold Mine in Victoria, Australia. The treatment plant will have a capacity of two million litres per day and will treat mine process water to a level of quality which will allow it to be reused in mining operations.

Status: Procurement and manufacturing of components are well progressed with construction expected to commence before the end of 2018.

AFRICA – Mine process treatment plant

In Africa, Clean TeQ is executing a project to design, supply and commission a plant using Continuous Ion Exchange processing technology at a base metals processing plant in the Democratic Republic of Congo.

Status: Procurement and manufacturing of components are well progressed with construction expected to commence before the end of 2018.

Fresh water scarcity is a critical global issue. Only 0.3% of available water is classified as fresh water.

Technology Development

A commitment to investing in research and development is at the core of Clean TeQ, and an important part of the Company's strategy. Clean TeQ's focus during FY2018 was on the development of graphene oxide membranes, encapsulated bacteria and further development of Clean TeQ's Continuous Ion Filtration (CIF®) technology.

Graphene Oxide Membranes

Graphene and graphene oxide are the world's thinnest, strongest and most conductive materials yet discovered with huge potential for industrial applications. In water treatment applications, graphene oxide membranes have the potential to deliver significant benefits due to their high water flux, tunability and non-fouling properties. The advantages of the membrane can be seen in increased flow, better water recovery and lower energy costs.

Clean TeQ is collaborating with Monash University and Ionic Industries to manufacture and apply graphene oxide membranes to water treatment applications, thereby expanding Clean TeQ's already strong capability in the water treatment sector.

Continuous Ionic Filtration (CIF®)

Clean TeQ is continuing to develop the proprietary CIF® technology, with a focus on developing methods of dealing with brine by-products in tertiary wastewater treatment applications. Clean TeQ's technology, using hybrid resins, are showing strong efficacy in removal of nutrients such as nitrogen and phosphorous from waste water. High nutrient levels in waste waters represent a significant issue as they can cause algal blooms when discharged into waterways.

Clean Bio® Encapsulated Bacteria Technology

Clean TeQ is also actively progressing its encapsulated bacterial technology, Clean Bio®, which can effectively manage the concentrated by-products from CIF® treated waste water. Encapsulated bacterial technology provides a way of converting residual nutrients such as ammonia and nitrate to harmless nitrogen gas. Clean Bio® can be used as a standalone technology or in conjunction with the CIF® technology to provide a complete solution for nutrient reduction.

Sustainability

Clean TeQ is committed to creating a sustainable, value-creating business through positive innovation and disruptive change.

Our commitment to sustainability is reflected across the areas of safety, environment, community engagement and diversity.

- Building a strong and positive safety culture
- Implementing robust management systems across our businesses
- Focusing on hazard identification and the proactive management of risks
- Operating in a manner that mitigates or removes environmental impacts, whilst improving energy and natural resource management
- Delivering the highest possible quality products and services
- Building relationships based on mutual respect, open and transparent dealings and lasting commitment
- Sharing our values, fostering value creation and helping our host communities thrive beyond us
- Providing equal opportunity and creating a diverse work environment

Clean TeQ Sunrise is positioned to be a modern and sustainable mining operation producing products which are critical to the clean energy revolution.

The global environmental issues caused by the unconstrained burning of fossil fuels in the world's transport sector are profound. Being part of the solution is a core objective of Clean TeQ and a driver of our strategy to develop Sunrise.

Board of Directors

Mr Robert Friedland

Co-Chairman and Non-Executive Director

During the past 20 years of his career, Mr. Friedland has founded and led two prominent, international mining entities under the Ivanhoe Mines banner. He is Executive Chairman and a director of the present Ivanhoe Mines Ltd., which has three major mine development projects including construction of two new mines on world-scale mineral discoveries in South Africa and the Democratic Republic of Congo. The original Ivanhoe Mines, founded in 1994, had extensive mining and exploration interests in the Asia Pacific Region. Mr. Friedland was Executive Chairman and Chief Executive Officer of the initial Ivanhoe Mines until 2012, and was President from 2003 to 2008. He directed Ivanhoe Mines' portfolio of interests in several countries over 16 years and led the company's discoveries and initial development of the Oyu Tolgoi copper-gold-silver deposits in southern Mongolia. Mr. Friedland also is Chairman and President of Ivanhoe Capital Corporation, his family's private, Singapore-based company that specializes in providing venture capital, project financing and related services for international business enterprises, predominantly in the minerals, energy and communications technologies sectors. He was inducted into the Canadian Mining Hall of Fame in 2016. He was appointed a director of Clean TeQ on 8 September 2018.

Mr Jiang Zhaobai

Co-Chairman and Non-Executive Director

Mr Jiang took part in numerous engineering and construction projects following graduation from university in the 1980's. He later founded his own real estate development company in 1988. In 1997, Shanghai Pengxin Group Co., Ltd. was established with Mr Jiang as founding Chairman and he remains in that role to this date. Under Mr Jiang's leadership, Shanghai Pengxin Group has successfully developed a number of significant property projects, amounting to a total of six million square meters. Starting from real estate development including both residential and commercial as well as hotel industry, the group has diversified into a range of other sectors including modern agriculture, mining, environmental science and technology and financial investment. The group is now a diversified conglomerate with controlling interests in four listed companies in China. He was appointed a Director of Clean TeQ on 24 April 2017.

Mr Sam Riggall

Managing Director & Chief Executive Officer

Mr Riggall is a graduate in law and commerce from Melbourne University and has an MBA from Melbourne Business School. He was previously Executive Vice President of Business Development and Strategic Planning at Ivanhoe Mines Ltd. Prior to that Mr Riggall worked in a variety of roles in Rio Tinto for over a decade covering project generation and evaluation, business development and capital market transactions. Mr Riggall was appointed to the Clean TeQ Board and to the position of Chairman on 4 June 2013. Mr Riggall was appointed Chairman and Chief Executive Officer effective 1 July 2015. Mr Riggall resigned as Chairman and assumed the role of Managing Director effective 24 April 2017.

Mr Li Binghan

Non-Executive Director

Member of the Sustainability and Risk Committee

Mr Li is a lawyer with more than 20 years' experience. He is currently the Director of the Risk Control and Legal Department of Pengxin Mining. He commenced his career with Henan Province Judicial Bureau in 1996. After five years in the Judicial Bureau, Mr Li began his legal career with Shanghai Pudong Law firm in 2003, focusing on foreign direct investment and mergers and acquisitions. In 2012 Mr Li joined Shanghai Co-effort Law Firm, working in the field of intellectual property law. Mr Li joined Pengxin Mining in 2015. He was appointed a Director of Clean TeQ on 24 April 2017.

Mr Eric Finlayson

Non-Executive Director

Member of the Nomination, Remuneration and Governance Committee

Member of the Audit and Finance Committee

Mr Finlayson is a geologist with over thirty years' experience in Australia and overseas. Over 24 years with Rio Tinto, Mr Finlayson held a number of key executive roles including regional exploration manager for Canada, Director of Exploration for the Australasian region and 5 years as Global Head of Exploration based in London. Mr Finlayson also served as CEO of Rio Tinto Coal Mozambique following Rio Tinto's takeover of Riversdale Mining in 2011. Mr Finlayson is currently President of High Power Exploration. He was appointed a director of Clean TeQ on 16 September 2015.

Mr Ian Knight

Independent Non-Executive Director

Member of the Nomination, Remuneration and Governance Committee

Chair of the Audit and Finance Committee

Mr Knight is a graduate in Business Studies and is also a fellow of the Institute of Chartered Accountants, an Associate Fellow of the Australian Institute of Management and a member of the Institute of Company Directors. His experience includes presenting and working with boards of public, private and private equity ownership, State and Federal Governments and extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives. Mr Knight was also formerly a Partner of KPMG where he held the position of Head of Mergers and Acquisitions and Head of Private Equity for KPMG Corporate Finance. Currently he is Managing Director of Axsia Group and a partner of Axsia Corporate Pty Ltd. He was appointed a director of Clean TeQ on 8 July 2013.

Ms Stefanie Loader

Independent Non-Executive Director

Chair of the Nomination, Remuneration and Governance Committee

Member of the Sustainability and Risk Committee and the Audit and Finance Committee

Ms Stefanie (Stef) Loader is a mining industry executive with broad international experience having worked in exploration, project evaluation and development, mining and corporate roles across seven countries and four continents. Residing in Central West NSW, Ms Loader was most recently Managing Director of Northparkes Copper and Gold Mine for CMOC International. A geologist and statistician by training, Ms Loader began her career with Rio Tinto as an exploration geologist in Western Australia and was then part of the discovery team for the Khanong copper deposit at Sepon in Laos. After exploration and evaluation roles in the Americas, Ms Loader was assigned to the office of Rio Tinto Chief Executive in London where she then worked on global exploration strategy and prioritisation as Exploration Executive. Ms Loader also led the development of the Bunder diamond project in India for four years, including the signing of a landmark development agreement with the State of Madhya Pradesh in support of the project. Ms Loader was appointed a Director of Clean TeQ on 28 June 2017, with effect from 1 July 2017.

Mr Mike Spreadborough

Independent Non-Executive Director

Chair of the Sustainability and Risk Committee

Member of the Audit and Finance Committee

Mr Spreadborough is a mining engineer with extensive experience in the development and operation of mineral resources projects spanning a range of commodities including copper, gold, uranium, lead, zinc and iron ore. Over the past 20 years Mr Spreadborough has held senior executive roles with a number of mining companies including Chief Operating Officer of Sandfire Resources and Inova Resources Ltd (formerly Ivanhoe Australia), General Manager – Coastal Operations for Rio Tinto and General Manager – Mining for WMC and later Vice President – Mining for BHP Billiton at the world-class Olympic Dam mine in South Australia. He was appointed a director of Clean TeQ on 8 December 2016.

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The Company's 2018 Corporate Governance Statement was released to the ASX on 27 August 2018 and is available at www.cleanteq.com

Directors' Report
For the year ended 30 June 2018

The directors present their report, together with the financial statements, for the consolidated entity consisting of Clean TeQ Holdings Limited (referred to hereafter as the 'Parent Entity', 'the Company' or 'Clean TeQ') and the entities it controlled (referred to hereafter as the 'Consolidated Entity'), for the financial year ended 30 June 2018, and the auditor's report thereon.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and CEO)

Li Binghan (Non-Executive Director)

Eric Finlayson (Non-Executive Director)

Roger Harley (Independent Non-Executive Director – retired as director effective 1 November 2017)

Ian Knight (Independent Non-Executive Director)

Stefanie Loader (Independent Non-Executive Director)

Michael Spreadborough (Independent Non-Executive Director)

Principal activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of:

- The ongoing development and use of the Clean-iX® resin technology for application in the extraction and purification of a range of resources in the mining industry including base metals, precious metals and rare earth elements and through the development of the Consolidated Entity's Clean TeQ Sunrise Project in New South Wales ('Metals Division'); and
- The ongoing development and commercialisation of the Company's proprietary Continuous Ionic Filtration ('CIF®') and Macroporous Polymer Adsorption ('MPA®') resin technologies for application in the purification and recycling of industrial and mining waste waters ('Water Division').

There have been no other significant changes in the nature of the Consolidated Entity's activities during the financial year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of Operations

During the financial year ended 30 June 2018, the loss after tax for the Consolidated Entity amounted to $16,012,000 (2017: loss after tax of $12,184,000).

The Consolidated Entity's revenue from continuing operations increased to $5,966,000 (2017: $1,612,000) primarily due to an increase in contract income and interest income received in the period.

The continuing development of the Sunrise Project resulted in $60,413,000 of expenditure being capitalised as an exploration and evaluation asset during the financial year. This expenditure, along with the net cash outflows from operating activities of $6,998,000, was financed largely by equity capital raisings totalling $151,776,000 after issue costs.

Revenues from continuing operations were low during the financial year due to the fact that the Consolidated Entity's technologies remain at the early stages of commercialisation and as a result of the Sunrise Project being at the pre-production development phase.

The Consolidated Entity's net assets increased during the financial year by $138,772,000 to $252,156,000 (2017: $113,384,000). Working capital, being current assets less current liabilities, amounts to a surplus of $146,576,000 (2017: $85,671,000), with cash and cash equivalents increasing from $88,863,000 to $152,637,000 during the financial year.

Metals Division

During the financial year, the Consolidated Entity announced that its wholly owned Syerston Nickel Cobalt Scandium Project in New South Wales would be renamed to the Clean TeQ Sunrise Project ('Project'). The new name signifies the change in focus of the Project as an emerging global source of cobalt sulphate, nickel sulphate and scandium, and provides a strong connection to the local area. Sunrise is the name of a property located to the south-west of the Project area which is owned by Clean TeQ.

The key focus for the Metals Division remains advancing the development of the Consolidated Entity's Sunrise Project, with excellent progress being made towards its development during the financial year.

The Consolidated Entity completed a Mineral Resource Update during the year, in preparation for a review of the Ore Reserve estimate which was conducted in conjunction with the Definitive Feasibility Study ('DFS').

Directors' Report continued

The updated resource (see Table 1 below) was announced during the year and highlighted a 30% increase in cobalt grades compared to the resource estimate completed in 2016.

For full details of the 2017 Resource Update please see the ASX announcement dated 9 October 2017.

Table 1: Syerston Cobalt/Nickel Mineral Resource Estimate (0.06% Co cut-off)

Classification Category	Tonnage (Mt)	Ni Grade %	Co Grade %	Ni Metal Tonnes	Co Metal Tonnes
Measured	40	0.75	0.15	299,000	59,000
Indicated	47	0.55	0.12	259,000	58,000
Measured + Indicated	87	0.64	0.13	558,000	116,000
Inferred	14	0.24	0.11	35,000	16,000
Total	**101**	**0.59**	**0.13**	**593,000**	**132,000**

Note: Any apparent arithmetic discrepancies in the table above are due to rounding.

The updated Mineral Resource Estimate was released to the Australian Securities Exchange (ASX) under the guidelines of the JORC Code (2012 edition) in October 2017 and was also published in a technical report titled, 'Sunrise Nickel Cobalt Project, New South Wales, Australia NI 43-101 Technical Report' with an effective date of October 30, 2017, prepared in accordance with Canadian National Instrument 43-101 (NI 43-101), which is available via the SEDAR profile of Clean TeQ Holdings Limited at www.sedar.com or on the Clean TeQ Holdings Limited website at www.cleanteq.com.

The updated Mineral Resource estimate confirmed a 30% increase in cobalt grade compared to the 2016 Pre-Feasibility Study ('PFS'). The PFS resource based on a 0.6% Ni equivalent cut-off grade and the 2017 Updated Mineral Resource is based on a 0.06% Co cut-off grade, 300 ppm Sc cut-off grade and 0.15 g/t Pt cut-off grade.

The updated Mineral Resource estimate also resulted in an increase in both scandium and platinum resources at Sunrise. The scandium Mineral Resource for the Project increased significantly to 45.7 Mt @ 420 ppm Sc for 19,222 tonnes of contained metal using a 300ppm cut-off. Of this total resource, 27% is in the Measured and Indicated categories.

The platinum in the Mineral Resource for the Project also increased significantly to 103 Mt @ 0.33 g/t Pt for 1,076,170 ounces, using a 0.15 g/t cut-off. Of this total resource, 94% (metal content) is in the Measured and Indicated categories.

In June 2018, the Consolidated Entity completed the Clean TeQ Sunrise Definitive Feasibility Study ('DFS'), which marked a significant milestone for the Project. Finalisation of the DFS will underpin the next phase of the Project's development which includes finalisation of product offtake agreements, completion of project financing and commencement of construction subject to a final investment decision.

The results from the DFS confirmed Clean TeQ Sunrise's status as a globally significant cobalt, nickel and scandium resource which, once developed, will become a major supplier of critical raw materials to the lithium-ion battery market. The DFS modelled the first 25 years of production, however the Project has sufficient resources for a mine life of more than 40 years.

Highlights of the DFS outcomes included forecast:

- Strong cash flow generation supporting a post-tax Net Present Value[1] (NPV) of US$1.392 billion (A$1.856 billion[2]) and post-tax Internal Rate of Return (IRR) of 19.1%.
- Average C1[3] operating costs of negative US$1.46/lb nickel after byproduct credits[4] and US$4.68/lb nickel before credits[4].
- Average production post ramp-up of:
  (i) 21,780 tpa nickel and 4,640 tpa cobalt (Year 2 – 6) and;
  (ii) 19,620 tpa nickel and 4,420 tpa cobalt (Year 2 – 11)
  (iii) 18,520 tpa nickel and 3,450 tpa cobalt (Year 2 – 25)
- Average scandium oxide production capacity of 80 tonnes per year which can be readily expanded to 160 tonnes per year. The DFS conservatively caps scandium oxide sales at 10 tonnes per year for the life of mine.

