

**ANNUAL  
REPORT  
2020**

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# WE CONSISTENTLY APPLY OUR VALUES TO ALL WE DO.



## INVESTED:

We achieve positive outcomes for all our stakeholders. We are committed to creating and sustaining value from Clean TeQ's core technologies.



## CONNECTED:

We actively interact to leverage our combined capabilities and create mutually beneficial outcomes.



## PREPARED TO BE DIFFERENT:

We have the courage to pursue excellence and are prepared to do things differently to add value, while managing the risks in our business.

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# OUR VISION IS TO EMPOWER THE CLEAN REVOLUTION.

WE APPLY OUR  
TECHNOLOGIES TO  
FIND BETTER WAYS TO  
SOLVE PLANET EARTH'S  
MOST PRESSING  
ENVIRONMENTAL  
PROBLEMS.

## Clean TeQ Sunrise

The Clean TeQ Sunrise battery materials complex is an advanced nickel, cobalt and scandium mining and processing project located in Central West New South Wales, Australia.

With the application of our proprietary continuous ion-exchange processing technology, Clean TeQ Sunrise will be a leading global supplier of nickel and cobalt sulphates to the lithium-ion battery industry. It will also produce low-cost scandium for use in next-generation lightweight aluminium alloys for key transportation markets.

## Clean TeQ Water

Clean TeQ's water division uses our proprietary technologies, including Continuous Ionic Filtration & Exchange (CIF®) and DeSALx®, to deliver solutions to the world's most challenging water treatment problems. These technologies are designed to handle the most demanding waters to provide best in class performance in water recovery and plant operability.

Our technology delivers cost-effective process water treatment solutions for the power, mining and industrial sectors. It also treats ground, surface and grey water for use as potable water suitable for municipalities.

## Our technology

Clean TeQ's technology development team continues to advance its work in the development of graphene oxide nanofiltration membranes and adsorbents, as well as ongoing development of the CIF® and BIOCLENS technologies for water treatment applications.

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## FY20 HIGHLIGHTS OF THE YEAR

The work undertaken during the 2020 Financial Year saw the Sunrise battery materials complex further progressed towards the commencement of construction. We have:

- > Undertaken a range of activities intended to deliver a comprehensive Project Execution Plan that sets up the Project for future delivery on an EPCM basis.
- > Made strong progress on process plant design and procurement.
- > Completed engineering and design for key supporting infrastructure.
- > Obtained approval by the NSW Department of Planning, Industry and Environment for all of the ten required management plans.
- > Executed agreements to secure land tenure/access over all the land comprising the main approved mining/processing area detailed in the Sunrise Development Consent and mining lease ML1770.
- > Planted approximately 9,500 native tree seedlings around a number of Project area boundaries.
- > Established by independent third-party environmental life cycle assessment, Sunrise's favourable greenhouse gas impacts relative to other processes used for nickel and cobalt recovery.
- > Conducted, with Macquarie Capital, a partnering process for Clean TeQ to consider divestment of up to a 50% interest in the Sunrise Project, in combination with long-term offtake.
- > Invested in ongoing research into new applications for aluminium-scandium alloys, culminating in the signing of scandium offtake heads of agreement with Panasonic Corporation Global Procurement Company and Relativity Space Inc.

The 2020 financial year was a year of great success for our Water Business including:

