

28 February 2017

Clean TeQ forms strategic partnership with leading Chinese conglomerate, Pengxin Mining, to fast track development of the Syerston Nickel-Cobalt-Scandium Project in Australia

Mr Jiang Zhaobai, Chairman of Pengxin Group, to be appointed Co-Chairman, alongside Mr Robert Friedland

Pengxin Mining to make an initial investment of A\$81 million in Clean TeQ and assist to facilitate Chinese project-debt financing for the Syerston Project

Melbourne, Australia – Robert Friedland, Co-Chairman of Clean TeQ Holdings Limited (CLQ:ASX; CTEQF:OTCQX), and Sam Riggall, Co-Chairman and CEO, today announced the formation of a strategic partnership with Pengxin International Mining Co. Ltd. (**'Pengxin Mining'**), part of the Shanghai Pengxin Group Co. Ltd (**'Pengxin Group'**), to facilitate the development of the Company's Syerston Nickel Cobalt Scandium Project in New South Wales, Australia. The Syerston Project is one of the largest accumulations of cobalt outside of Africa, and one of the largest and highest-grade scandium deposits in the world.

Pengxin Mining has agreed to make an initial private placement investment of approximately A\$81 million in Clean TeQ, to be used primarily for the development of Syerston, by purchasing 92,518,888 new Clean TeQ common shares at an issue price of A\$0.88 per share. The issue price represents a 17% premium to the 20-day volume-weighted-average ASX quoted price of Clean TeQ shares up to and including 28 February 2017 of A\$0.75 per share.

The new common shares will be issued to Pengxin International Group Limited (**'Pengxin International'**), a wholly owned indirect subsidiary of Pengxin Mining, in accordance with Clean TeQ's annual placement capacity (the placement comprises a 19.32% increase in shares on issue) under ASX Listing Rules 7.1 and 7.1A. Following completion of the share placement Pengxin International will own approximately 16.2% of the Company. Settlement of the placement will be completed by the end of March 2017.

Pengxin Mining is listed on Shanghai Stock Exchange and is the owner and operator of the Shituru Copper Project in Katanga Province, Democratic Republic of Congo. Pengxin Mining is a subsidiary of the Pengxin Group, which has more than 40 subsidiary companies, either wholly-owned or largely-owned, with total assets over 20 billion RMB.

Following completion of the private placement, Mr. Jiang Zhaobai, Chairman of Pengxin Group, will be invited to join the Clean TeQ board as Non-Executive Co-Chairman, alongside existing Co-Chairman Robert Friedland. Pengxin Mining will also have the right to appoint a second nominee to join the Clean TeQ board as a Non-Executive Director. Sam Riggall, Clean TeQ's Executive Co-Chairman and CEO, will assume the role of Managing Director.

Pengxin Group Chairman Mr Jiang Zhaobai stated, "Energy storage represents one of the fastest growing markets in China. New and reliable sources of raw materials for electric-vehicle batteries and utility-scale energy storage systems must be developed as soon as possible. The Syerston Project is a strategically important source of those critical materials – nickel and cobalt sulphate. We look forward to working with Clean TeQ to support the rapid development of the Syerston Project and their business more generally."

Clean TeQ Co-Chairman Mr Robert Friedland commented, "We are delighted to be entering into this strategic partnership with Pengxin Mining. The Pengxin Group is a well-respected and successful group of diversified businesses operating across China and overseas. Having access to Pengxin Group's extensive global networks provides the Company with significantly enhanced financial, commercial and technical opportunities. The placement proceeds will provide Clean TeQ with the funding to maintain a fast-track schedule for the development of the Syerston Project."

Pengxin Mining to assist in the procurement of Chinese project financing for Syerston

In addition to the share placement, Pengxin Mining has also agreed to use its best endeavours to assist the Company to procure Chinese project financiers to participate in the financing of the Syerston Project for a significant proportion of the capital cost of the Project. As previously advised, Clean TeQ is currently in discussions with a number of potential debt providers, both in Australia and off-shore, to secure a project debt package for the Syerston Project.

Mr Riggall commented, "We are delighted to have Pengxin Mining join our register. As the largest and fastest growing market in the world for electric vehicles and energy storage systems, China presents a huge opportunity for raw material suppliers. We foresee significant demand for cobalt and nickel sulphate in China over coming years

and look forward to leveraging our relationship with Pengxin Group to maximise value for our shareholders.”

In addition to the private placement, the parties have agreed to utilise Pengxin Group’s extensive business network in China to deliver certain strategic benefits in the areas of marketing and offtake (for nickel, cobalt and scandium) and water treatment (the Pengxin Group is the largest shareholder in Shanghai-listed Heilongjiang Interchina Water Treatment Co Ltd, one of China’s largest publicly-traded water treatment companies).

Recognising the significant investment to be made by Pengxin International, and subject to any necessary regulatory approvals, Clean TeQ has agreed to provide Pengxin Mining with a right to participate, on a pro rata basis, in future equity raisings by the Company over the next three years. That right will continue while Pengxin Mining holds at least ten percent of the fully diluted capital of the Company.

Pengxin International has also provided a standstill commitment, whereby it shall not, without Clean TeQ Board approval, acquire or otherwise create a relevant interest in shares that would increase its ownership above 28% of the issued shares in the Company in the absence of a control transaction for the Company proposed by a party unrelated to Pengxin Mining.