1. Net Present Value calculated using 8% discount rate.
2. AUD/USD 1/0.75 exchange rate applied for life of mine.
3. C1 Cash Cost includes mining, processing, site overheads (including administration), haulage and port charges.
4. Credits from cobalt sulphate, scandium oxide and ammonium sulphate.

Directors' Report continued

- Pre-production capital cost estimate of US$1.33 billion (A$1.77 billion) (excluding US$165m estimated contingency). The estimate reflects a significant increase in refining capacity, relative to the 2016 Pre-Feasibility Study, to provide the potential opportunity to increase production volumes once in operations.
- Significant economic and social benefits to local communities over the life of mine including employment, infrastructure upgrades, royalties, taxes and local community contributions.

Compared to the 2016 Pre-feasibility Study and the Sunrise Nickel Cobalt Project, New South Wales, Australia NI 43-101 Technical Report completed in 2017, the total capital cost estimate for the Project has increased. This is primarily due to the implementation of a number of measures devised to de-risk the delivery of the Project and to increase the Project's scope in order to deliver the potential to substantially increase revenue, EBITDA and return on capital. Improvements to the Project included upsizing the refinery capacity, increasing surge capacities and revising the mine plan to significantly bring forward future cobalt metal production, which will allow the Company to respond to the strong demand for battery raw materials from major automobile producers and battery manufacturers.

The DFS assumes that the Project will be designed and built by the Consolidated Entity in conjunction with SNC-Lavalin and McDermott International (collectively 'the Alliance'), whereby the three parties will jointly manage engineering, procurement and construction. In parallel, the Consolidated Entity has been evaluating a competing fixed-price Engineering-Procurement-Construction ('EPC') proposal received from one of China's largest engineering and construction groups. At the end of the financial year, the Consolidated Entity remained in discussions with both the potential Chinese EPC contractor and the Alliance partners, with a decision on the final delivery model expected during the third quarter of the calendar year 2018.

With the DFS completed, Clean TeQ's focus has turned to finalising offtake discussions for the production which remains uncontracted and securing funding for the Project. Once developed, the Project is expected to produce substantial volumes of high-purity, battery-grade nickel and cobalt sulphate – products in high demand from the electric vehicle industry. The Company is continuing to engage with numerous parties in the electric vehicle supply chain who have indicated strong interest in securing a reliable source of supply from a favourable jurisdiction.

During the year the Consolidated Entity announced the signing of a binding offtake agreement with Beijing Easpring Material Technology Co Ltd ('Easpring') for the supply of hydrated cobalt sulphate and nickel sulphate products. Under the agreement, Easpring will purchase fixed tonnages representing approximately 20 per cent of forecast production, for an initial five-year period commencing from the start of commercial production. The agreement represents a significant milestone for the Sunrise Project as it develops into a leading global supplier of battery grade cobalt and nickel to the lithium ion battery industry.

The Company is confident of securing additional binding long-term sales contracts for the majority of the uncontracted portion of production during the second half of the calendar year 2018.

Securing the necessary finance to develop the Project is now a key priority for the Consolidated Entity. During the financial year, the Consolidated Entity announced the appointment of Industrial and Commercial Bank of China ('ICBC'), Société Générale, National Australia Bank and Natixis as Mandated Lead Arrangers ('MLAs') to arrange a debt financing facility to fund a significant proportion of the development cost of the Sunrise Project. Each of the MLAs have undertaken to use best efforts to provide US$125 million, for a total of US$500 million for the proposed total credit facilities required for the development of the Project.

This includes providing a debt facility to fund capital expenditure and working capital and other credit facilities including bonds and bank guarantees. The financing will be contingent upon completion of a successful due diligence process, credit approval and agreement of formal documentation of terms and conditions.

With the DFS completed, the MLAs have now commenced the detailed work of undertaking due diligence and finalising a binding term sheet for a debt finance facility. In addition, the Consolidated Entity is assessing a range of opportunities to raise the remaining equity required to build the Project. This includes negotiations involving potential project level investment, joint ventures, product prepayment and streaming/royalty transactions.

As outlined in the DFS, the current indicative schedule sees a final investment decision in early 2019 followed closely by commencement of construction. The DFS estimated a 24-month construction period, followed by a 24-month period of commissioning and ramp up. First production is expected in early 2021.

During the financial year, the Consolidated Entity announced the acquisition of two autoclaves, critical components of the proposed processing plant for the Sunrise Project. The acquisition significantly de-risks the Project schedule, with delivery lead times in today's market for similar equipment being approximately three years.

The autoclaves, which were acquired from Vale International S.A. (a subsidiary of Brazilian multinational metals and mining

Directors' Report continued

group, Vale SA) for US$6.5 million have never been used, are ideally sized for the Project and are in excellent condition. The autoclaves have been shipped from New Caledonia to Port Pirie in South Australia where they will be stored until they are ready to be transported by road to the Sunrise Project site for installation.

During the financial year, the Consolidated Entity announced that it had paid a deposit to purchase a 300-person accommodation facility to support the construction phase of the Sunrise Project. The facility will be purchased from Fleetwood Corporation for A$3.8 million and includes 306 rooms, administration area, first aid centre, mess and recreation facilities, with the flexibility to expand capacity as required.

The acquisition price represents a significant discount to the cost of a newly built facility, which is consistent with the Consolidated Entity's strategy to identify and procure pre-made facilities to reduce capital costs and fast-track development of the Project.

The facility was originally constructed in 2014 for a natural gas project in Queensland, Australia. It is in excellent condition and ideally suited for the site conditions and operational requirements of the Project. The Consolidated Entity paid an initial deposit of $440,000 with the balance due in 2018 when the facility is delivered and installed at the Sunrise Project area.

During the financial year, another important milestone was achieved with the NSW Department of Planning and Environment formally issuing the Mining Leases (MLs) over the Project area (ML1770) and limestone quarry (ML1769).

The Clean TeQ Sunrise Project has an approve Development Consent DA 374-11-00, which has been modified on five occasions since it was issued in 2005 (Modifications 1, 2, 3, 5 and 6). The most recent modification to the Development Consent provided for changes to the accommodation facility at the Project which were necessary to both optimise the mine development plan and improve the amenity of the on-site workforce (Mod 6). The changes included the relocation of the accommodation facility from the main mine site to an adjacent property south of the mine on a property owned by the Company called 'Sunrise'.

A Development Consent modification to support several project optimising scope amendments (Mod 4) is well advanced with final approval currently anticipated in the second half of calendar year 2018. Mod 4 involves the implementation of a range of optimisation opportunities including mining in a more selective manner, addition of drilling and blasting, adoption of the resin-in-pulp processing method, increased sulphur demand and sulphuric acid production; increase limestone demand, addition of a cystalliser, changes to process input and road transport requirements, addition of a water treatment plant, increased tailings storage facility capacity, reduced evaporation pond capacity, relocation of mine infrastructure, addition of surface water extraction from the Lachlan River, minor changes to the borefield transfer station and reduced gas demand.

Water Division

Clean TeQ's water division is currently delivering on four key contracts focused on mine and municipal waste water treatment, as well as assessing new opportunities to promote and develop Clean TeQ's Continuous Ion Exchange Technology (CIF®) and DeSALx® technologies for power, mining, municipal and industrial wastewater applications.

During the financial year, the joint venture between Clean TeQ and Jinzhong Hoyo Municipal Urban Investment & Construction Co., Ltd ('Hoyo') continued to work on water treatment opportunities in China's Shanxi Province utilising the Consolidated Entity's CIF® proprietary technology.

The JV Company was awarded an initial contract to build, own and operate a water treatment plant, using this technology to treat up to 13,000 tonnes of effluent per day for a 20-year period at a waste water treatment plant owned by Hoyo. The contract allows for the JV Company to be paid a service fee of 1RMB per tonne of water treated, subject to a minimum payment for 9,000 tonnes per day.

During the financial year, the joint venture completed the environmental impact assessment and final works on the detailed design. While this process is taking longer than anticipated, steady progress is being made toward securing various government approvals required in order for construction to commence, now expected during the third quarter of 2018.

The Consolidated Entity is also executing a significant contract with Multotec Process Equipment Pty Ltd ('Multotec') to design, procure and commission a Clean TeQ CIF® wastewater treatment solution at a minerals processing plant currently being constructed in Oman ('Oman Contract').

Directors' Report continued

The Oman Contract is valued in excess of US$400,000 and includes a technology fee and payments for engineering, equipment and resin supply and commissioning support. The CIF® waste water treatment plant will treat waste water from a flue gas desulphurisation scrubber at a minerals processing plant at Port of Sohar Free Zone, Sultanate of Oman.

The plant will treat waste water from a flue gas desulphurisation scrubber removing toxic pollutants and sulphate, antimony and arsenic from the wastewater stream. Construction of the waste water treatment plant was completed in May and first stage cold commissioning was completed in June 2018. Construction of the mineral processing plant is expected to be completed during the third quarter, after which the Consolidated Entity will complete final commissioning and hand over.

The technology uses the Consolidated Entity's proprietary CIF® technology to remove toxic pollutants and in particular sulphate, antimony and arsenic from the wastewater stream. This solution is being provided to Multotec as an equipment design and supply package.

Multotec is the principal contractor with overall responsibility for delivering the CIF® wastewater management systems for the mineral processing facility. Fabrication of the CIF® waste water treatment plant equipment was completed by the Consolidated Entity.

During the financial year the Consolidated Entity announced that it had entered into a landmark agreement with Fosterville Gold Mine Pty Ltd ('Fosterville') to design, supply and commission a two million litre-per-day Clean TeQ DeSALx® mine water treatment plant.

The award of the contract follows a period of extensive due diligence and testwork conducted by Fosterville to validate the efficacy of the Consolidated Entity's proprietary DeSALx® system for the treatment of mining process waters. The value of the contract is $3,500,000 and serves as a significant milestone for the Clean TeQ Water division.

The Fosterville Gold Mine is located in Bendigo in regional Victoria. Design of the Fosterville water treatment plant has been completed in the financial year. Manufacturing of the columns and major components of the plant largely been completed, with installation on site expected to commence in Q4 2018.

The Water Division has continued to develop new opportunities during the financial year, with a number of feasibility and pilot programs underway to allow clients to assess the benefits of Clean TeQ's ion exchange technology.

Significant changes in the state of affairs

In November 2017 the shares of the Consolidated Entity began trading on the Toronto Stock Exchange under the ticker 'CLQ'. The Company's ordinary share capital continues to trade under the symbol 'CLQ' on the Australian Stock Exchange and 'CTEQF' on the United States OTCQX Exchange.

The Consolidated Entity announced on 1 November 2017 that Mr Roger Harley, had retired as a Non-Executive Director of the Consolidated Entity with effect from the conclusion of the 2017 Annual General Meeting. Mr Harley was appointed to the Board of Consolidated Entity in June 2010 and since his appointment has played an instrumental part in the growth of the Company. The Board would like to thank Mr Harley for his valuable and substantial contribution.

The Consolidated Entity announced on 20 February 2018 that Mr Tim Kindred, had been appointed to the role of Project and Start Up Director. Mr Kindred has over 30 years' experience in the mining industry, having held senior positions in project management, construction, commissioning and ramp-up of development projects, with a strong background in development and operations of pressure-acid-leach nickel projects.

On 8 March 2018, the Consolidated Entity announced that it was conducting an underwritten institutional placement to raise a minimum of $150 million at a $1.15 a share ('Placement'). The offer was made to institutional, accredited, sophisticated and professional investors under relevant prospectus exemptions. In conjunction with the Placement, the Consolidated Entity also conducted share purchase plan, offering eligible shareholders in Australia and New Zealand the ability to apply to subscribe for up to A$15,000 of new shares at a $1.15 a share. Proceeds raised via the placement and share purchase plan are to be used to fund early works and long lead items to accelerate the development of the Sunrise Project.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Directors' Report continued

Likely developments and expected results of operations

The Consolidated Entity will continue to pursue its objectives of advancing the development of the Sunrise Project as well as its suite of technology applications for the treatment of water in the water, municipal, industrial and resources sectors. This will include further commercial development of the applications that are both currently in use and in development and advancing the market penetration strategies to enable the Consolidated Entity to fully exploit the potential of its products in the Metals and Water Divisions.

The Consolidated Entity intends to fund its development through debt finance, equity partnerships, capital raisings as well as operational revenues from contracts entered into, and through securing additional contracts throughout the year.

Further information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental regulation

The Consolidated Entity has an interest in the mineral licences disclosed in note 17. The authorities responsible for the granting of these licences require the tenement holder to comply with the terms and conditions of the licence and all directions given to it by those authorities.

The terms and conditions of any mineral licence typically include certain environmental conditions, covering such matters as Aboriginal cultural heritage, threatened species, habitat, heritage items, trees and vegetation, roads and tracks, groundwater, streams and watercourses, erosion and sediment controls, preventing and monitoring pollution, refuse, chemicals, fuels and waste materials, transmission lines and pipelines, drilling, rehabilitation of the land, environmental reporting, and site security. There have been no known breaches of the Consolidated Entity's licence conditions or any other environmental regulation during the financial year or up until the date of this report.

Directors' Report continued

Information on directors

Name:	Mr Robert Friedland
Title:	Co-Chairman and Non-Executive Director
Qualifications:	Bachelor of Arts in Political Science from Reed College, Oregon, USA
Experience and Expertise:	Mr Friedland was appointed Co-Chairman of Clean TeQ on 8 September 2016. During the past 20 years of his career, Mr Friedland has founded and led two prominent, international mining entities under the Ivanhoe Mines banner. He is Executive Chairman and a director of the present Ivanhoe Mines Ltd., which has three major mine development projects underway in Southern Africa, including construction of two new mines on world-scale mineral discoveries in South Africa and the Democratic Republic of Congo. The company operated under the Ivanplats name after its founding in 1998 and assumed the Ivanhoe name in 2013. The original Ivanhoe Mines, founded in 1994, had extensive mining and exploration interests in the Asia Pacific Region. Mr Friedland was Executive Chairman and Chief Executive Officer of the initial Ivanhoe Mines until 2012, and also was President from 2003 to 2008. He directed Ivanhoe Mines' assembly of a portfolio of interests in several countries over 16 years and led the company's discoveries and initial development of the Oyu Tolgoi copper-gold-silver deposits in southern Mongolia. Rio Tinto acquired a controlling interest in the company in 2012; the company was required to relinquish the Ivanhoe name and became Turquoise Hill Resources, which is continuing the development of Oyu Tolgoi. Mr Friedland also is Chairman and President of Ivanhoe Capital Corporation, his family's private, Singapore-based company founded in 1987 that specializes in providing venture capital, project financing and related services for international business enterprises, predominantly in the minerals, energy and communications technologies sectors. He was inducted into the Canadian Mining Hall of Fame in 2016.
Other current directorships:	Executive Chairman, Ivanhoe Mines Ltd. Chairman & President, Ivanhoe Capital Corporation Chairman & Co-Founder, I-Pulse Inc. Chairman & Chief Executive Officer, High Power Exploration Inc. Chairman, Pu Neng Energy Co-Chairman, SK Global Entertainment Chairman, Ivanhoe Pictures Ivanhoe Industries & Kietta
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	94,518,888 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Directors' Report continued

Name:	Mr Jiang Zhaobai
Title:	Co-Chairman and Non-Executive Director
Qualifications:	EMBA, China International Business School
Experience and Expertise:	Mr Jiang took part in numerous engineering and construction projects following graduation from university in the 1980's. He later founded his own real estate development company in 1988. In 1997, Shanghai Pengxin Group Co., Ltd. was established with Mr Jiang as founding Chairman and he remains in that role to this date. Under Mr Jiang's leadership, Shanghai Pengxin Group has successfully developed a number of significant property projects, amounting to a total of six million square meters. Starting from real estate development including both residential and commercial as well as hotel industry, the group has diversified into a range of other sectors including modern agriculture, mining, environmental science and technology and financial investment. The group is now a diversified conglomerate with controlling interests in four listed companies in China. He was appointed a Director of Clean TeQ on 24 April 2017.
Other current directorships:	Chairman of Shanghai Pengxin Group; Executive Chairman of Shanghai Entrepreneurs Association; Vice President of China Non-governmental Enterprise Directors Association; Economic Adviser to China Development Bank
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	92,518,888 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Sam Riggall
Title:	Managing Director & Chief Executive Officer
Qualifications:	LLB (Hons), B.Com., MBA
Experience and Expertise:	Mr Riggall is a graduate in law and commerce from Melbourne University and has an MBA from Melbourne Business School. He was previously Executive Vice President of Business Development and Strategic Planning at Ivanhoe Mines Ltd. Prior to that Mr Riggall worked in a variety of roles in Rio Tinto for over a decade covering project generation and evaluation, business development and capital market transactions. Mr Riggall was appointed to the Clean TeQ Board and to the position of Chairman on 4 June 2013. Mr Riggall was appointed Chairman and Chief Executive Officer effective 1 July 2015. Mr Riggall resigned as Chairman and assumed the role of Managing Director effective 24 April 2017.
Other current directorships:	Syrah Resources Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	26,112,055 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	1,722,571