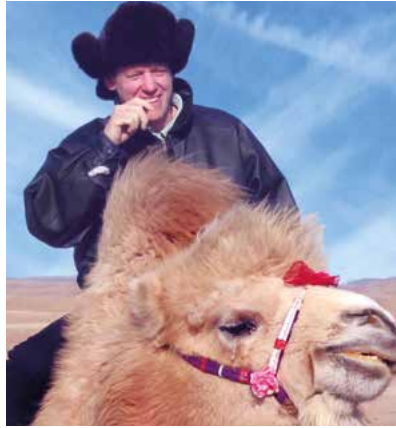
- > Achieving customer acceptance of commissioning and handover of a ground-breaking ClF® plant in Oman.
- > Delivery and progressing of completion and commissioning of two additional Clean TeQ plants in Australia and the DRC – along with the plant in Oman, the first of their type anywhere in the world and which have been deployed as part of three different technical solutions.
- > Clean TeQ Water has been advised that it is the preferred EPC contractor to deliver a recycled water re-use plant at the Cleveland Bay Purification Plant in Townsville, with an initial contract awarded for detailed design and procurement of long-lead items for the plant.
- > Successful commissioning of our BIOCLENS manufacturing facility in China, which provides Clean TeQ with enhanced access to water treatment opportunities in the food and pharmaceuticals industries
- > Strong progress by the NematIQ joint venture team aimed at production of a marketable graphene oxide membrane product for use in water filtration.

## MESSAGES FROM THE CO-CHAIRMEN



There has never been a time in the past one hundred years when safeguarding human health and wellbeing so dominated our collective attention. Together, we now are living the experience, every day. The pervasive and profound impacts of the COVID-19 pandemic are a reminder of the fundamental virtue of sustaining appropriate environments in which people can continue to thrive. At Clean TeQ, part of our corporate reality is that this enterprise is equipped and positioned to play an increasingly important role in helping to build a diversity of sustainable futures through the company's proprietary, leading-edge technologies.

As our cities continue their rapid growth, it's projected that an overwhelming majority of the people on Earth will come to live with outdoor air quality that does not meet World Health Organization guidelines. Study after study has linked unacceptably high levels of particulate pollution in urban centres to heart disease, chronic kidney disease, diabetes, dementia and premature births. Radical changes are underway to more effectively manage air quality, in part by electrifying transportation to reduce dependence on the burning of fossil fuels, and to generate and store large volumes of clean electricity that can be distributed upon demand. The essential metals needed to fuel this high-tech, all-electric and more urbanised planet-of-the-future include copper for wiring in electric vehicles, chargers and 'smart' power-distribution grids. Batteries, used to power electric



vehicles, are requiring larger volumes of nickel and cobalt, specifically in the form of high-purity sulphates. Scandium also will be critically important in high-strength alloys as we expand "lightweighting" of our vehicles, aircraft and other transportation applications for improved energy efficiencies.

Clean TeQ, with its Sunrise battery-materials complex in Australia, is positioned to be among the leaders of the mineral resources industry at the forefront of the drive to produce and utilise metals such as cobalt, nickel and scandium, while maintaining the highest operating standards in health, safety, environmental management and community relations. Despite the current period of global-pandemic disruption, we are confident that world demand for high-purity nickel and cobalt sulphates, and scandium products, will record further rapid growth. While we are aware of potential, significant political and business risks for some new suppliers of critical metals, we remain confident that our Sunrise Project will continue to present as one of the few exceptions that will be free of such encumbrances.

While access to clean water is fundamental to human life, a present reality is that supplies are continuing to deteriorate in parts of the world. Clean TeQ Water is playing an important role in developing leading-edge technologies that could effectively secure sustainable supplies of ultra-clean water for communities and businesses around the world. Our ion exchange technology now has demonstrated its ability to achieve positive outcomes,

with the delivery of plants in Australia, the Democratic Republic of Congo and Oman. BIOCLENS offers significant opportunities in water-treatment applications, given its ability to break down and remove harmful nitrates and ammonia from wastewater – a common problem in the food and pharmaceuticals industries.

In spite of the unprecedented, unanticipated challenges presented this year, the Clean TeQ team did continue to make strong progress toward realising our company's objectives that are founded on our technology and mineral assets. We see excellent opportunities ahead as we emerge from the current health and economic crises, and as international governments and industries plan and implement measures that could help in the common cause to stimulate economies and restore jobs through "green" programs. The Clean TeQ board of directors and management remain confident in our company's capacity to deliver unique and exceptional contributions to our shared future.