Pengxin Mining’s investment to help fast track development of the Syerston Project

The \$81 million subscription proceeds will be primarily applied towards the development of the Syerston Project including:

- Completion of the Syerston Nickel/Cobalt/Scandium Project Definitive Feasibility Study (**‘DFS’**);
- The Syerston optimisation study which is being run in parallel with the DFS. The optimisation study is reviewing the potential to implement the Project on an accelerated schedule. The optimisation study will assess the impact on the timeframe to first production if commitments for early works and long lead items are made in the second half of 2017, prior to the completion of the DFS; and
- Providing funding to give the Company the capacity to start early works, including the commencement of detailed engineering and asset purchases, required to move the project into the implementation phase in the second half of 2017, and to push ahead with the development of the Project on an accelerated schedule.

The DFS is progressing well and is on track for completion in Q4, 2017.

Piloting and test work

As part of the DFS activities the Company re-commissioned its Resin-in-Pulp ('RiP®') pilot plant at ALS Metallurgy in Perth. The purpose of the pilot campaign was to generate samples of high purity nickel and cobalt sulphate eluate solution for further testing to confirm the flow sheet design for the refinery section of the processing plant and to provide samples of nickel sulphate and cobalt sulphate for potential offtake customers.

The pilot campaign successfully processed a bulk sample of approximately 20 tonnes of Syerston ore to produce a batch of high purity nickel and cobalt sulphate eluate solution. This solution is currently being further refined into samples of high purity nickel sulphate and cobalt sulphate (see Figure 1 below) which will be sent to potential offtake customers in the first quarter of 2017 for product testing.

Pending completion of the DFS, the Company will be undertaking a range of activities to secure the financing required for the development of the Syerston Nickel/Cobalt/Scandium Project, including progressing a range of options in relation to off take finance, project-level financing and debt financing.

Figure 1: Separation and purification of nickel and cobalt sulphate solution at ALS in Perth



About Pengxin Group

Founded in 1988, Pengxin Group has grown into one of the largest private-owned holding groups in China and an employer of more than 4,000 people.

Pengxin Group is a private Chinese conglomerate with a diversified business scope including mining, real estate development, urban infrastructure construction (including water treatment), high-tech investment and investment in industry and commerce. Pengxin Group has more than 40 subsidiary companies, either wholly-owned or largely-owned, with total assets over 20 billion RMB

As one of the earliest private groups in China to attempt internationalization, diversification and professional management, Pengxin Group has invested over US\$1 billion overseas in the last decade, and gradually grown its four main business segments into domestic industry leaders.

Metals & Mining – The group controls Pengxin Mining (600490.SH), which has been listed on the Shanghai stock exchange since 2003. Pengxin Mining owns and operates the Shituru copper mine in Democratic Republic of Congo, which is located in an area with a long history of copper mining and smelting as well as existing infrastructure to support significant industrial activities. Asing a hydrometallurgical processing plant to produce copper cathode, Shituru’s annual throughput is 36,000 tons.

Property Development – Since its establishment, Pengxin Real Estate, a subsidiary of Pengxin Group, has developed a number of large scale projects in Shanghai such as Chuang Shi Ji Garden, Oding Palace Villa, City Classic and Bundfield, with the total developed area amounting to over two and half million square meters.

Infrastructure – Adopting a financing mode of Build operate Toll (**BOT**), Pengxin Group has invested 3.3 billion RMB in the development of the Shanghai Suburban Ring Road (A30) North Section, which was completed and put into operation in late 2004. Pengxin Group has also delivered over 2 billion RMB worth of other projects operated on a BOT model including the Shanghai Long-distance Bus Terminal and the Nanhui Sports Center.

Industry and Commerce – Pengxin Group is also actively investing in expansion into new commercial opportunities. Shanghai Yangpu International Home Textiles Park, Business Headquarters Base, Nanjing Water City and International Mart in Wuhan are just some of the projects being currently under construction at the moment, with the total developed area amounting to over one and half million square meters.

Technology – The Pengxin Group is actively engaged in the research and development of high-tech projects. MPI technology, developed by Shanghai Longlin Communications Technology Co., Ltd., a Pengxin Group company, is a new generation video network which will revolutionize the vast information consuming market by realizing the potential of 3-in-1 network broadcasting, television and telephone.

Agriculture – Pengxin Group, through its subsidiary Pengxin New Zealand Farm Group, is the owner of a number of significant dairy farming operations in New Zealand.

For more details about Pengxin Group see <http://www.peng-xin.com.cn/eng/default.aspx>.

About Clean TeQ Holdings Limited

Based in Melbourne, Clean TeQ (CLQ:ASX; CTEQF:OTCQX), using its proprietary Clean-iX® continuous ion exchange technology, is a leader in metals recovery and industrial water treatment.

About the Syerston Project – Clean TeQ is the 100% owner of the Syerston Project, located in New South Wales. The Syerston Project is one of the largest and highest grade scandium deposits in the world and one of the highest grade and largest nickel and cobalt deposit outside of Africa.

For more information about Clean TeQ please visit the Company's website www.cleanteq.com.

Clean TeQ contacts:

Sam Riggall, Co-Chairman and CEO or Ben Stockdale, CFO

+61 3 9797 6700

This release may contain forward-looking statements. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information.