Directors' Report continued

Name:	Mr Ian Knight
Title:	Independent Non-Executive Director
Qualifications:	FCA
Experience and Expertise:	Mr Knight is a graduate in Business Studies and is also a fellow of the Institute of Chartered Accountants, an Associate Fellow of the Australian Institute of Management and a member of the Institute of Company Directors. His experience includes presenting and working with boards of public, private and private equity ownership, State and Federal Governments and extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives. Mr Knight was also formerly a Partner of KPMG where he held the position of Head of Mergers and Acquisitions and Head of Private Equity for KPMG Corporate Finance. Currently he is Managing Director of Axsia Group and a partner of nem Australasia Pty Ltd. He was appointed a director of Clean TeQ on 8 July 2013.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Nomination, Remuneration and Governance Committee and Chair of the Audit and Finance Committee.
Interests in shares:	1,646,840 fully paid ordinary shares
Interests in options:	375,000 unlisted options exercisable at $0.3100 (31.00 cents) per option
Interests in rights:	Nil

Name:	Mr Eric Finlayson
Title:	Non-Executive Director
Qualifications:	BSc (Honours) in Applied Geology
Experience and Expertise:	Mr Finlayson is a geologist with over thirty years' experience in Australia and overseas. Over 24 years with Rio Tinto, Mr Finlayson held a number of key executive roles including regional exploration manager for Canada, Director of Exploration for the Australasian region and 5 years as Global Head of Exploration based in London. Mr Finlayson also served as CEO of Rio Tinto Coal Mozambique following Rio Tinto's takeover of Riversdale Mining in 2011. Mr Finlayson is currently President of High Power Exploration. He was appointed a director of Clean TeQ on 16 September 2015.
Other current directorships:	Cordoba Minerals Corp., Kaizen Discovery Inc. and Sama Resources Inc. (all TSX Venture Exchange); VRB Energy (private)
Former directorships (last 3 years):	Apollo Minerals Limited (resigned 7 July 2016)
Special responsibilities:	Member of the Nomination, Remuneration and Governance Committee and Audit and Finance Committee.
Interests in shares:	Nil
Interests in options:	750,000 unlisted options exercisable at $0.2712 (27.12 cents) per option; 375,000 unlisted options exercisable at $0.3100 (31.00 cents) per option
Interests in rights:	Nil

Directors' Report continued

Name:	**Mr Michael Spreadborough**
Title:	Independent Non-Executive Director
Qualifications:	BEng (Mining Engineering); MBA, AICD
Experience and Expertise:	Mr Spreadborough is a mining engineer with extensive experience in the development and operation of mineral resources projects spanning a range of commodities including copper, gold, uranium, lead, zinc and iron ore. Over the past 20 years Mr Spreadborough has held senior executive roles with a number of mining companies including Chief Operating Officer of Sandfire Resources and Inova Resources Ltd (formerly Ivanhoe Australia), General Manager – Coastal Operations for Rio Tinto and General Manager – Mining for WMC and later Vice President – Mining for BHP Billiton at the world-class Olympic Dam mine in South Australia. He was appointed a director of Clean TeQ on 8 December 2016.
Other current directorships:	Nusantara Resources Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Sustainability and Risk Committee Member of the Audit and Finance Committee
Interests in shares:	Nil
Interests in options:	750,000 unlisted options exercisable at $0.7700 (77.00 cents) per option
Interests in rights:	Nil

Name:	**Mr Li Binghan**
Title:	Non-Executive Director
Qualifications:	Masters in International Law, Law School, Fudan University, Masters in Intellectual Property Law, Law School, Queen Mary University of London and a Qualification Certificate for Attorney at Law and Qualification Certificate for Patent Attorney
Experience and Expertise:	Mr Li is a lawyer with more than 20 years' experience. He is currently the Director of the Risk Control and Legal Department of Pengxin Mining. He commenced his career with Henan Province Judicial Bureau in 1996. After five years in the Judicial Bureau, Mr Li began his legal career with Shanghai Pudong Law firm in 2003, focusing on foreign direct investment and mergers and acquisitions. In 2012 Mr Li joined Shanghai Co-effort Law Firm, working in the field of intellectual property law. Mr Li joined Pengxin Mining in 2015. He was appointed a Director of Clean TeQ on 24 April 2017.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Member of the Sustainability and Risk Committee
Interests in shares:	Nil
Interests in options:	Nil
Interests in rights:	Nil

Directors' Report continued

Name:	Ms Stefanie Loader
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Science with Honours (Geology), University of Western Australia, Graduate Certificate in Applied Statistics, Murdoch University; MAIG; GAICD.
Experience and Expertise:	Ms Stefanie (Stef) Loader is a mining industry executive with broad international experience having worked in exploration, project evaluation and development, mining and corporate roles across seven countries and four continents. Residing in Central West NSW, Ms Loader was most recently Managing Director of Northparkes Copper and Gold Mine for CMOC International. A geologist and statistician by training, Ms Loader began her career with Rio Tinto as an exploration geologist in Western Australia and was then part of the discovery team for the Khanong copper deposit at Sepon in Laos in the late 1990s. After exploration and evaluation roles in the Americas, Ms Loader was assigned to the office of Rio Tinto Chief Executive in London where she then worked on global exploration strategy and prioritisation as Exploration Executive. Ms Loader also led the development of the Bunder diamond project in India for four years, including the signing of a landmark development agreement with the State of Madhya Pradesh in support of the project. Ms Loader was appointed a Director of Clean TeQ on 28 June 2017, with effect from 1 July 2017.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Nomination, Remuneration and Governance Committee Member of the Sustainability and Risk Committee and the Audit and Finance Committee
Interests in shares:	50,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company Secretary

Ms Melanie Leydin was appointed to the position of Company Secretary on 7 July 2011. Ms Leydin is a Chartered Accountant and principal of Leydin Freyer, a chartered accounting firm specializing in accounting and company secretarial services. Ms Leydin has over 20 years' experience in the accounting profession and is company secretary for a number of junior mining, bioscience, biotechnology and IT entities listed on ASX.

Directors' Report continued

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the financial year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board Meeting		Audit and Finance Committee	
	Attended	Held	Attended	Held
Robert Friedland	5	6	–	–
Jiang Zhaobai	1	6	–	–
Sam Riggall	6	6	–	–
Roger Harley*	2	2	1	1
Ian Knight	6	6	4	4
Eric Finlayson	6	6	2	2
Stefanie Loader	6	6	3	3
Mike Spreadborough	6	6	1	2
Li Binghan	–	6	–	–

	Nomination, Remuneration and Governance Committee		Sustainability and Risk Committee	
	Attended	Held	Attended	Held
Robert Friedland	–	–	–	–
Jiang Zhaobai	–	–	–	–
Sam Riggall	–	–	–	–
Roger Harley*	–	–	–	–
Ian Knight	3	3	–	–
Eric Finlayson	3	3	–	–
Stefanie Loader	3	3	3	3
Mike Spreadborough	–	–	3	3
Li Binghan	–	–	1	3

* Roger Harley retired from the board, effective 1 November 2017.

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors' Report continued

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the Consolidated Entity and the Company, in accordance with the requirements of the *Corporations Act 2001* and its Regulations. Remuneration is referred to as compensation throughout the Remuneration Report.

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information
F. Additional disclosures relating to key management personnel

The Board of Directors is responsible for approving the compensation arrangements for the Directors and senior executives following recommendations received from the Nomination, Remuneration and Governance Committee. The Board, in conjunction with the Nomination, Remuneration and Governance Committee, assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

Key management personnel as identified for the purposes of this report by the criteria set out above are as follows:

- Robert Friedland – Co-Chairman and Non-Executive Director
- Jiang Zhaobai – Co-Chairman and Non-Executive Director
- Sam Riggall – Managing Director and Chief Executive Officer
- Li Binghan – Non-Executive Director
- Eric Finlayson – Non-Executive Director
- Roger Harley – Independent Non-Executive Director (retired)
- Ian Knight – Independent Non-Executive Director
- Stefanie Loader – Independent Non-Executive Director
- Mike Spreadborough – Independent Non-Executive Director
- Ben Stockdale – Chief Financial Officer
- Scott Magee – Sunrise Project Director (resigned)
- Tim Kindred – Sunrise Project Director

A. Principles used to determine the nature and amount of remuneration (audited)

There were no other employees in the Consolidated Entity that met the definition of key management personnel in accordance with the *Corporations Act 2001* or Australian Accounting Standards.

Compensation levels are competitively set to attract and retain appropriately qualified and experienced directors and executives. As and when required the Nomination, Remuneration and Governance Committee has access to independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the compensation strategy. Independent advice was sought during the 2017 and 2018 financial years and their recommendations were implemented during financial year 2018.

The compensation structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and create the broader outcome of creating value for shareholders.

The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment's performance;
- the Consolidated Entity's performance including:
  (i) the Consolidated Entity's earnings;
  (ii) the growth in share price and delivering constant returns on shareholder wealth; and
  (iii) the amount of incentives within each key management person's compensation.

The directors' and executives' remuneration and incentive policies and practices are performance based and aligned to the Consolidated Entity's vision, values and overall business objectives. They are designed to motivate key management personnel to pursue the Consolidated Entity's long-term growth and success. Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives.

Directors’ Report continued

In addition to their salaries, the Consolidated Entity also provides non-cash benefits to its directors and key management personnel and contributes to post-employment superannuation plans on their behalf.

Fixed remuneration

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as leave entitlements and employer contributions to superannuation funds.

Compensation levels are reviewed at least annually by the Nomination, Remuneration and Governance Committee through a process that considers individual, segment and overall performance of the Consolidated Entity. An executive’s compensation is also reviewed upon promotion.

Performance-linked remuneration

Performance-linked compensation, including both short-term and long-term incentives, is designed to reward employees for meeting or exceeding their financial and personal objectives. The short-term incentive (‘STI’) is an ‘at risk’ bonus while the long-term incentive (‘LTI’) is provided as options and performance rights over ordinary shares of the Company under the rules of the shareholder approved Employee Incentive Plan. The STI and LTI plans provide for Board discretion on the provision of bonuses as cash, shares and options.

During the 2018 financial year the Board exercised its discretion and authorised the issue of options and performance rights to a number of employees. In addition, STI bonuses relating to performance against FY17 KPI’s of $87,144 were paid to staff during the 2018 financial year. Refer to section E of this remuneration report for an analysis of the Consolidated Entity’s recent performance and link to overall remuneration.

Short Term Incentive

Each year the Nomination, Remuneration and Governance Committee sets the key performance indicators (‘KPI’s’) for all employees. The KPI’s generally include measures relating to the Consolidated Entity, the relevant segment and the individual, and include financial, staff management, safety, customer and strategy and risk measures. The measures are chosen as they directly align the individual’s reward to the KPI’s of the Consolidated Entity and to its strategy and performance.

The performance objectives include financial performance compared to budgeted amounts. The non-financial objectives vary with position and responsibility and include measures such as achieving strategic outcomes, safety and environmental performance, customer satisfaction and staff development.

At the end of the financial year, the Nomination, Remuneration and Governance Committee assesses the actual performance of the Consolidated Entity, the relevant segment and individual against the KPI’s set at the beginning of the financial year. A percentage of the pre-determined maximum bonus amount is awarded at the Board’s discretion and depending on results. No bonus is awarded where performance falls below the minimum performance expectation.

Long Term Incentive

The LTI consists of a grant of performance rights and options to certain directors and employees, administered under the Company’s shareholder approved Employee Incentive Plan (‘EIP’).

The EIP provides for directors and key executives to receive, for no consideration, options over ordinary shares of the Company at specified exercise prices as determined by the Board. The grant of options is intended to align the interests of directors and key executives with other owners of the Company. The ability to exercise the options is conditional upon each director and key executive’s ongoing employment by the Company and other applicable performance hurdles determined by the Board from time to time.

The LTI also consists of a grant of performance rights to employees, administered under the terms of the EIP. The grant of performance rights is intended to align the interests of employees with other owners of the Company. Performance rights are granted at the discretion of the Board to employees by way of issue at nil cost both at the time of grant and vesting. Performance rights are granted on a semi-annual basis, with the at-risk value of the annual grant over the vesting period, typically three years, representing a percentage of the employee’s total fixed remuneration, priced at the time of grant. Vesting is contingent on the Consolidated Entity meeting or exceeding a performance hurdle over the performance period. The performance hurdle involves an assessment of the Company’s total shareholder returns relative to a comparator group of companies. Vesting is also subject to the continued employment of the employee.

Directors' Report continued

The EIP, which was adopted on 19 July 2017, states that the total number of options issued pursuant to the EIP must not exceed 5% of the total number of issued shares in the Company, which excludes options and performance rights issued pursuant to shareholder approval or to non-employees. The Nomination, Remuneration and Governance Committee, in conjunction with the Board, determines the number of options performance rights and the terms and conditions associated with those options and performance rights that may be issued to employees each year. The criteria used to assess the number of options and performance rights issued include the Consolidated Entity's performance, individual performance and an industry analysis of best practice. The method of assessment was chosen as it provides the Nomination, Remuneration and Governance Committee with an objective means of measuring performance against expected performance.

Short Term and Long-Term Incentive Structure

The Nomination, Remuneration and Governance Committee considers that the above performance-linked compensation structure will generate the desired outcome in respect of attracting and retaining high calibre employees.

In the current year the Consolidated Entity has achieved many of its operational targets, however, financial results remained loss-making due to the fact that the Consolidated Entity's technologies remain at the early stages of commercialisation and as a result of the Sunrise Project being at the pre-production development phase.

The Nomination, Remuneration and Governance Committee will conduct a formal assessment of employees' key performance indicators and the Consolidated Entity's performance as a whole during the 2019 financial year to determine if any STI bonus is to be awarded in respect of the 2018 financial year.

Non-Executive Directors

The Company Constitution provides for Non-Executive Directors to be paid or provided remuneration for their services the total amount or value of which must not exceed an aggregate maximum of $1,000,000 per annum or such other maximum amount determined from time to time by the Company in a general meeting.

The aggregate maximum sum will be apportioned among them in such manner as the Directors in their absolute discretion determine. Non-Executive Directors fees are set based on advice from external advisors with reference to fees paid to other Non-Executive Directors of comparable companies. Non-Executive Directors do not receive performance related remuneration. Directors' fees include fees for subcommittee roles and responsibilities.

Non-Executive Directors are entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Consolidated Entity. No retirement benefits are to be paid to Non-Executive Directors however, Director remuneration figures quoted herein are inclusive of superannuation where applicable. The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution.

Voting and comments made at the Company's 1 November 2017 Annual General Meeting ('AGM')

The Company received 97.3% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

B. Details of remuneration (audited)

Details of the nature and amount of each major element of remuneration of the key management personnel of the Consolidated Entity are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2018	$	$	$	$	$	$	$
Non-Executive Directors:							
Robert Friedland	127,500	–	–	–	–	–	127,500
Jiang Zhaobai	127,500	–	–	–	–	–	127,500
Li Binghan	87,504	–	–	–	–	–	87,504
Eric Finlayson	83,713	–	–	7,953			91,666
Roger Harley*	37,576	–	–	3,570	–	–	41,146
Ian Knight	99,083	–	–	–	–	–	99,083
Stefanie Loader**	95,700	–	–	–	–	–	95,700
Mike Spreadborough	86,377	–	–	8,206	–	230,855	325,438
Executive Directors:							
Sam Riggall	436,750	44,280	–	23,250	12,031	135,139	651,450
Other KMP:							
Tim Kindred***	107,692	–	–	10,231	–	–	117,923
Scott Magee****	308,425	12,033	–	24,258	–	–	344,716
Ben Stockdale	303,199	30,831	–	25,000	10,349	66,843	436,222
	1,901,019	87,144	–	102,468	22,380	432,837	2,545,848

* Roger Harley retired as a Non-Executive Director on 1 November 2017.

** Stefanie Loader was appointed to the Board as a Non-Executive Director with effect from 1 July 2017.

*** Tim Kindred was appointed as Project and Start up Director with effect from 20 February 2018.

**** Scott Magee resigned as Sunrise Project Director effective 20 February 2018. Of his salary payment, $79,908 is a severance benefit.