**Robert Friedland**  
Co-Chairman

**Jiang Zhaobai**  
Co-Chairman



## MESSAGE FROM THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

CLEAN TEQ'S VISION IS TO EMPOWER THE CLEAN REVOLUTION. I AM PROUD TO REPORT THAT DURING THE PAST YEAR WE HAVE CONTINUED MAKING PROGRESS TOWARD THIS OBJECTIVE BY DEVELOPING SOLUTIONS TO ADDRESS SOME OF THE PLANET'S MOST PRESSING ENVIRONMENTAL PROBLEMS.



I am very pleased to report that this year we kept our people safe, recorded no environmental issues and received zero community complaints.

The electrification of the global transportation industry remains well and truly under way. Substantial capacity continues to be installed almost all the way along the EV supply chain. The exception is at the mine face, where new capacity is lagging years behind the rest of the industry. Auto makers quite literally are pleading with miners to produce more nickel and cobalt. But the reality is that in the absence of a new, collaborative approach between miners and auto makers that is required to adequately stock the supply chain, new mine supply will struggle to keep pace with EV demand.

In the case of nickel used in batteries, which has suffered years of under-investment because of depressed prices, new sources of supply are technically challenging, highly capital intensive and face long lead times. Several potential sources of new nickel supply also are located in challenging jurisdictions, in terms of political risk as well as management of local community and environmental issues. Unfortunately, environmental impacts – including deforestation and marine tailings disposal – are excused by some as acceptable costs of doing business for many of the proponents of these projects.

The EV industry also faces significant challenges sourcing cobalt. The Democratic Republic of Congo presents some unique reputational risks for carmakers – child labour, poor health and safety performance and numerous fatalities among workers. However, the auto industry should be commended for the attention and focus it has brought to this issue, and the various efforts underway to provide a more auditable and transparent supply chain. As we say in Australia, *"Always back the horse named Self-Interest, son. It will be the only one trying."* This year, we also have seen auto makers contracting directly with western mining companies to secure their cobalt. For all the talk of cobalt thriving, demand is growing, and there is only so much sustainable cobalt available. The race is on.

The Sunrise Battery Materials Complex is our flagship project. Once constructed, Sunrise will be one of the largest fully integrated battery materials producers in the world, supplying some of the industry's lowest cost nickel and cobalt units. And of all the challenges facing carmakers today in building a profitable and sustainable industry, reducing the cost of batteries remains the highest priority. It is our strongly held belief that the only way this can be achieved is by increased coordination and integration across the supply chain, because without access to consistently priced raw materials no carmaker in the world can successfully make the transition to electric mobility.

Sunrise will be the global standard bearer for sustainable production of battery cathode materials. By applying our proprietary ion exchange technology for the recovery of these key metals, we are building the next generation of nickel/cobalt mines that are lower cost, lower risk and dedicated to producing the specific materials that the battery industry needs. Once constructed, Sunrise will:

- > operate in the lowest quartile of the industry cost curve;
- > use a direct-to-sulphate processing route to produce battery precursor feedstock at the mine site, thereby avoiding the need for untraceable third-party or offshore refining;

- > be built within close proximity to solar or wind generation to provide options for zero carbon power connection;
- > recycle as much water as possible and limit off-site water discharge;
- > offer potential to integrate with downstream precursor and cathode production to reduce processing, handling and logistics costs;
- > be able to use its refining capacity as a recycling circuit for spent batteries and cathode;
- > enable critical by-product alloy metals, like scandium, to develop lighter and stronger aluminum components for the automotive and aerospace sectors;
- > maintain the highest standards in health, safety, environmental management and community relations;
- > responsibly manage its waste and not use marine or estuarine tailings disposal; and
- > employ a skilled and professional workforce and not use child labour.

Given the strong outlook for nickel and cobalt demand, Clean TeQ remains committed to developing the Sunrise Project. Our Project Execution Plan is nearing completion. This plan will establish a solid foundation for the detailed engineering, procurement and construction phase of the project once funding has been secured.