Directors' Report continued

	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	Total
2017	$	$	$	$	$	$	$
Non-Executive Directors:							
Robert Friedland*	37,500	–	–	–	–	–	37,500
Jiang Zhaobai****	8,333	–	–	–	–	–	8,333
Li Binghan****	8,333	–	–	–	–	–	8,333
Eric Finlayson	45,872	–	–	4,358	–	137,738	187,968
Roger Harley	45,872	–	–	4,358	–	137,738	187,968
Ian Knight	50,000	–	–	–	–	137,738	187,738
Mike Spreadborough**	25,649	–	–	2,437	–	–	28,086
Executive Directors:							
Sam Riggall	300,000	–	–	28,500	6,974	3,004,288	3,339,762
Peter Voigt*****	250,000	–	413	23,750	16,719	418,331	709,213
Other KMP:							
Scott Magee***	92,952	–	–	6,230	1,593	346,640	447,415
Ben Stockdale	253,750	–	–	24,106	4,329	30,433	312,618
	1,118,261	–	413	93,739	29,615	4,212,906	5,454,934

* Robert Friedland was appointed as Co-Chairman and Non-Executive Director on 8 September 2016.

** Mike Spreadborough was appointed as a Non-Executive Director on 8 December 2016.

*** Scott Magee was appointed Sunrise Project Director on 27 February 2017.

**** Jiang Zhaobai was appointed as Co-Chairman and Non-Executive Director on 24 April 2017. Li Binghan was appointed as a Non-Executive Director on 24 April 2017.

***** Peter Voigt retired as a director effective 30 June 2017.

Directors' Report continued

The following tables sets out the relative mix of fixed remuneration and the total opportunity for performance related remuneration for Key Management Personnel for the current and previous financial period:

2018	Proportion of remuneration that is fixed	Proportion of remuneration at risk as an STI	Proportion of remuneration at risk as an LTI	Proportion of remuneration consisting of options
Non–Executive Directors:				
Robert Friedland	100.00%	–	–	–
Jiang Zhaobai	100.00%	–	–	–
Li Binghan	100.00%	–	–	–
Eric Finlayson	100.00%	–	–	–
Roger Harley*	100.00%	–	–	–
Ian Knight	100.00%	–	–	–
Stefanie Loader**	100.00%	–	–	–
Mike Spreadborough	29.06%	–	–	70.94%
Executive Directors:				
Sam Riggall	72.46%	6.80%	20.74%	–
Other KMP:				
Tim Kindred***	100.00%	–	–	–
Scott Magee****	96.51%	3.49%	–	–
Ben Stockdale	77.61%	7.07%	15.32%	–

* Roger Harley retired as a Non-Executive Director on 1 November 2017.

** Stefanie Loader was appointed to the Board as a Non-Executive Director with effect from 1 July 2017.

*** Tim Kindred was appointed as Project and Start up Director with effect from 20 February 2018.

**** Scott Magee resigned as Sunrise Project Director effective 20 February 2018.

Directors' Report continued

2017	Proportion of remuneration that is fixed	Proportion of remuneration at risk as an STI	Proportion of remuneration at risk as an LTI	Proportion of remuneration consisting of options
Non–Executive Directors:				
Robert Friedland*	100.00%	–	–	–
Jiang Zhaobai****	100.00%	–	–	–
Li Binghan****	100.00%	–	–	–
Eric Finlayson	26.72%	–	–	73.28%
Roger Harley	26.72%	–	–	73.28%
Ian Knight	26.63%	–	–	73.37%
Mike Spreadborough**	100.00%	–	–	–
Executive Directors:				
Sam Riggall	10.04%	–	1.97%	87.98%
Peter Voigt*****	41.01%	–	5.63%	53.35%
Other KMP:				
Scott Magee***	22.52%	–	–	77.48%
Ben Stockdale	90.27%	–	9.73%	–

* Robert Friedland was appointed as Co-Chairman and Non-Executive Director on 8 September 2016.

** Mike Spreadborough was appointed as a Non-Executive Director on 8 December 2016.

*** Scott Magee was appointed Sunrise Project Director on 27 February 2017.

**** Jiang Zhaobai was appointed as Co-Chairman and Non-Executive Director on 24 April 2017. Li Binghan was appointed as a Non-Executive Director on 24 April 2017.

***** Peter Voigt retired as a director effective 30 June 2017.

C. Service agreements (audited)

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	**Mr Sam Riggall**
Title:	Managing Director
Agreement commenced:	1 July 2015
Term of agreement:	No fixed term
Remuneration	Total fixed remuneration is set at a salary inclusive of superannuation of $460,000 per annum based on duties as Managing Director. The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Riggall can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

Name:	**Mr Ben Stockdale**
Title:	Chief Financial Officer
Agreement commenced:	15 January 2015
Term of agreement:	No fixed term
Remuneration	Total fixed remuneration set at salary inclusive of superannuation of $394,200 per annum based on duties as Chief Financial Officer. The Company may terminate the agreement upon six months' notice or payment in lieu of notice. Mr Stockdale can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

Name:	**Mr Tim Kindred**
Title:	Project and Start up Director
Agreement commenced:	20 February 2018
Term of agreement:	No fixed term
Remuneration	Total fixed remuneration set at salary inclusive of superannuation of $438,000 per annum based on duties as Project Director. The Company may terminate the agreement upon three months' notice or payment in lieu of notice. Mr Kindred can terminate the agreement upon three months' notice. The Company may terminate the agreement immediately where the executive commits any act of serious misconduct, persistent breach or non-observance of a term of this agreement.

The service contracts outline the components of compensation paid to the key management personnel. The service contracts of the key management personnel prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

Directors' Report continued

D. Share-based compensation (audited)

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in the year ended 30 June 2018 financial year are as follows:

Grantee/Number of Options/Grant Date	Vesting date & exercisable date	Expiry Date	Exercise Price	Fair value per option at grant date
Ian Knight 375,000 options 6 September 2016	6 September 2016	16 May 2019	$0.3100	$0.367
Eric Finlayson 750,000 options 20 November 2015	20 November 2015	30 November 2018	$0.2712	$0.083
Eric Finlayson 375,000 options 6 September 2016	6 September 2016	16 May 2019	$0.3100	$0.367
Mike Spreadborough 375,000 options 19 July 2017	8 December 2017	17 February 2020	$0.7770	$0.379
Mike Spreadborough 375,000 options 19 July 2017	8 December 2018	17 February 2020	$0.7770	$0.379

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2018 is set out below:

	Number of options granted during the year	Number of options granted during the year	Number of options vested during the year	Number of options vested during the year
Name	2018	2017	2018	2017
Sam Riggall	–	8,000,000	–	8,000,000
Peter Voigt	–	1,000,000	–	1,000,000
Roger Harley	–	375,000	–	375,000
Ian Knight	–	375,000	–	375,000
Eric Finlayson	–	375,000	–	375,000
Mike Spreadborough	750,000	–	375,000	–
Ben Stockdale	–	–	–	–
Scott Magee	–	3,000,000	1,500,000	–
Tim Kindred	–	–	–	–

Directors' Report continued

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Sam Riggall	–	3,398,984	764,288	–
Peter Voigt	–	179,933	24,667	–
Roger Harley*	–	–	–	–
Ian Knight	–	51,629	10,696	–
Eric Finlayson	–	–	–	–
Mike Spreadborough	230,856	–	–	70.94%
Ben Stockdale	–	270,126	42,273	–
Scott Magee	–	658,977	658,977	–
Tim Kindred	–	–	–	–

* Retired as director 1 November 2017. No options were granted, exercised or lapsed during the period 1 July 2017 to 1 November 2017 by Mr Harley.

Options vested in prior years and expired in the current year are disclosed in note 42 to the financial statements.

Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grantee/Number of Performance Rights/Grant Date	Vesting date	Expiry Date	Exercise Price	Fair value per performance right at grant date
Sam Riggall – 480,000 rights 19 November 2015	1 July 2018	1 July 2018	Nil	$0.065
Ben Stockdale – 400,000 rights 8 July 2015	1 July 2018	1 July 2018	Nil	$0.086
Ben Stockdale – 468,606 rights 16 May 2016	1 July 2019	1 July 2019	Nil	$0.126
Sam Riggall – 831,025 rights 6 September 2016	6 September 2019	6 September 2019	Nil	$0.195
Ben Stockdale – 187,880 rights 1 July 2017	1 July 2020	1 July 2020	Nil	$0.581
Sam Riggall – 411,546 rights 1 July 2017	1 July 2020	1 July 2020	Nil	$0.581
Ben Stockdale – 45,998 rights 6 Feb 2018	1 January 2021	1 January 2021	Nil	$1.014

Performance rights granted carry no dividend or voting rights.

Directors' Report continued

The number of performance rights over ordinary shares granted to each key management personnel as part of compensation during the year ended 30 June 2018 is set out below:

Name	Number of rights granted during the year 2018	Number of rights granted during the year 2017	Number of rights vested during the year 2018	Number of rights vested during the year 2017
Sam Riggall	411,546	831,025	–	–
Peter Voigt*	215,317	461,681	–	–
Ben Stockdale	233,878	–	–	–

* Peter Voigt retired as a director effective 30 June 2017.

Values of performance rights over ordinary shares granted, exercised and lapsed key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	$ Value of rights granted during the year 2018	$ Value of rights granted during the year 2017	$ Value of rights vesting during the year 2018	$ Value of rights vesting during the year 2017
Sam Riggall	69,218	53,914	–	–
Peter Voigt*	33,491	29,952	–	–
Ben Stockdale	36,378	–	–	–

* Peter Voigt retired as a director effective 30 June 2017.

E. Additional information (audited)

In considering the Consolidated Entity's performance and generation of shareholder value, the Nomination, Remuneration and Governance Committee has due regard to profit or loss after tax in the current and previous financial years, along with the market capitalisation and movement in the share price.

The earnings of the Consolidated Entity for the five years to 30 June 2018 are summarised below:

	2014	2015	2016	2017	2018
	$'000	$'000	$'000	$'000	$'000
Profit/(loss) after income tax	(4,910)	(8,225)	(6,423)	(12,184)	(16,012)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2014	2015	2016	2017	2018
Share price at financial year end ($)	0.05	0.23	0.43	0.67	0.81
Movement in share price ($)	(0.05)	0.18	0.20	0.24	0.14
Dividends paid ($)	–	–	–	–	–

Company, and individual, key performance indicators are the basis of the performance targets assessed for determining the award of short-term incentives. Dividends and changes in share price are included in the total shareholder return calculation, which is the key performance criteria assessed for the long-term incentives.

Directors' Report continued

F. Key management personnel transactions (audited)

Movement in shares held

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at end of the year
Ordinary shares					
Robert Friedland	94,518,888	–	2,082,008	–	96,600,896
Jiang Zhaobai	92,518,888	–	–	–	92,518,888
Sam Riggall	6,917,944	–	19,594,111	400,000	26,112,055
Li Binghan	–	–		–	–
Eric Finlayson	–	–	–	–	–
Roger Harley**	1,830,812	–	–	–	1,830,812
Ian Knight	1,025,557	–	621,283		1,646,840
Stefanie Loader*	–	–	50,000	–	50,000
Mike Spreadborough	–	–	–	–	–
Scott Magee***	–	–	–	–	–
Tim Kindred****	–	–	–	–	–
Peter Voigt*****	22,725,794	–	–	–	22,725,794
Ben Stockdale	75,000	–	2,594,047	969,047	1,700,000
	219,612,883	–	24,941,449	1,369,047	243,185,285

* Appointed to the position of Non-Executive Director during the financial year.

** Retired as director with effect from 1 November 2017. Final balance as per date of resignation.

*** Resigned on 20 February 2018. Final balance as per date of resignation.

**** Appointed as Project and Start-up Director during the financial year.

***** Resigned as director on 30 June 2017. Final balance as per date of resignation.

Grant of anti-dilution right to Pengxin International Group Limited

On 27 March 2017, ASX Limited ('ASX') granted the Company a waiver from ASX listing rule 6.18. This waiver was given to the extent necessary to permit Pengxin International Group Limited ('Pengxin'), a company associated with Mr Jiang Zhaobai and Mr Li Binghan, to maintain, its percentage interest in the issued share capital of the company.

This Anti-Dilution Right is activated if a dilution event occurs in the future. The Anti-Dilution Right lapses on the earlier of:

(i) the date on which Pengxin and its related bodies corporate cease to hold in aggregate at least 10% voting power in the Company;

(ii) the date on which Pengxin and its related bodies corporate's voting power in the Company exceeds 25%; or

(iii) the strategic relationship between the Company and Pengxin ceases or changes in such a way that it effectively ceases.

This Anti-Dilution Right can only be transferred to an entity in the wholly owned group of Pengxin.

Directors' Report continued

Movement in options held

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Exercised	Expired/ forfeited/other	Balance at end of the year
Options over ordinary shares					
Sam Riggall	24,000,000		(19,594,111)	(4,405,889)	–
Peter Voigt	3,000,000		(1,758,876)	(241,124)	1,000,000
Eric Finlayson	1,125,000		–	–	1,125,000
Roger Harley	1,125,000		(929,101)	(195,899)	–
Ian Knight	1,125,000		(621,283)	(128,717)	375,000
Ben Stockdale	3,000,000		(2,594,047)	(405,953)	–
Mike Spreadborough	–	750,000	–	–	750,000
Scott Magee	3,000,000		(1,500,000)	(1,500,000)	–
	36,375,000	750,000	(26,997,418)	(6,877,582)	3,250,000

Movement in performance rights held

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as part of remuneration	Vested	Expired/ forfeited/other	Balance at end of the year
Rights over ordinary shares					
Sam Riggall	1,311,025	411,546	–	–	1,722,571
Peter Voigt	861,681	215,317	–	–	1,076,998
Ben Stockdale	868,606	233,878	–	–	1,102,484
	3,041,312	860,741	–	–	3,902,053

This concludes the remuneration report, which has been audited.

Directors' Report continued

Shares under option

Unissued ordinary shares of Clean TeQ Holdings Limited under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number under Option
20 November 2015	30 November 2018	$0.2712	1,000,000
16 May 2016	16 May 2019	$0.2820	3,000,000
6 September 2016	16 May 2019	$0.3100	750,000
15 December 2016	15 December 2019	$0.5850	325,000
19 July 2017	17 February 2020	$0.7700	750,000
7 September 2017	31 August 2020	$0.9500	350,000
13 November 2017	6 November 2020	$1.7300	75,000
5 February 2018	4 December 2020	$1.8000	5,500,000
			11,750,000

No person is entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

For details of options issued to directors and executives as remuneration refer to the remuneration report.