The water business had a stand-out year. After more than a decade of persevering we were delighted to achieve customer acceptance of commissioning and handover of ground-breaking ion exchange plants in Oman and Australia. Commissioning of an additional Clean TeQ plant in the Democratic Republic of Congo remains ongoing. Along with the facility in Oman, these plants are the first of their type anywhere in the world and have been deployed as part of three different technical solutions. Successful delivery of all of these plants is a valuable platform for the future growth of Clean TeQ Water. They validate the adaptability of our proprietary ion exchange technology for commercial metal extraction and waste water treatment.

We also were very pleased with the successful commissioning of our BIOCLENS manufacturing facility in China. BIOCLENS provides Clean TeQ with enhanced access to water treatment opportunities in the food and pharmaceuticals industries.

The NematiQ joint venture team made good progress during the past year towards production of a marketable graphene oxide membrane product. Although more work needs to be done to demonstrate that we have a viable product for commercialisation, success in this endeavour has the potential to be a game changer for Clean TeQ and indeed the world.

We have set ambitious goals for ourselves. But sustaining our economies through the economic shock of the COVID19 pandemic, and then effectively rebuilding them, is going to require great measures of determination, innovation, resilience and hard work. I believe that our company and our people are well positioned to succeed in these challenges.

I extend my deepest thanks to all of our shareholders for your ongoing support, and to the members of the Clean TeQ Team who are dedicated to working to achieve the realisation of our shared vision to empower the clean revolution.

**Sam Riggall**  
Chief Executive Officer

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# DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 ('financial year'), 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)

**Stefanie Loader** (Lead Independent Non-Executive Director)

**Judith Downes** (Independent Non-Executive Director)

**Eric Finlayson** (Non-Executive Director)

**Ian Knight** (Independent Non-Executive Director)

**Michael Spreadborough** (Independent Non-Executive Director – resigned 2 March 2020)

**Shawn Wang** (Non-Executive Director – resigned 30 October 2019)

Mr Shawn Wang resigned as a director on 30 October 2019. Mr Mike Spreadborough resigned as a director on 2 March 2020. The Board would like to thank Messrs Wang and Spreadborough for their contributions to the Company during the terms of their appointments.

## Directors' Profiles

<b>Name:</b>	<b>Mr Robert Friedland</b>
<b>Title:</b>	Co-Chairman and Non-Executive Director
<b>Qualifications:</b>	Bachelor of Arts in Political Science from Reed College, Oregon, USA
<b>Experience and Expertise:</b>	Mr Friedland was appointed Co-Chairman of Clean TeQ on 8 September 2016. During the past 25 years of his career, Mr Friedland has founded and led two prominent, international mining entities under the Ivanhoe Mines banner. He is Executive Co-Chairman and a director of Ivanhoe Mines Ltd., which has three major mine development projects and exploration underway in Southern Africa, including construction of three new mines, two of which are on world-scale mineral discoveries made by Ivanhoe Mines, 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 Mines name in 2013. The original Ivanhoe Mines, founded in 1994 and now named Turquoise Hill Resources, had extensive mining and exploration interests in the Asia Pacific Region. Mr Friedland was Executive Chairman and Chief Executive Officer of the original 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 team that made the 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 January 2012 and the company was renamed Turquoise Hill Resources in August 2012, which now is operating and continuing the development of Oyu Tolgoi. Before founding Ivanhoe Mines, Mr Friedland was a co-founding principal investor in Diamond Fields Resources in late 1992. Assuming Co-Chairmanship in 1994 after company-funded exploration discovered high-grade nickel at Voisey's Bay in Canada, Mr Friedland led negotiations for the subsequent sale of the tier-one discovery to INCO for C\$4.3 billion in 1996. The mine began production in 2005. Now owned by Vale, it is the world's fourth-largest nickel producer. Mr Friedland also is Chairman and President of Ivanhoe Capital Corporation, his family's private, Singapore-based company founded in 1987 that specialises 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.

# DIRECTORS' REPORT

(CONTINUED)

Other current directorships:	<p>Founder and Executive Co-Chairman, Ivanhoe Mines Ltd.</p> <p>Chairman &amp; President, Ivanhoe Capital Corporation (private)</p> <p>Chairman &amp; Co-Founder, I-Pulse Inc. (private)</p> <p>Chairman &amp; Chief Executive Officer, High Power Exploration Inc. (private)</p> <p>Chairman, VRB Energy (private)</p> <p>Co-Chairman, SK Global Entertainment (private)</p> <p>Co-Founder and Chairman, Ivanhoe Pictures (private)</p> <p>Ivanhoe Industries &amp; Kietta (private)</p> <p>Non-Executive Chairman, Gold X Mining Corp.</p>
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	96,600,896 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil
Name:	Mr Jiang Zhaobai
Title:	Co-Chairman and Non-Executive Director
Qualifications:	EMBA, China Europe International Business School
Experience and Expertise:	<p>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 twenty 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.</p>
Other current directorships:	<p>Chairman of Shanghai Pengxin Group</p> <p>Executive Chairman of Shanghai Entrepreneurs Association (private)</p> <p>Vice President of China Non-governmental Enterprise Directors Association (private)</p>
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

<b>Name:</b>	<b>Mr Sam Riggall</b>
<b>Title:</b>	Managing Director & Chief Executive Officer
<b>Qualifications:</b>	LLB (Hons), B.Com., MBA
<b>Experience and Expertise:</b>	<p>Mr Riggall has spent his career in the mining and technology industries as a company director, senior executive, adviser and investor. He has worked extensively in specialty minerals, initially as mining executive for the Rio Tinto Group's portfolio of industrial minerals businesses, and over the past decade in battery materials. Mr Riggall has worked in exploration, evaluation, development and operations, having served as a director on several public and private boards in Australia and overseas. He brings deep and extensive insight to the interface between emerging technologies and raw material markets and is an active advocate for reforming supply chains to accelerate innovation and better manage risk.</p> <p>Prior to Clean TeQ, Mr Riggall was head of strategy and planning at Ivanhoe Mines, where he worked actively in Central Asia, Africa and Australia. In his roles at both Rio Tinto and Ivanhoe, Mr Riggall was responsible for review of capital allocation decisions and new project generation. He has led negotiations with national governments and parliaments to secure long-term mine development agreements, as well as actively defending nationalisation and expropriation cases in many parts the world.</p> <p>Mr Riggall holds law and economics degrees from the University of Melbourne, and a MBA from Melbourne Business School. He is also a Fellow of the Australian Institute of Mining and Metallurgy and was awarded the Honour Medal of Economic and Financial Service by the Government of Mongolia for his contribution to Mongolia's economic and social development. 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.</p>
<b>Other current directorships:</b>	Nil
<b>Former directorships (last 3 years):</b>	Syrah Resources Limited (resigned 22 May 2020)
<b>Special responsibilities:</b>	Nil
<b>Interests in shares:</b>	26,440,247 fully paid ordinary shares
<b>Interests in options:</b>	1,000,000 expiring 9 August 2023 with a strike of \$0.3641
<b>Interests in rights:</b>	1,411,503

# DIRECTORS' REPORT

(CONTINUED)