Shares subject to performance rights

Unissued ordinary shares of Clean TeQ Holdings Limited subject to performance rights as at 30 June 2018 are as follows:

Grant Date	Vest Date	Exercise Price	Number
8 July 2015	1 July 2018	Nil	766,416
20 November 2015	1 July 2018	Nil	880,000
16 May 2016	1 July 2019	Nil	1,169,463
6 September 2016	6 September 2019	Nil	1,292,706
1 July 2017	1 July 2020	Nil	1,503,828
6 February 2018	1 January 2021	Nil	484,903
			6,097,316

Shares issued on the exercise of options or performance rights

During the year, the Company issued the following amount of shares, as a result of option holders exercising their options:

Number of Shares	Amount paid on each share
5,212,356	$0.1450
7,004,743	$0.1574
6,545,512	$0.2305
2,246,628	$0.2712
978,319	$0.2820
666,214	$0.3010
6,347,612	$0.3100
108,471	$0.5850
1,500,000	$0.6549
600,000	$0.9500

Directors' Report continued

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related Entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related Entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of KPMG

Ian Knight, appointed as a Non-Executive Director on 17 July 2013, was previously a Partner of KPMG and Head of Private Equity for KPMG Corporate Finance, until June 2012.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Lead auditor's independence declaration

A copy of the lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44 and forms part of the directors' report for the financial year ended 30 June 2018

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Sam Riggall
Managing Director

24 August 2018
Melbourne

Auditor's Independence Declaration
For the year ended 30 June 2018

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Clean TeQ Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Clean TeQ Holdings Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dana Bentley

Partner

Melbourne

24 August 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue	5	5,966	1,612
Share of profit/(loss) of joint venture accounted for using the equity method	6	(1)	1
Expenses			
Raw materials and other direct costs	7	(2,480)	(76)
Employee benefits expenses	7	(9,895)	(8,841)
Depreciation and amortisation expenses	7	(781)	(813)
Legal and professional expenses		(2,281)	(1,050)
Occupancy expenses	7	(1,159)	(420)
Marketing expenses		(1,363)	(756)
Write off of bad debts		–	(2)
Other expenses		(3,864)	(1,669)
Finance costs		(154)	(170)
Loss before income tax benefit		**(16,012)**	**(12,184)**
Income tax benefit	8	–	–
Loss after income tax benefit for the year		**(16,012)**	**(12,184)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		**(16,012)**	**(12,184)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	Consolidated 2018 Cents	Consolidated 2017 Cents
Earnings per share for loss from continuing operations attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	41	(2.57)	(2.49)
Diluted earnings per share	41	(2.57)	(2.49)
Earnings per share for loss attributable to the owners of Clean TeQ Holdings Limited			
Basic earnings per share	41	(2.57)	(2.49)
Diluted earnings per share	41	(2.57)	(2.49)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2018

	Note	Consolidated 2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	9	152,637	88,863
Trade and other receivables	10	2,658	993
Inventories	11	96	96
Research and development incentive receivable	12	67	2,088
Total current assets		155,458	92,040
Non-current assets			
Other financial assets	13	228	80
Investment in equity accounted investee	14	803	804
Property, plant and equipment	15	18,580	2,662
Intangibles	16	9,762	10,406
Exploration and evaluation assets	17	76,894	14,379
Total non-current assets		106,267	28,331
Total assets		261,725	120,371
Current liabilities			
Trade and other payables	18	6,998	3,172
Employee benefits	19	613	300
Provisions	24	1,225	–
Deferred revenue	20	47	47
Notes payable	21	–	2,850
Total current liabilities		8,883	6,369
Non-current liabilities			
Deferred revenue	20	448	495
Employee benefits	23	40	68
Provisions	24	198	55
Total non-current liabilities		686	618
Total liabilities		9,569	6,987
Net assets		252,156	113,384
Equity			
Issued capital	25	289,293	137,517
Reserves	26	11,492	8,484
Accumulated losses	27	(48,629)	(32,617)
Total equity		252,156	113,384

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2018

Consolidated	Contributed Equity $'000	Accumulated Losses $'000	Reserves $'000	Total Equity $'000
Balance at 1 July 2016	39,856	(20,433)	3,302	22,725
Loss after income tax benefit for the financial year	–	(12,184)	–	(12,184)
Total comprehensive income for the financial year	–	(12,184)	–	(12,184)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs (note 25)	97,661	–	–	97,661
Share-based payments (note 42)	–	–	5,182	5,182
Lapse of options	–	–	–	–
Total contribution and distribution:	97,661	–	5,182	102,843
Change in ownership interests:				
Total transactions with owners of the Company	97,661	–	5,182	102,843
Balance at 30 June 2017	137,517	(32,617)	8,484	113,384
Balance at 1 July 2017	137,517	(32,617)	8,484	113,384
Loss after income tax benefit for the financial year	–	(16,012)	–	(16,012)
Total comprehensive income for the financial year	–	(16,012)	–	(16,012)
Transactions with owners in their capacity as owners:				
Equity contributions, net of transaction costs (note 25)	151,776	–	–	151,776
Share-based payments (note 42)	–	–	3,008	3,008
Lapse of options	–	–	–	–
Total contribution and distribution:	151,776	–	3,008	154,784
Change in ownership interests:				
Total transactions with owners of the Company	151,776	–	3,008	154,784
Balance at 30 June 2018	289,293	(48,629)	11,492	252,156

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,423	616
Payments to suppliers and employees (inclusive of GST)		(17,863)	(5,112)
Cash used in operating activities		(13,440)	(4,496)
Interest received		1,652	392
Interest and other finance costs paid		–	(4)
Research and development tax incentive received		4,790	2,604
Net cash used in operating activities	40	(6,998)	(1,504)
Cash flows from investing activities			
Payments for property, plant and equipment	15	(14,682)	(336)
Payments for acquisition of other intangibles	16	–	(70)
Payments for exploration and evaluation assets	17	(63,174)	(13,619)
Acquisition of non-controlling interest		–	(804)
Proceeds from disposal of plant & equipment	5	–	12
Net cash used in investing activities		(77,856)	(14,817)
Cash flows from financing activities			
Proceeds from issue of shares, net of issuance costs		151,776	97,661
Cash on deposit for security over bank guarantees		(148)	297
Repayment of borrowings		(3,000)	–
Net cash from financing activities		148,628	97,958
Net increase in cash and cash equivalents		63,774	81,637
Cash and cash equivalents at the beginning of the financial year		88,863	7,226
Cash and cash equivalents at the end of the financial year	9	152,637	88,863

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2018

Note 1. General information

The financial statements cover the Clean TeQ Holdings Limited group as a Consolidated Entity consisting of Clean TeQ Holdings Limited ('the Company') and its subsidiaries ('Consolidated Entity'). The financial statements are presented in Australian dollars, which is the Consolidated Entity's functional and presentation currency.

Clean TeQ Holdings Limited is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 12, 21 Howleys Road
Notting Hill
Victoria Australia 3168

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity reported a net loss after tax from continuing operations for the financial year of $16,012,000 (30 June 2017: loss of $12,184,000). We note there were no significant revenues from continuing operations during the financial year. Operational revenues were more than offset by exploration and evaluation, business development and corporate overhead costs. Working capital, being current assets less current liabilities, amounts to a $146,576,000 surplus (30 June 2017: $85,671,000 surplus), with cash reserves increasing from $88,863,000 to $152,637,000 during the financial year. Net cash outflows from operating activities were $6,998,000 for the financial year (30 June 2017: $1,504,000 outflow).

During the financial year, the following events have taken place to support the going concern basis of preparation for the Consolidated Entity:

- The Consolidated Entity increased its available cash on hand as at 30 June 2018 to $152,637,000;
- During the financial year, the Consolidated Entity raised $151,776,000 in equity capital after issue costs, indicating strong support from investors to invest in the Consolidated Entity and its technologies;
- The Consolidated Entity received a $4,790,000 cash rebate from the Australian Tax Office for eligible research and development expenditure relating to the 2017 financial year. The Consolidated Entity anticipates that a proportion of the 2018 financial years' development expenditure, will also be eligible for the refundable tax offset; and
- The forecast cash flows for the Consolidated Entity indicate a positive cash position for at least the period of 12 months to August 2019

The Consolidated Entity expects that relationships with its major investors will also assist in widening the Consolidated Entity's opportunities for profitable commercialisation of its technologies in addition to assisting in securing further funding required.

As set out in the financial report, during the financial year the Consolidated Entity made good progress in respect of the commercialisation of its water and metals technologies. A number of significant project opportunities have been identified in a number of key markets with a focus on treatment of waste water from mining operations. The Consolidated Entity also made good progress in respect of the ongoing development of the Clean TeQ Sunrise Project. The Consolidated Entity will continue working towards securing commercial contracts in the near future and anticipates both the Water and Metals Divisions to produce substantial revenues in the future.

The directors are confident that the Consolidated Entity can continue to access debt and equity funding to meet medium term working capital requirements and has a history of securing such funding as required in the past to support their confidence.

On the basis of cash and cash equivalents available as at 30 June 2018, cashflow forecasts to 31 December 2020, and that sufficient funding is expected to be raised to meet the Consolidated Entity's medium to long term expenditure forecasts, the directors consider that the Consolidated Entity remains a going concern and these financial statements have been prepared on this basis.

Notes to the Financial Statements continued

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards ('AASBs') and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention unless otherwise described in the accounting policies.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(c) Parent Entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Consolidated Entity only. Supplementary information about the Parent Entity is disclosed in note 36.

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Holdings Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended. Clean TeQ Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Consolidated Entity'.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are de-consolidated from the date that control ceases.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date

Where the business combination is achieved in stages, the Consolidated Entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date.

The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Notes to the Financial Statements continued

Transactions eliminated on consolidation

Intercompany transactions, balances and any unrealised gains and losses on transactions between entities in the Consolidated Entity are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Consolidated Entity's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the Parent.

Loss of control

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Associates

Associates are entities over which the Consolidated Entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

The Consolidated financial statements include the Consolidated Entity's share of profit or loss and other comprehensive income of equity accounted interests, after adjustments to align the accounting policies with those of the Consolidated Entity, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Consolidated Entity's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Consolidated Entity has an obligation or has made payments on behalf of the investee.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduces the carrying amount of the investment.

(e) Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

(f) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Consolidated Entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods and services

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be reliably measured, then the discount is recognised as a reduction of revenue as the sales are recognised.

Notes to the Financial Statements continued

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For sales of units developed and built, transfer usually occurs when the product is received at the customer's site and or is commissioned ready for use.

Rendering of services

Revenue from contracted services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the completion of key milestones in the contracts.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract expenses are recognised as they are incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Sales of non-current assets

Gains or losses on sale of non-current assets are included as income or expenses at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

Gains or losses on disposal are calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Government grants

Government grants are recognised initially as deferred income at fair value and when there is reasonable assurance that they will be received and that the Consolidated Entity will comply with the conditions associated with the grant, they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Consolidated Entity for expenses incurred are recognised in profit or loss or other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Consolidated Entity for expenditure capitalised are recognised as a reduction in the carrying value of the asset and grants that compensate the Consolidated Entity for expenditure recognised in profit or loss is recognised as government grant income.

(g) Exploration and evaluation assets

Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure is capitalised and carried forward in the financial statements, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. Capitalised costs are deferred until commercial production commences from the relevant area of interest, at which time they are amortised on a unit of production basis.

Exploration and evaluation expenditure consists of an accumulation of acquisition costs and direct exploration and evaluation costs incurred.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment policy, Note 2(o)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

When an area of interest is abandoned, or the Directors determine it is not commercially viable to pursue, accumulated costs in respect of that area are written off in the period the decision is made.

(h) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss except to the extent that it relates to business combinations, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Consolidated Entity

Notes to the Financial Statements continued

makes this assessment at each reporting date. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable Entity or different taxable entities which intend to settle simultaneously.

Clean TeQ Holdings Limited (the 'head Entity') and its wholly-owned Australian subsidiaries have formed an income tax Consolidated group under the tax consolidation regime. The head Entity and each subsidiary in the tax Consolidated group continue to account for their own current and deferred tax amounts. The tax Consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax Consolidated group.

In addition to its own current and deferred tax amounts, the head Entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax Consolidated group. Assets or liabilities arising under tax funding agreements with the tax Consolidated entities are recognised as amounts receivable from or payable to other entities in the tax Consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax Consolidated group member, resulting in neither a contribution by the head Entity to the subsidiaries nor a distribution by the subsidiaries to the head Entity.

(i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for impairment of trade receivables is raised when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first-in first-out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves

Notes to the Financial Statements continued

in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Work in progress is measured, for each project in progress, as the excess of revenue recognised for the project, based on the project's percentage of completion, over the revenue invoiced to date for that project. For projects where the revenue recognised for a project is less than the revenue invoiced to date for that project, the excess of revenue invoiced over revenue recognised is recorded as a current liability, presented as deferred revenue.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Entity. Ongoing repairs and maintenance are expensed as incurred. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. The estimated useful lives of property, plant and equipment are as follows for the current and preceding financial year:

Mining equipment	2.5 to 20 years (straight line and diminishing value)
Office furniture and equipment	2.5 to 20 years (straight line and diminishing value)
Leasehold improvements	3-7 years (diminishing value)
Motor vehicles	5-6 years (diminishing value)
Land	Indefinite

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

(n) Other financial assets

Cash on deposit used as security for bank guarantees maturing within twelve months of each reporting period is disclosed as a current other financial asset. Those deposits that mature in excess of twelve months are disclosed as non-current other financial assets.

(o) Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

The method of determining useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Capitalised development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be an economic success considering its commercial and technical feasibility; the Consolidated Entity is able to use or sell the asset; the Consolidated Entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Otherwise they are recognised in the profit or loss as incurred. Capitalised development costs are amortised on a straight-line basis over the period of their expected economic benefit, being between 4 and 20 years dependent on the project.

Mineral Licence Rights

Licence rights relating to mining tenements are amortised in the consolidated statement of profit or loss and comprehensive income over the life of the relevant area of interest from the commencement of commercial production. The mineral license rights intangible asset is subject to impairment testing in accordance with the Consolidated Entity's accounting policy for impairment of non-financial assets as set out in note 2(p).

Notes to the Financial Statements continued

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being between 4 and 20 years.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(p) Impairment of non-financial assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Consolidated Entity determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Consolidated Entity separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Consolidated Entity concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Consolidated Entity's incremental borrowing rate.

Leased assets

Assets held by the Consolidated Entity under leases that transfer to the Consolidated Entity substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Consolidated Entity's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The Consolidated Entity derecognises the liabilities when its contractual obligations are discharged, cancelled or expired.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition. The Consolidated entity derecognises the liability when its contractual obligations are discharged, cancelled or expired.

(s) Borrowings

Loans and borrowings, including promissory notes, are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements continued

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Interest related to the financial liability component is recognised in profit or loss. On conversion, the equity component of the financial liability is reclassified to equity and no gain or loss is recognised.

(t) Finance income and costs

The Consolidated Entity's finance income and finance costs include, as applicable:

- interest expense;
- dividend income;
- the net gain or loss on the disposal of available-for-sale financial assets;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the fair value loss on contingent consideration classified as a financial liability;
- impairment losses recognised on financial assets (other than trade receivables);
- the net gain or loss on hedging instruments that are recognised in profit or loss; and
- the reclassification of net gains previously recognised in other comprehensive income.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Interest expense is recognised using the effective interest method. Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings;
- interest on hire purchases.

(u) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees. There were no cash settled share-based payments during the financial year.

Equity-settled transactions are awards of shares, or options and performance rights over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date.

Notes to the Financial Statements continued

Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the strike price of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that are not dependant on whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is

the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining grant date fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(v) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the Financial Statements continued

(w) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of Clean TeQ Holdings Limited by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(z) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual period beginning after 1 July 2018, however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard is not expected to be material.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard is not expected to be material.

AASB 16 Leases

AASB 16 requires companies to bring most leases on-balance sheet from 2019. Companies with leases will appear to be more asset-rich, but also more heavily indebted. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted.

The adoption of these standards may have an impact on the Consolidated Entity's financial assets, and is not expected to have a significant impact on the Consolidated Entity's financial liabilities; however, the impact is not expected to be material to net equity.

Notes to the Financial Statements continued

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Exploration & Evaluation Assets

As set out in Note 2(g) exploration and evaluation expenditure is capitalised for an area of interest for which it is considered likely to be recoverable from future exploitation or sale.

The accounting policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. These estimates and assumptions may change as new information becomes available.

If, after having capitalised the expenditure under the accounting policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the profit or loss.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Intangible assets

The recoverable value of patents and trademarks acquired is based on the cost of registering the patents and trademarks, less any diminution in value through amortisation and impairment.

The recoverable value of development intangible assets is based on discounted cash flows expected to be derived from the use or eventual sale of the assets.

At each reporting date the directors and management undertake an impairment review to determine their value in use as derived from discounted cash flow modelling. Based on the impairment review at 30 June 2018, the directors determined that no impairment of the intangible assets be recognised (2017: Nil). Details of the review, and the assumptions and estimates used, are contained in note 16.

Estimation of reserves

Reserves are estimates of the amount of product that can be economically and legally extracted from the properties owned by the Consolidated Group. In order to calculate reserves, estimates and assumptions are required abut a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity, and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each financial reporting date. Fair value is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

Notes to the Financial Statements continued

Note 4. Operating segments

Identification of reportable operating segments

The Consolidated Entity is organised into two operating segments: Water and Metals. These operating segments offer different products and services and are managed separately because they require different technology and marketing strategies. For each segment internal reports are produced for review and use by the Managing Director who is the Consolidated Entity's chief operating decision maker ('CODM'), in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews gross profit for each operating division. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Types of products and services

The principal products and services of each of these operating segments are as follows:

Water	The Company's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use.
Metals	The Clean-iX® technology is at the core of this segment and aims to provide cost effective extraction techniques for a range of resources, including base metals, precious metals and radioactive elements (such as uranium). The Metals segment is also progressing the development of the Sunrise Project in New South Wales.

Information regarding the results of each reportable segment is included below. Performance is measured based on the net result before interest, depreciation, amortisation and tax, as included in the internal management reports that are reviewed by the Consolidated Entity's Managing Director. Each segment's net result before interest, depreciation, amortisation and tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis. The information relating to the performance of the identified segments includes revenues and directly attributable costs and materials. The assets attributed to each division relates to revenue generating assets. All other assets and liabilities are not allocated to specific segments.

Geographical segments

Geographically, the Consolidated Entity operates predominately in Australia.

Major customers

Major revenue for the year ended 30 June 2018 is derived chiefly from interest income and contracts with customers. Revenues from the contract with Fosterville Gold Mine represented approximately $2,200,000 (2017: nil) of the Consolidated Entity's total revenue.