Name:	Ms Stefanie Loader
Title:	Lead 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 experience 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. Ms Loader began her career with Rio Tinto as an exploration geologist in Australia and was 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. Ms Loader also led the development of the Bunder diamond project in India. Ms Loader was appointed a Director of Clean TeQ on 28 June 2017, with effect from 1 July 2017.
Other current directorships:	St Barbara Limited Port Waratah Coal Services Ltd (public unlisted) EMR Capital Golden Grove Pty Ltd (private)
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the People, Governance and Sustainability Committee Member of the Audit, Finance and Risk Committee
Interests in shares:	100,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil
Name:	Ms Judith Downes
Title:	Independent Non-Executive Director
Qualifications:	BA (Hons), DipEd, GradDipBus (Acct), FAICD, FCPA, FCA
Experience and Expertise:	Ms Downes has over 25 years of accounting and senior management experience, with a strong background in finance, audit and risk management with large ASX listed companies, as well as extensive experience in governance, equity and debt markets, acquisitions, divestments and financial reporting. Judith's most recent executive position was as Chief Financial Officer at Alumina Limited, where she was responsible for finance, accounting, treasury, investor relations and taxation. Prior this, she worked for Australia and New Zealand Banking Group Limited for 12 years across various financial and accounting roles including as Chief Financial Officer and Chief Operating Officer (Institutional Division). Ms Downes was appointed a Director of Clean TeQ on 1 October 2018.
Other current directorships:	Chair of Bank Australia (public unlisted) ImpediMed Limited
Former directorships (last 3 years):	Nil
Special responsibilities:	Chair of the Audit, Finance and Risk Committee
Interests in shares:	357,290
Interests in options:	Nil
Interests in rights:	Nil



<b>Name:</b>	<b>Mr Ian Knight</b>
<b>Title:</b>	Independent Non-Executive Director
<b>Qualifications:</b>	B.Bus; FCA
<b>Experience and Expertise:</b>	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 Managers & Leaders 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 Executive Chairman of Axsia Pty Limited. He was appointed a director of Clean TeQ on 8 July 2013.
<b>Other current directorships:</b>	Nil
<b>Former directorships (last 3 years):</b>	Nil
<b>Special responsibilities:</b>	Member of the Audit, Finance and Risk Committee Member of the People, Governance and Sustainability Committee
<b>Interests in shares:</b>	1,118,440 fully paid ordinary shares
<b>Interests in options:</b>	Nil

<b>Name:</b>	<b>Mr Eric Finlayson</b>
<b>Title:</b>	Non-Executive Director
<b>Qualifications:</b>	BSc (Honours) in Applied Geology
<b>Experience and Expertise:</b>	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.
<b>Other current directorships:</b>	Cordoba Minerals Corp. Kaizen Discovery Inc. Sama Resources Inc. VRB Energy (private)
<b>Former directorships (last 3 years):</b>	Apollo Minerals Limited (resigned 7 July 2016)
<b>Special responsibilities:</b>	Member of the People, Governance and Sustainability Committee
<b>Interests in shares:</b>	750,000 fully paid ordinary shares
<b>Interests in options:</b>	Nil
<b>Interests in rights:</b>	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.

# DIRECTORS' REPORT

(CONTINUED)

## Company Secretary

Ms Melanie Leydin was appointed to the position of Company Secretary on 7 July 2011. Ms Leydin is a Chartered Accountant, Fellow of the Governance Institute of Australia and principal of Leydin Freyer, a firm specializing in accounting and company secretarial services. Ms Leydin has over 25 years' experience in the accounting profession and over 15 years as a company secretary to a number of entities listed on ASX.

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board subcommittee held during the financial year ended 30 June 2020, and the number of meetings attended by each director are tabled below:

Director	Board		Audit and Finance Committee	
	Held	Attended	Held	Attended
Total meetings	8		3	
R Friedland	8	3	—	—
Z Jiang	8	6	—	—
S Riggall	8	8	—	—
S Loader	8	8	3	3
J Downes	8	8	3	3
E Finlayson	8	7	—	—
I Knight	8	8	3	3
M Spreadborough	5	5	—	—
S Wang	4	3	—	—

Director	Nomination, Remuneration and Governance Committee		Sustainability and Risk Committee	
	Held	Attended	Held	Attended
Total meetings	4		1	
R Friedland	—	—	—	—
Z Jiang	—	—	—	—
S Riggall	—	—	—	—
S Loader	4	4	1	1
J Downes	—	—	—	—
E Finlayson	4	4	—	—
I Knight	4	4	—	—
M Spreadborough	—	—	1	1
S Wang	—	—	—	—

 Chair  Member

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

**Attended:** indicates the number of meetings attended by each director during the time the director held office or was a member of the relevant committee.