Notes to the Financial Statements continued

Operating segment information

Consolidated – 2018	Metals $'000	Water $'000	Intersegment eliminations/ unallocated** $'000	Total $'000
Revenue				
Sales to external customers	–	3,639	–	3,639
Rental income	46	–	–	46
Interest income	1	–	1,756	1,757
Other revenue	–	523	1	524
Total revenue	47	4,162	1,757	5,966
Share of profit/(loss) from JV	–	(1)	–	(1)
Reportable segment (loss)/profit before interest, depreciation and tax	(423)	(910)	(13,744)	(15,077)
Depreciation and amortisation	(339)	(380)	(62)	(781)
Impairment of assets	–	–	–	–
Finance costs	–	–	(154)	(154)
Profit/(loss) before income tax benefit	(762)	(1,290)	(13,960)	(16,012)
Income tax benefit	–	–	–	–
Loss after income tax benefit	(762)	(1,290)	(13,960)	(16,012)

Consolidated – 2018	Metals $'000	Water $'000	Intersegment eliminations/ unallocated* $'000	Total $'000
Assets				
Segment assets	101,500	6,005	154,220	261,725
Total assets				261,725
Total assets includes:				
Additions of non-current assets (including those acquired in a business combination)	78,220	–	360	78,580
Liabilities				
Segment liabilities	6,388	92	3,089	9,569
Total liabilities				9,569

* The magnitude of the unallocated portion of the segment results is a result of the Consolidated Entity incurring a significant amount of expenses that cannot be directly attributable on a reasonable basis to any one segment.

Notes to the Financial Statements continued

	Metals	Water	Intersegment eliminations/ unallocated**	Total
Consolidated – 2017	$'000	$'000	$'000	$'000
Revenue				
Sales to external customers	–	392	–	392
Rental income	72	–	–	72
Interest income	–	–	453	453
Other revenue	500	181	14	695
Total revenue	572	573	467	1,612
Share of profit from JV	–	1	–	1
Reportable segment (loss)/profit before interest, depreciation and tax	(1,541)	(1,754)	(7,906)	(11,201)
Depreciation and amortisation	(388)	(378)	(47)	(813)
Impairment of assets	–	–	–	–
Finance costs	–	–	(170)	(170)
Profit/(loss) before income tax benefit	(1,929)	(2,132)	(8,123)	(12,184)
Income tax benefit	–	–	–	–
Loss after income tax benefit				(12,184)

	Metals	Water	Intersegment eliminations/ unallocated*	Total
Consolidated – 2017	$'000	$'000	$'000	$'000
Assets				
Segment assets	24,668	5,754	89,949	120,371
Total assets				120,371
Total assets includes:				
Additions of non-current assets (including those acquired in a business combination)	13,689	804	336	14,829
Liabilities				
Segment liabilities	2,850	542	3,595	6,987
Total liabilities				6,987

* The magnitude of the unallocated portion of the segment results is a result of the Consolidated Entity incurring a significant amount of expenses that cannot be directly attributable on a reasonable basis to any one segment.

Notes to the Financial Statements continued

Note 5. Revenue

	Consolidated	
	2018 $'000	2017 $'000
Sales revenue		
Contract revenue	3,639	392
Government grants	419	682
Rental income	46	72
	4,104	1,146
Other revenue		
Interest income	1,757	453
Proceeds from sale of asset	–	12
Other revenue	105	1
	1,862	466
Revenue	5,966	1,612

Note 6. Share of Profits of Joint Ventures Accounted for using the Equity Method

	Consolidated	
	2018 $'000	2017 $'000
Share of profit/(loss) – Joint Venture	(1)	1

Notes to the Financial Statements continued

Note 7. Expenses

	Consolidated	
	2018 $'000	2017 $'000
Loss before income tax from continuing operations includes the following specific expenses:		
Cost of sales		
Raw materials and other direct costs	2,480	76
Depreciation		
Motor vehicles	12	2
Leasehold improvements	22	63
Office equipment and furniture	103	(20)
Total depreciation	137	45
Amortisation		
Capitalised development costs	610	732
Patents and trademarks	34	35
Total amortisation	644	767
Total depreciation and amortisation	781	813
Employee benefit expenses		
Wages and salaries	5,169	2,565
Employee entitlements expense including movements in provisions for employee entitlements	156	40
Superannuation	224	256
Equity settled share-based payments	3,008	5,182
Other costs	1,338	798
Total employee benefit expenses	9,895	8,841
Rental expense relating to operating leases		
Lease payments	1,159	420
Other expenses		
Write off of bad debts	–	2

Notes to the Financial Statements continued

Note 8. Income tax benefit

	Consolidated 2018 $'000	Consolidated 2017 $'000
Income tax benefit:		
Current tax	–	–
Deferred tax – origination and reversal of temporary differences	–	–
Aggregate income tax benefit	–	–
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 22)	–	–
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit from continuing operations	(16,012)	(12,184)
Profit before income tax (expense)/benefit from discontinued operations	–	–
	(16,012)	(12,184)
Tax at the statutory tax rate of 27.5% (2017: 27.5%)	(4,403)	(3,351)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	21	4
Share-based payments	827	1,425
Interest expense on promissory note treated as non-deductible	41	46
Tax losses (reinstated)/not brought to account	3,611	2,764
Non-assessable government grant income	(103)	(138)
Non-deductible R&D expense	279	1,637
R&D tax credit	(441)	(2,589)
Non-deductible amortisation expense	168	202
Income tax benefit	–	–
Tax losses not recognised:		
Unused tax losses for which no deferred tax asset has been recognised, including tax losses arising from a business combination	40,576	25,508
Potential tax benefit @ 27.5% (2017: 27.5%)	11,158	7,015
Plus: Unrecognised benefit of carry forward non-refundable R&D tax offset for which no deferred tax asset has been recognised, arising from a business combination	589	589
Total potential tax benefit of carry forward tax losses and R&D tax offset for which no deferred tax asset has been recognised	11,747	7,604
Temporary differences not brought to account	903	903

The above potential tax benefits for tax losses and R&D tax offset have not been recognised in the statement of financial position. The tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The R&D tax offset can only be utilised in the future if sufficient tax liabilities can be generated against which the carry forward R&D tax offset can be credited.

Notes to the Financial Statements continued

Note 9. Current assets – cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Cash at bank	152,637	88,863

The effective interest rate on short-term bank deposits at 30 June 2018 was 2.67% (2017: 2.03%). These deposits have a maximum maturity of three months from year end. Any balances with maturities exceeding this have been disclosed as other financial assets.

Note 10. Current assets – trade and other receivables

	Consolidated	
	2018 $'000	2017 $'000
Trade receivables	473	91
Other receivables	2,185	902
	2,658	993

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $nil as at 30 June 2018 ($nil as at 30 June 2017).

The Consolidated Entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2018 $'000	2017 $'000
31–60 days	–	–
60–90 days	–	–
90+ days	365	–
	365	–

Normal trading terms are 30 days from month end. Amounts outstanding beyond normal trading terms do not have a history of default and thus management is of the view that no debtors are impaired at 30 June 2018 or 30 June 2017 and thus should not be provided for.

Notes to the Financial Statements continued

Note 11. Current assets – inventories

	Consolidated	
	2018 $'000	2017 $'000
Raw materials – at net realisable value	10	10
Finished goods – at cost	86	86
	96	96

Raw materials includes grape skin extract which was initially recognised at a cost of $598,000 when first acquired pre-2007. At 30 June 2018 the carrying value of grape skin extract is $10,000 (2017: $10,000). During the year ending 30 June 2018, there was no write down of finished goods (2017: $nil).

Note 12. Current assets – Research and development incentive receivable

	Consolidated	
	2018 $'000	2017 $'000
Research and development incentive receivable	67	2,088

Research and development incentive receivable represents the refund due to the Consolidated Entity on expenditure during the current financial year eligible for research and development tax concessions.

Note 13. Non-Current Assets – Other financial assets

	Consolidated	
	2018 $'000	2017 $'000
Current		
Cash on deposit used as security for bank guarantees	–	–
Non-Current		
Cash on deposit used as security for bank guarantees and facilities	228	80

Note 14. Non-current assets – Investment in equity accounted investee

	Consolidated	
	2018 $'000	2017 $'000
Investment in joint venture	803	804

Notes to the Financial Statements continued

Note 15. Non-current assets – property, plant and equipment

	Consolidated	
	2018 $'000	2017 $'000
Office furniture and equipment – at cost	339	194
Less: Accumulated depreciation	(162)	(100)
	177	94
Motor vehicles – at cost	146	101
Less: Accumulated depreciation	(52)	(40)
	94	61
Factory equipment – at cost	737	737
Less: Accumulated depreciation	(737)	(737)
	–	–
Leasehold improvements – at cost	342	213
Less: Accumulated depreciation	(94)	(63)
	248	150
Mining Equipment – at cost	13,374	–
	13,374	–
Land – at cost	4,687	2,357
	4,687	2,357
	18,580	2,662

Approximately $2,229,000 of the land was acquired from Ivanhoe Mines Ltd as part of the Consolidated Group's acquisition of the Sunrise Project. The land was recorded at its deemed cost, being an approximate of its fair value as at that date as determined by management, with reference to an independent valuation performed in May 2013.

The acquisition of the Sunrise Project has been recognised as an asset acquisition in accordance with Australian Accounting Standards.

Notes to the Financial Statements continued

Reconciliations of carrying amount

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Mining Equipment $'000	Land $'000	Office Furniture & Equipment $'000	Leasehold Improve-ments $'000	Motor Vehicles $'000	Total $'000
Balance as at 1 July 2016	–	2,229	38	41	21	2,329
Additions	–	128	94	115	50	387
Disposals	–	–	(1)	–	(8)	(9)
Transfers In/Out	–	–	(57)	57		–
Depreciation expense	–	–	20	(63)	(2)	(45)
Balance as at 30 June 2017	–	2,357	94	150	61	2,662
Additions	13,374	2,330	188	138	45	16,075
Write off of assets	–	–	(2)	(18)	–	(20)
Depreciation expense	–	–	(103)	(22)	(12)	(137)
Balance as at 30 June 2018	13,374	4,687	177	248	94	18,580

Additions in leasehold improvements include a non-cash provision for make good of $139,000 that was provided for in this financial year. This provision relates to the lease over the property that the Company holds at Level 6, 350 Collins Street.

Note 16. Non-current assets – intangibles

	Consolidated 2018 $'000	Consolidated 2017 $'000
Capitalised development costs – at cost	18,424	18,424
Less: Accumulated amortisation and impairments	(10,495)	(9,885)
	7,929	8,539
Patents and trademarks – at cost	713	713
Less: Accumulated amortisation and impairments	(371)	(337)
	342	376
Licence rights – at cost	4,542	4,542
Less: Accumulated amortisation and impairments	(3,051)	(3,051)
	1,491	1,491
	9,762	10,406

Notes to the Financial Statements continued

Reconciliation of carrying amount

Reconciliations of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

Consolidated	Capitalised Development Costs $'000	License Rights $'000	Patents and Trademarks $'000	Total $'000
Balance as at 1 July 2016	9,271	1,421	411	11,103
Additions	–	70	–	70
Impairment charge	–	–	–	–
Amortisation expense	(732)	–	(35)	(767)
Balance as at 30 June 2017	8,539	1,491	376	10,406
Additions	–	–	–	–
Impairment charge	–	–	–	–
Amortisation expense	(610)	–	(34)	(644)
Balance as at 30 June 2018	7,929	1,491	342	9,762

Allocation of Intangible Assets to Cash Generating Units (CGUs)	Capitalised Development Costs $'000	License Rights $'000	Patents and Trademarks $'000	Total $'000
As at 30 June 2017:				
Water	4,472	141	188	4,801
Metals	4,067	1,350	188	5,605
	8,539	1,491	376	10,406
As at 30 June 2018:				
Water	4,108	20	171	4,299
Metals	3,821	1,471	171	5,463
	7,929	1,491	342	9,762

Notes to the Financial Statements continued

The carrying amount of each CGU inclusive of assets other than intangible assets is $1,705,000 (2017: $953,000) for Water and $96,036,000 (2017: $19,063,000) for Metals.

Amortisation

The amortisation of patents and trademarks, licence rights and development costs are allocated to expenses within the statement of profit or loss and other comprehensive income.

Recoverability of development costs

The carrying amount of the Consolidated Entity's development intangible assets that are yet to be commercialised is reviewed at each reporting date for potential impairment. Impairment is now assessed at a CGU level where the Consolidated Entity's technologies are platform technologies where cash flows are inter-dependent. The review consists of a comparison of the carrying value with the expected recoverable amount of the development intangible assets based on the estimated value in use, which is determined by discounted cash flow models, as set out below.

Impairment test

As a result of the impairment assessment at 30 June 2018, the directors and management of the Consolidated Entity identified that no impairment charge be recognised (30 June 2017: impairment of $nil).

Impairment testing of significant CGUs

The Consolidated Entity's intangible assets are reviewed for impairment at a CGU level using operating segments and individually identifiable projects to develop appropriate discounted cash flow models. The discounted cash flow models take into account a range of factors including:

- the status of an individual project with regard to its stage of project development;
- the extent of any incremental costs expected to be incurred to commercialise the development assets;
- five to twenty year (Metals CGU) forecast revenues from commercialisation of the development assets, including assumptions with respect to sales growth dependent upon either the quantum of projects forecast to commence;
- the risks attached to commercialising the asset, including any industry specific or regulatory risk;
- anticipated levels of competition; and
- other general economic factors.

The discounted cash flows have been prepared using a variety of sourced data such as sales data from Memoranda of Understanding signed, anticipated sales resulting from discussions with potential customers and other market data to forecast future revenue. Forecast production and processing results and capital and operating costs are estimated by appropriately qualified and competent personnel engaged by the Consolidated Entity for both the Water and Metals CGUs. As there are no guarantees that new projects will be awarded, given regulatory approval where such approval is required, or be commercialized within planned timeframes, there is an inherent risk attached to the discounted cash flows that is factored into the key assumptions by way of probability factor adjustments.

In generating the forecast cash flows, the Consolidated Entity has used forecast prices of US$8.00/lb for nickel (including US$1.00/lb sulphate premium), US$30.00/lb for cobalt, US$1,500/Kg for Scandium oxide and AUD/USD 0.75 and a post-tax discount rate of 15% (2017: 15%) for all future cash flows for a 25 year period for the Metals CGU. The Water CGU forecast cashflows include income derived from a mix of long term (20 years) and short to medium term (5 years), tolling arrangement and plant revenue projects using a discount rate of 15% post-tax (2017: 15%). The discount rate was used in conjunction with a range of probability factors for both CGUs to reflect the current assessment of the likelihood of success of the forecast cashflows.

Management note that reasonably possible changes in key assumptions include changes to probability factors applied to forecast cash flows, changes in the timing of cash flows and changes to assumed rates of market penetration. Management considered the following reasonable possible changes in key assumptions as at 30 June 2018:

- A reduction of 10% in the probability factors applied to forecast cash flows;
- A delay of six months in the commencement of forecast cash flows;
- A change of 2% in the weighted average cost of capital;
- An increase of 5% in operating expenditure;
- A reduction of 5% in commodity prices;
- A reduction of 5% in production yield;
- An increase of 5% in foreign currency exchange rates; and
- An increase of 10% in capital expenditure.

Management's conclusion is that these changes in key assumptions, while reducing the recoverable amounts of the Consolidated Entity's technologies, would not, as at 30 June 2018, reduce the recoverable amounts to the extent that the development intangible assets would be impaired. Therefore, reasonably possible changes in key assumptions are unlikely to result in an impairment at 30 June 2018 (30 June 2017: nil).

Notes to the Financial Statements continued

Note 17. Non-current assets – Exploration & evaluation assets

	Consolidated 2018 $'000	2017 $'000
At the beginning of the financial year	14,379	3,201
Reversal of accrual	–	(351)
Additions	63,174	13,619
R&D incentive on exploration asset off-set	(2,395)	(2,088)
Accrual of expenditure at year end	1,736	–
Disposals/Write offs	–	(2)
At end of the financial year	76,894	14,379

Mineral tenement summary

Licence Number	Project Name	Location	Equity Interest 2018	Equity Interest 2017
EL4573	Sunrise	NSW	100%	100%
EL8561	Sunrise	NSW	100%	100%
ML1770	Sunrise	NSW	100%	–
ML1769	Sunrise	NSW	100%	–

Note 18. Current liabilities – trade and other payables

	Consolidated 2018 $'000	2017 $'000
Trade payables	4,508	2,520
Other payables	2,490	652
	6,998	3,172

Notes to the Financial Statements continued

Note 19. Current liabilities – employee benefits

	Consolidated	
	2018 $'000	2017 $'000
Annual leave	448	168
Long service leave	165	132
	613	300

Note 20. Deferred revenue

	Consolidated	
	2018 $'000	2017 $'000
Current		
Government grant*	47	47
Non-Current		
Government grant*	448	495
	495	542

* This relates to the Commonwealth government grant money received associated with the Climate Ready project. This income is being recognised over 17 years, being the estimated useful life of the related asset.

Note 21. Current assets – Notes payable

	Consolidated	
	2018 $'000	2017 $'000
Current		
Notes Payable	–	2,850
	–	2,850

As part of the acquisition of the Sunrise Project from Ivanhoe Mines Ltd on 31 March 2015, a promissory note was issued by the Consolidated Entity with a face value of $3,000,000 payable in three years' time and carrying a zero coupon. This promissory note was repaid to Ivanhoe Mines during the current financial year.

Notes to the Financial Statements continued

Note 22. Non-current liabilities/assets – deferred tax

Consolidated	Net balance 1 July 2017	Recognised in profit or loss	Recognised directly in equity	Deferred tax assets	Deferred tax liabilities
Balance as at 30 June 2018	$'000	$'000	$'000	$'000	$'000
Deferred tax asset (liability) comprises temporary differences attributable to:					
Amounts recognised in:					
• Intangible assets	(2,206)	168	–	–	(2,038)
• Unearned interest	18	30	–	48	
• Accrued expenses	123	(110)	–	13	–
• Prepaid expenses	–				
• Employee benefits	101	78	–	179	–
• Transaction costs on share issues	252	–	(82)	170	–
• Legal and consulting fees	17	(2)	–	15	–
• Plant & equipment	11	(54)	–	–	(43)
• Unused tax losses	1,684	(28)	–	1,656	–
Tax liabilities (assets) before set-off	–			2,081	(2,081)
Set off deferred tax assets/liabilities	–			(2,081)	2,081
Net tax liabilities (assets)	–			–	–
Movements 2018					
Opening balance	–				
Charges to profit or loss (note 8)	–				
Closing balance	–				

Note 23. Non-current liabilities – employee benefits

	Consolidated	
	2018 $'000	2017 $'000
Long service leave	40	68

Note 24. Provisions

	Consolidated	
	2018 $'000	2017 $'000
Current		
Provision for settlement of creditor dispute*	1,225	–
Non-Current		
Provision for make good at end of lease	198	55
	1,423	55

* The provision of $1,225,000 raised in the current financial year relates to a dispute that a member of the Consolidated Entity is having with a current creditor in relation to the value of services provided by the creditor.

Notes to the Financial Statements continued

Note 25. Equity – issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares – fully paid	742,757,760	576,266,310	289,293	137,517

Movements in ordinary share capital

Details	Date	Shares	Issue Price	$'000
Balance	1 July 2017	576,266,310		137,517
Exercise of Options by Option Holder	26 July 2017	36,545	$0.3010	11
Exercise of Options by Option Holder	26 July 2017	29,900	$0.3010	8
Exercise of Options by Option Holder	11 August 2017	1,637,001	$0.1450	–
Exercise of Options by Option Holder	29 August 2017	200,751	$0.2820	–
Shares Issued as a result of Employee Share Plan	7 September 2017	10,219	$0.0979	–
Exercise of Options by Option Holder	19 October 2017	500,000	$0.2712	136
Exercise of Options by Option Holder	24 October 2017	231,884	$0.3010	70
Exercise of Options by Option Holder	6 November 2017	625,345	$0.2712	–
Exercise of Options by Option Holder	6 November 2017	303,756	$0.3100	–
Exercise of Options by Option Holder	20 November 2017	108,471	$0.5850	–
Exercise of Options by Option Holder	22 December 2017	500,000	$0.2712	136
Exercise of Options by Option Holder	19 January 2018	1,816,479	$0.1495	–
Exercise of Options by Option Holder	19 January 2018	621,283	$0.2712	–
Exercise of Options by Option Holder	25 January 2018	600,000	$0.9500	570
Exercise of Options by Option Holder	9 February 2018	7,004,743	$0.1619	–
Exercise of Options by Option Holder	6 March 2018	1,500,000	$0.6549	982
Shares issued as approved by the general meeting	14 March 2018	86,858,903	$1.1500	99,888
Exercise of Options by Option Holder	21 March 2018	3,272,756	$0.2305	–
Exercise of Options by Option Holder	21 March 2018	3,272,756	$0.2305	–
Exercise of Options by Option Holder	21 March 2018	6,043,856	$0.3100	–
Exercise of Options by Option Holder	21 March 2018	777,568	$0.2820	–
Exercise of Options by Option Holder	30 March 2018	1,758,876	$0.1450	–
Shares issued as approved by the general meeting	20 April 2018	43,575,880	$1.1500	50,112
Shares issued as approved by the general meeting	24 April 2018	4,836,593	$1.1500	5,563
Exercise of Options by Option Holder	22 June 2018	257,720	$0.3010	78
Exercise of Options by Option Holder	28 June 2018	110,165	$0.3010	33
Capital raising costs		–		(5,811)
Balance	30 June 2018	742,757,760		289,293

Notes to the Financial Statements continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. All ordinary shares rank equally with regard to the Consolidated Entity's residual assets.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends likely to be proposed and paid to ordinary shareholders.

The Board ultimately seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings, new share issues and the issuing of convertible notes and the advantages and security afforded by a sound capital position. The Consolidated Entity may increase its debt levels if and when required in order to achieve increased returns for shareholders.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

Note 26. Equity – reserves

	Consolidated	
	2018 $'000	2017 $'000
Share based payments reserve	11,492	8,484

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign Currency Reserve	Share Based Payments	Total
Consolidated	$'000	$'000	$'000
Balance as at 1 July 2016	–	3,302	3,302
Lapsed options	–	–	–
Share based payments	–	5,182	5,182
Balance as at 30 June 2017	–	8,484	8,484
Lapsed options	–	–	–
Share based payments	–	3,008	3,008
Balance as at 30 June 2018	–	11,492	11,492

Notes to the Financial Statements continued

Note 27. Equity – accumulated losses

	Consolidated	
	2018 $'000	2017 $'000
Accumulated losses at the beginning of the financial year	(32,617)	(20,433)
Loss after income tax benefit for the year	(16,012)	(12,184)
	(48,629)	(32,617)

Note 28. Equity – dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated	
	2018 $'000	2017 $'000
Franking credits available for future years based on a tax rate of 27.5%	–	–

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. In accordance with the tax consolidation legislation, the Company as the head Entity in the tax Consolidated Entity has assumed the benefit of franking credits of $nil (2017: $nil).

Note 29. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives under policies approved by the Board of Directors. These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and manages financial risks within the Consolidated Entity's operating units. The Company's finance department reports to the Board on a monthly basis.

The Consolidated Entity has exposure to the following risks from their use of financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

This note presents information about the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Consolidated Entity's income or the value of its holdings of

Notes to the Financial Statements continued

financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. There is no current material exposure to foreign exchange risk.

Interest rate risk

The Consolidated Entity currently has no debt subject to variable interest rates. Accordingly, the Consolidated Entity has limited exposure to interest rate movements. The Consolidated Entity has a term deposit facility used as security for bank guarantees and credit card debts, and short-term deposit facilities with variable interest rates which mature within 90 days.

Fair value sensitivity analysis for fixed-rate instruments

The Consolidated Entity does not account for any fixed-rate financial assets or liabilities at fair value through profit or loss, and the Consolidated Entity does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by approximately nil after tax (2017: $nil).

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Consolidated Entity's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Consolidated Entity's exposure to credit risk relating to trade and other receivables of $2,666,000 (2017: $993,000) is influenced mainly by the individual characteristics of each customer. The demographics of the Consolidated Entity's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Geographically there is an Australian concentration of credit risk.

The Consolidated Entity is exposed to concentrations of credit risk in relation to project revenue, due to the progress on projects. The Board has established a credit policy under which each new significant customer is analysed individually for creditworthiness before the Consolidated Entity's standard payment and delivery terms and conditions are offered. Each new contract of works to be undertaken by the Consolidated Entity must be approved by the Board prior to the contract being signed.

Many of the Consolidated Entity's customers are typically large multinationals. Losses relating to recovery of amounts owing to the Consolidated Entity have occurred very infrequently since the inception of the business. The majority of sales transactions undertaken by the Consolidated Entity require the customer to make payments as contract milestones are achieved. Failure of the customer to make payment by the due date will result in the further supply of goods and services being put on hold until such time as payment is received by the Consolidated Entity.

The Consolidated Entity's trade and other receivables relate mainly to the Group's wholesale customers who are predominantly made up of large corporations. Customers that are graded as 'high risk' are placed on a restricted customer list, and future sales are made on a prepayment basis with approval of executive management. From inception to the date of this report, the Consolidated Entity has only ever had two minor trade bad debts. Refer to note 10 for debtors aging analysis.

Guarantees

The Consolidated Entity's policy is to provide financial guarantees only to wholly-owned subsidiaries. As at the reporting date, there are no outstanding guarantees.

Cash and cash equivalents

The Consolidated Entity held cash and cash equivalents of $152,637,000 as at 30 June 2018 (2017: $88,863,000). The cash and cash equivalents are held with top tier banks in accordance with a board approved credit risk management policy.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its obligations associated with its financial liabilities as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity adopts milestone and progress invoicing, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of not less than 90 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the Financial Statements continued

Exposure to liquidity risk

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial liabilities at the reporting date. The amounts are gross and undiscounted and include estimated interest payments.

	Contractual cash flows					
	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Consolidated – 2018	$'000	$'000	$'000	$'000	$'000	$'000
Non–derivatives						
Non-interest bearing						
Trade payables	4,508	4,508	–	–	–	4,508
Other payables	2,490	2,490	–	–	–	2,490
Notes payable	–	–	–	–	–	–
Total non-derivatives	6,998	6,998	–	–	–	6,998

	Contractual cash flows					
	Carrying amount	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Consolidated – 2017	$'000	$'000	$'000	$'000	$'000	$'000
Non–derivatives						
Non-interest bearing						
Trade payables	2,520	2,520	–	–	–	2,520
Other payables	652	652	–	–	–	652
Notes payable	2,850	3,000	–	–	–	3,000
Total non-derivatives	6,022	6,172	–	–	–	6,172

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. Trade and other payables are measured at fair value on recognition and at amortised cost using the effective interest rate method subsequently. Due to their short-term nature neither trade and other receivables or trade and other payables are discounted.

Borrowings are recognised at fair value of consideration received, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method. In estimating amortised cost the Consolidated Entity takes into account its borrowing capacity and the source of its borrowings. The categorisation of the borrowings based on the fair value hierarchy is detailed in note 30.

Note 30. Fair value measurement

Fair value hierarchy

The following tables show the carrying amounts and fair values of the Consolidated Entity's financial assets and financial liabilities, measured or disclosed at fair value, using a three level hierarchy, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Consolidated – 2018	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value					
Cash and cash equivalents	152,637	–	–	–	–
Trade and other receivables	2,666	–	–	–	–
Other financial assets	228	–	–	–	–
	155,531	–	–	–	–
Financial liabilities not measured at fair value					
Trade and other payables	(6,998)	–	–	–	–
Other borrowings	–	–	–	–	–
Notes payable	–	–	–	–	–
	(6,998)	–	–	–	–

		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Consolidated – 2017	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value					
Cash and cash equivalents	88,863	–	–	–	–
Trade and other receivables	993	–	–	–	–
Other financial assets	80	–	–	–	–
	89,936	–	–	–	–
Financial liabilities not measured at fair value					
Trade and other payables	(3,172)	–	–	–	–
Other borrowings	–	–	–	–	–
Notes payable	(2,850)	–	(2,892)	–	(2,892)
	(6,022)	–	(2,892)	–	(2,892)

Notes to the Financial Statements continued

There were no transfers between levels during the financial year.

The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Financial instruments measured at fair value – valuation technique

Type	Valuation technique	Significant unobservable inputs
Promissory notes	Discounted cash flows	Risk adjusted discount rate of 6.69% (2017: 6.69%)

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of cash and cash equivalents, trade and other receivables and other financial assets and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Compliance with the Consolidated Entity's standards is supported by a programme of periodic reviews undertaken by management.

Note 31. Key management personnel disclosures

Directors

The following persons were directors of Clean TeQ Holdings Limited during the financial year:

- Robert Friedland (Co-Chairman and Non-Executive Director)
- Jiang Zhaobai (Co-Chairman and Non-Executive Director)
- Sam Riggall (Managing Director and CEO)
- Li Binghan (Non-Executive Director)
- Eric Finlayson (Independent Non-Executive Director)
- Roger Harley (Independent Non-Executive Director)
- Ian Knight (Independent Non-Executive Director)
- Stefanie Loader (Independent Non-Executive Director)
- Mike Spreadborough (Independent Non-Executive Director)

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, during the financial year:

- Tim Kindred (Project and Start up Director)
- Scott Magee (Sunrise Project Director)
- Ben Stockdale (Chief Financial Officer)

Notes to the Financial Statements continued

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated	
	2018 $'000	2017 $'000
Short-term employee benefits	1,908,255	1,118,674
Post-employment benefits	102,468	93,739
Long-term benefits	22,380	29,615
Termination benefits	79,908	–
Share-based payments	432,837	4,212,906
	2,545,848	5,454,934

The key management personnel receive no compensation in relation to the management of the Company. Key management personnel are compensated for management of the Consolidated Entity.

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	Consolidated	
	2018 $'000	2017 $'000
Audit services – KPMG		
Audit or review of the financial statements	86,951	64,201
Audit-related services	–	–
	86,951	64,201
Other services – KPMG		
Advisory services	7,687	–
Taxation services	104,471	76,500
	112,158	76,500
	199,109	140,701

Note 33. Contingent liabilities

The Consolidated Entity has a contingent liability, incurred in the financial year ended 30 June 2015, to pay a 2.5% gross revenue royalty on output mined from the Sunrise Project. This royalty is payable to Ivanhoe Mines, and is payable by Clean TeQ Sunrise Pty Ltd, a company within the Consolidated Entity. This royalty was part of the consideration paid for the acquisition of the Sunrise Project from Ivanhoe Mines, on 31 March 2015.

Notes to the Financial Statements continued

Note 34. Commitments

	Consolidated	
	2018 $'000	2017 $'000
Hire purchases		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	–	–
One to five years	–	–
	–	–
Total commitment	–	–
Less: Future finance charges	–	–
Net commitment recognised as liabilities	–	–
Operating leases (non-cancellable)		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	486	275
One to five years	780	1,032
More than five years	–	25
	1,266	1,332

Note 35. Related party disclosures

Parent Entity

Clean TeQ Holdings Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 31.

Transactions with related parties

No transactions occurred with related parties during the financial year ending 30 June 2018, or the previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans outstanding at the reporting date owed to related parties.

Notes to the Financial Statements continued

Note 36. Parent entity information

Set out below is the supplementary information about the Parent Entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $'000	2017 $'000
Profit(loss) after income tax	(6,844)	(5,949)
Total comprehensive income/(loss)	(6,844)	(5,949)

Statement of financial position

	Parent	
	2018 $'000	2017 $'000
Total current assets	4,790	–
Total assets	290,592	138,365
Total current liabilities	–	2,850
Total liabilities	11,934	7,646
Equity		
Issued capital	289,293	137,517
Share-based payments reserve	11,492	8,484
Accumulated losses	(22,127)	(15,282)
Total equity	278,658	130,719

Guarantees entered into by the Parent Entity in relation to the debts of its subsidiaries

The Parent Entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017, other than the cross guarantee referred to elsewhere in these financial statements.

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment at as 30 June 2018 and 30 June 2017, or since the end of the financial year.

Significant accounting policies

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the Parent Entity.
- Investments in associates are accounted for at cost, less any impairment, in the Parent Entity.
- Dividends received from subsidiaries are recognised as other income by the Parent Entity and its receipt may be an indicator of an impairment of the investment.

Notes to the Financial Statements continued

Note 37. Interests in subsidiaries

The Consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business/Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Clean TeQ Limited	Australia	100%	100%
Clean TeQ Metals Pty Ltd	Australia	100%	100%
Clean TeQ Water Pty Ltd	Australia	100%	100%
Associated Water Pty Ltd	Australia	100%	100%
LiXiR Functional Foods Pty Ltd	Australia	100%	100%
Scandium Holding Company Pty Ltd	Australia	100%	100%
Clean TeQ Sunrise Pty Ltd***	Australia	100%	100%
Uranium Development Pty Ltd	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	100%
Sunrise Scandium Pty Ltd	Australia	100%	100%
Shanyi Hoyo Clean TeQ Environmental Co Ltd**	China	50%	50%
Clean Teq Environmental Protection Technology(Beijing) co., Ltd*	China	100%	100%

* Chinese entity set up during the year ended 30 June 2017

** Accounted for as investment in equity accounted trustee

*** Entity's name was changed from Scandium21 Pty Ltd to Clean TeQ Sunrise Pty Ltd on 11 July 2018

Note 38. Deed of cross guarantee

The following entities are or were party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Clean TeQ Holdings Limited
- Clean TeQ Limited

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Clean TeQ Holdings Limited, they also represent the 'Extended Closed Group'.

Set out below is a Consolidated statement of profit or loss and other comprehensive income and statement of financial position of the Closed Group.

Notes to the Financial Statements continued

Statement of profit or loss and other comprehensive income

	2018 $'000	2017 $'000
Revenue	2,642	1,040
Raw materials and other direct costs	(2,306)	(76)
Employee benefits expenses	(9,098)	(8,608)
Depreciation and amortisation expenses	(707)	(802)
Legal and professional expenses	(2,052)	(489)
Occupancy expenses	(1,022)	(359)
Marketing expenses	(1,087)	(746)
Other expenses	(2,751)	(157)
Finance costs	(154)	(170)
Loss before income tax benefit	(16,535)	(10,367)
Income tax benefit	–	–
Loss after income tax benefit	(16,535)	(10,367)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	(16,535)	(10,367)

Equity – retained profits

	2018 $'000	2017 $'000
Retained profits/ (accumulated losses) at the beginning of the financial year	(31,132)	(20,765)
Loss after income tax benefit	(16,535)	(10,367)
Accumulated losses at the end of the financial year	(47,667)	(31,132)

Notes to the Financial Statements continued

Statement of financial position

	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	152,262	88,861
Trade and other receivables	1,426	936
Inventories	96	96
Income tax receivable	67	2,088
	153,851	91,981
Non-current assets		
Receivables	92,433	20,607
Other financial assets	128	80
Plant and equipment	298	135
Intangible assets	8,442	9,036
Investment in subsidiary companies	1,054	1,055
	102,355	30,913
Total assets	256,206	122,894
Current liabilities		
Trade and other payables	1,855	4,210
Notes payable	–	2,850
Employee benefits	500	300
Deferred revenue	47	47
	2,402	7,407
Non-current liabilities		
Deferred revenue	448	495
Employee benefits	40	68
Provisions	198	55
	686	618
Total liabilities	3,088	8,025
Net assets	253,118	114,869
Equity		
Issued capital	289,293	137,517
Reserves	11,492	8,484
Accumulated losses	(47,667)	(31,132)
Total equity	253,118	114,869

Notes to the Financial Statements continued

Note 39. Events after the reporting period

No matters or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Note 40. Reconciliation of cash used in operating activities

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Loss after income tax expense for the year		(16,012)	(12,184)
Adjustments for:			
Depreciation, amortisation and impairment	7	781	813
Share-based payments	7	3,008	5,182
Write off of bad debts		–	2
Non-cash finance costs		150	166
Change in value of investment		(1)	–
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		(1,235)	(692)
Decrease/(increase) in other financial assets		(148)	–
Decrease/(increase) in income tax refund due net of capitalised research and development		–	2,746
Decrease/(increase) in R&D contra asset		2,395	–
(Increase)/decrease in accrued revenue		(47)	(48)
Increase/(decrease) in trade and other payables		3,827	2,457
Increase/(decrease) in employee benefits		284	54
Net cash used in operating activities		(6,998)	(1,504)

Notes to the Financial Statements continued

Note 41. Earnings per share

	Consolidated	
	2018 $'000	2017 $'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(16,012)	(12,184)

	2018 Number	2017 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	623,241,497	490,055,864
Weighted average number of ordinary shares used in calculating diluted earnings per share	623,241,497	490,055,864

	2018 Cents	2017 Cents
Basic earnings per share	(2.57)	(2.49)
Diluted earnings per share	(2.57)	(2.49)

	Consolidated	
	2018 $'000	2017 $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(16,012)	(12,184)

	2018 Number	2017 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	623,241,497	490,055,864
Weighted average number of ordinary shares used in calculating diluted earnings per share	623,241,497	490,055,864

	2018 Cents	2017 Cents
Basic earnings per share	(2.57)	(2.49)
Diluted earnings per share	(2.57)	(2.49)

Options have been classified as potential ordinary shares and are included in the determination of diluted earnings per share, except where the potential ordinary shares are anti-dilutive.

The options and convertible notes on issue throughout the current financial year are not dilutive in effect, as the Consolidated Entity recorded a net loss in the financial year.

Notes to the Financial Statements continued

Note 42. Share-based payments

On 24 September 2007 the Company introduced a share option plan for employees, directors and service providers of the Consolidated Entity ('the Plan'). The Plan entitles key management personnel, service providers and employees to receive shares and options in the Company.

Set out below are summaries of options granted under the Plan:

2017/2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
25/02/2015	25/02/2018	$0.1574	8,000,000	–	(7,004,743)	(995,257)	–
01/03/2015	01/03/2018	$0.1450	4,000,000	–	(3,453,480)	(546,520)	–
06/07/2015	30/06/2018	$0.3010	666,214	–	(666,214)	–	–
20/11/2015	30/06/2018	$0.2305	8,000,000	–	(6,545,512)	(1,454,488)	–
20/11/2015	31/03/2018	$0.1450	2,000,000	–	(1,758,876)	(241,124)	–
20/11/2015	30/11/2018	$0.2712	3,500,000	–	(2,246,628)	(253,372)	1,000,000
16/05/2016	16/05/2019	$0.2820	3,300,000	–	(200,751)	(99,249)	3,000,000
06/09/2016	16/05/2019	$0.2820	1,000,000	–	(777,568)	(222,432)	–
06/09/2016	16/05/2019	$0.3100	9,125,000	–	(6,347,612)	(2,027,388)	750,000
15/12/2016	15/12/2019	$0.5850	500,000	–	(108,471)	(66,529)	325,000
22/02/2017	22/02/2020	$0.6549	3,000,000	–	(1,500,000)	(1,500,000)	–
20/06/2017	20/06/2020	$0.9500	600,000	–	(600,000)	–	–
19/07/2017	17/02/2020	$0.7700	–	750,000	–	–	750,000
07/09/2017	31/08/2020	$0.9500	–	150,000	–	–	150,000
07/09/2017	31/08/2020	$0.9500	–	200,000	–	–	200,000
13/11/2017	06/11/2020	$1.7300	–	75,000	–	–	75,000
05/02/2018	04/12/2020	$1.8000	–	3,000,000	–	–	3,000,000
05/02/2018	04/12/2020	$1.8000	–	1,000,000	–	–	1,000,000
05/02/2018	04/12/2020	$1.8000	–	1,000,000	–	–	1,000,000
05/02/2018	04/12/2020	$1.8000	–	500,000	–	–	500,000
			43,691,214	6,675,000	(31,209,855)	(7,406,359)	11,750,000
Weighted average exercise price:			$0.2749	$1.6389	$0.2580	$0.3264	$1.0621

The weighted average number of years for share options issued under the Plan is 2.85 years (2017: 2.00 years).

Notes to the Financial Statements continued

For the options granted during the current financial period, a Black-Scholes pricing model was used to value the options. The valuation model inputs used to determine the fair value at the grant date are as follows:

2017/2018

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free Interest rate	Fair value at grant date
19/07/2017	17/02/2020	$0.69	$0.7700	88.46%	–%	2.67%	$0.379
07/09/2017	31/08/2020	$0.97	$0.9500	86.90%	–%	2.59%	$0.559
13/11/2017	06/11/2020	$1.58	$1.7300	85.65%	–%	2.62%	$0.853
05/02/2018	04/12/2020	$1.30	$1.8000	86.27%	–%	2.40%	$0.612

Set out below are summaries of performance rights granted under the Plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other*	Balance at the end of the year
08/07/2015	01/07/2018	$0.00	–	1,674,416	–	(908,000)	766,416
20/11/2015	01/07/2018	$0.00	766,416	880,000	–	–	1,646,416
16/05/2016	01/07/2019	$0.00	1,646,416	1,756,281	–	(586,818)	2,815,879
06/09/2016	06/09/2019	$0.00	2,815,879	1,292,706	–	–	4,108,585
01/07/2017	01/07/2020	$0.00	4,108,585	1,723,838	–	(220,010)	5,612,413
06/02/2018	01/01/2021	$0.00	5,612,413	487,760	–	(2,857)	6,097,316
				7,815,001	–	(1,717,685)	

* Performance rights forfeited as the employee ceased employment.

The performance rights have the following vesting conditions:

- Rights vesting if the Company's total shareholder return outperforms a comparator group of listed companies over a three-year period from the grant date; and
- Continuous service from Date of Grant to Vesting Date.

For the performance rights granted during the current financial period, a Binomial Option Valuation model was used to value the performance rights. A probability adjustment for market vesting conditions is then attached to the value of the performance rights. Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration. The valuation model inputs used to determine the fair value at the grant date are as follows:

2017/2018

Grant date	Expiry date	Share price at grant date	Risk-free Interest rate	Expected volatility	Dividend yield	Vesting probability	Fair value at grant date
01/07/2017	01/07/2020	$0.66	–%	87.57%	–%	87.00%	$0.581
06/02/2018	01/01/2021	$1.18	–%	85.33%	–%	50.00%	$1.014

Directors' Declaration

For the year ended 30 June 2018

In the directors' opinion:

- the attached Consolidated financial statements and notes thereto, and the Remuneration report in the Directors' report, comply with the *Corporations Act 2001*, the Australian Accounting Standards, and the Corporations Regulations 2001;
- the attached Consolidated financial statements and notes thereto, comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(b) to the financial statements;
- the attached Consolidated financial statements and notes thereto and the Remuneration report in the Directors' reports, give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38 to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Sam Riggall
Managing Director

24 August 2018
Melbourne

Independent Auditor's Report
To the shareholders of Clean TeQ Holdings Limited

Independent Auditor's Report

To the shareholders of Clean TeQ Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Clean TeQ Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of Financial Position as at 30 June 2018
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report continued

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation assessment for intangible assets ($9.8 million) and exploration and evaluation (E&E) assets ($76.9 million)	
Refer to significant accounting policies in Note 2 and Notes 16 and 17 to the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
A discounted cash flow model is used in determining the recoverable amount of the Metals and Water cash generating units (CGUs) to which intangible assets and E&E assets have been allocated. The valuation of the Metals and Water CGU intangible assets and Metals E&E assets is a key audit matter due to the audit effort required by us in assessing the Group's judgements applied and inputs to the models, including: • Discount rates applied to forecast cash flows, as each CGU displays unique conditions varying the assessment of discount rates • Future resource prices • Future foreign exchange rates • For the Water CGU, forecasting the probability of converting tender pipeline into contracted revenue • Future production/output, capital expenditure and operating costs. In particular, for the Metals CGU, the Group has not incurred any capital expenditure for production and has not yet commenced operations. Therefore future production/output, capital expenditure and operating	Our procedures included: • Working with our valuation specialists, we utilised their expertise in assessing discounted cash flow models in the mining and water treatment industries, including assessing a discount rate range for each CGU and comparing it to the discount rates used by the Group; • Testing the acceptability from a valuation perspective of the discounted cash flow models used to determine the recoverable amount for each CGU in comparison to common market practice and accounting standard requirements; • Performing sensitivity analysis in respect of the discount rates, future production/output, capital expenditure and operating costs, future resource prices, future foreign exchange rates. This allowed us to determine which inputs relative to the risk of impairment, had the most impact on the outcome of the models, and to focus our audit effort thereon; • Comparing future resource prices and foreign exchange rates used in the models to external market data, such as publicly available forecasts and consensus views of market commentators as well as historical information; • Reading a sample of tenders, correspondence with prospective clients, memorandums of understanding and contracts to inform our view of the likelihood of the Water CGU tender pipeline being converted into contracted revenue;

Independent Auditor's Report continued

costs are estimated based on the Group's expertise/experience from other mining operations • Reserves, including the success of exploration, and appraisal activities, including drilling and geological and geophysical analysis. In assessing this key audit matter, we involved senior audit team members, including valuation specialists, who understand the Group's business, industry and the economic environment it operates in.	• Comparing future production/output, capital expenditure and operating costs used in the Group's models to other market participants; • For the Metals CGU, analysing the Group's determination of recoupment through successful development and exploitation of its reserves by evaluating the Group's planned future/continuing activities; • For the Metals CGU, we obtained the Group's project budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with current E&E expenditure, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources and evaluated the capacity of the Group to secure such funding.

Other Information

Other Information is financial and non-financial information in Clean TeQ Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report and the Remuneration Report. The Chairman's Report and CEO's Report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

Independent Auditor's Report continued

KPMG

- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Clean TeQ Holdings Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in paragraphs A to F or pages 19 to 33 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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Dana Bentley

Partner

Melbourne

24 August 2018

Shareholder Information

For the year ended 30 June 2018

The information below is current as at 25 July 2018

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares	Number of holders of convertible notes
1 to 1,000	1,061	–	–
1,001 to 5,000	2,075	–	–
5,001 to 10,000	1,177	–	–
10,001 to 100,000	2,262	3	–
100,001 and over	337	12	–
	6,912	15	–

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of fully paid ordinary shares as at 25 July 2018 are listed below:

Rank	Name of Share Holder	Number of Shares Held	% of Total Shares Issued
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	181,953,502	24.50
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	107,598,482	14.49
3	PENGXIN INTERNATIONAL GROUP LIMITED	92,518,888	12.46
4	CITICORP NOMINEES PTY LIMITED	38,916,970	5.24
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	21,945,074	2.95
6	SAM RIGGALL	19,594,111	2.64
7	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	16,734,147	2.25
8	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL	11,022,628	1.48
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	6,694,805	0.90
10	SALITTER PTY LTD <THE SALITTER A/C>	5,853,304	0.79
11	MR DAVID NEVILLE COLBRAN	5,000,010	0.67
12	CANADIAN REGISTER CONTROL\C	4,930,613	0.66
13	JEREMY'S HAVEN PTY LTD	4,690,310	0.63
14	THIERVILLE PTY LTD	4,550,801	0.61
15	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,376,599	0.59
16	MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARKE FAMILY A/C>	3,979,985	0.54
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,489,887	0.47
18	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	3,480,000	0.47
19	MR RICHARD ARMSTRONG CALDOW <THE LOOSE GOOSE FAMILY A/C>	3,250,000	0.44
20	SUNSHINE SUPERANNUATION PTY LTD <SCIENTIFIC & LAB P/L S/F A/C>	2,750,000	0.37
	Total – Top 20 holders of Ordinary Fully Paid Shares	543,330,116	73.15
	Total – Shares Issued	742,757,760	100.00

Shareholder Information continued

(Unquoted equity securities)

	Number on issue	Number of holders
Options over ordinary shares with various exercise prices and expiry dates	11,750,000	14

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary Shares	
Name of Share Holder	Number held	% of total shares issued
Robert Martin Friedland	94,518,888	12.73
Pengxin International Group Limited	92,518,888	12.46
FMR LLC	58,489,117	7.87

Voting rights

The voting rights attached to ordinary shares are set out below. Other classes of equity securities do not have voting rights.

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Corporate Directory

DIRECTORS

Robert Friedland (Co-Chairman and Non-Executive Director)

Jiang Zhaobai (Co-Chairman and Non-Executive Director)

Sam Riggall (Managing Director and CEO)

Li Binghan (Non-Executive Director)

Eric Finlayson (Non-Executive Director)

Roger Harley (Independent Non-Executive Director – retired as director effective1 November 2017)

Ian Knight (Independent Non-Executive Director)

Stefanie Loader (Independent Non-Executive Director)

Mike Spreadborough (Independent Non-Executive Director)

COMPANY SECRETARY

Melanie Leydin
Leydin Freyer

Level 9, 96-100 Albert Road
South Melbourne, Victoria 3205

PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

Unit 12, 21 Howleys Road
Notting Hill, Victoria, 3168

Telephone: +61 (03) 9797 6700
Facsimile: +61 (03) 9706 8344

SHARE REGISTER

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnson Street
Abbottsford, Victoria, 3067

Telephone: +61 (03) 9415 5000
Facsimile: +61 (03) 9473 2500

AUDITORS

KPMG

Tower Two, Collins Place
727 Collins Street
Melbourne, Victoria 3008

LEGAL ADVISORS

Baker & McKenzie

Level 19, 181 William Street
Melbourne, Victoria 3000

STOCK EXCHANGE LISTING

Clean TeQ Holdings Limited shares are listed on the Australian Securities Exchange (ASX: CLQ) Toronto Stock Exchange (TSX: CLQ), and OTCQX Market in the United States (OTCQX: CTEQF)

WEBSITE

www.cleanteq.com

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