In May 2020, the board reorganised the roles of the board subcommittees and reduced their number down to two in order to streamline subcommittee processes and reduce costs. The functions of the Sustainability and Risk Committee have been allocated to the two remaining committees – the Audit, Finance and Risk Committee and the People, Governance and Sustainability Committee.

Effective 1 January 2020, Judith Downes replaced Ian Knight as Chair of the Audit, Finance and Risk Committee.

The Company values a Board with a diverse mix of skills and experience. Co-Chair, Jiang Zhaobai, is not a fluent English speaker, and the Company has taken a number of steps to ensure that Mr Jiang understands and can contribute to the business of the Board and can discharge his duties effectively. Specifically, papers are distributed well in advance of Board meetings to allow time for review and comment. Further, Mr Jiang attends Board meetings with his bilingual Executive Assistant who assists with translation and communication. To the extent that Mr Jiang, or any Director, is unable to attend meetings, the Co-Chair or the Lead Independent Director ensure that their views are represented to the Board.

## Principal activities

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

- > The development of the Consolidated Entity's Clean TeQ Sunrise Nickel-Cobalt-Scandium Project in New South Wales and the ongoing development and use of the Clean-iX<sup>®</sup> 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 ('Metals Division'); and,
- > The ongoing development and commercialisation of the Company's proprietary Continuous Ionic Filtration ('CIF<sup>®</sup>'), Macroporous Polymer Adsorption ('MPA<sup>®</sup>'), Graphene Oxide and BIOCLENS 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.

## Review of operations

During the financial year ended 30 June 2020, the loss after tax for the Consolidated Entity amounted to \$197,676,000 (2019: loss after tax of \$18,013,000).

The Consolidated Entity's revenue and other income from continuing operations decreased to \$1,168,000 (2019: \$4,697,000) due primarily to a decrease in contract income from the Water Division.

The continuing development of the Sunrise Project resulted in \$41,880,000 of expenditure being capitalised as an exploration and evaluation asset during the financial year. This expenditure was financed largely by existing cash reserves along with the net cash inflows from operating activities of \$3,453,000. An impairment expense totalling \$179,221,000 was recognised during financial year in relation to the Metals cash generating unit comprised primarily of the Sunrise Nickel-Cobalt-Scandium Project which materially impacted the Consolidated Entity's loss after tax for the current year.

Revenues from continuing operations were low during the financial year since 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 decreased during the financial year by \$195,392,000 to \$42,084,000 (2019: \$237,476,000). Working capital, being current assets less current liabilities, amounts to a surplus of \$37,894,000 (2019: \$85,396,000), with cash and cash equivalents reducing from \$78,871,000 to \$40,083,000 during the financial year.

# DIRECTORS' REPORT

(CONTINUED)

## Metals Division

### Sunrise Battery Materials Complex

During the financial year, the Consolidated Entity continued to progress the development of the Clean TeQ Sunrise Nickel-Cobalt-Scandium Project. Pre-development activities continue to be focused on project engineering and design, as well as ongoing work toward securing financing and offtake agreements required prior to a final investment decision.

Following the release of the Definitive Feasibility Study ('DFS') in 2018, the Consolidated Entity signed a FEED Services Agreement and an EPC Heads of Agreement with Metallurgical Corporation of China Ltd ('MCC') for detailed engineering and construction of the Clean TeQ Sunrise processing plant. During the June 2019 quarter Clean TeQ also confirmed the engagement of Fluor Australia Pty Ltd as Sunrise Project Management Contractor ('PMC'). The PMC is a key project delivery partner, who will work with the Clean TeQ owner's team through the various project development, construction and commissioning phases.

The Sunrise engineering team made strong progress on several key design and engineering areas during the financial year including:

- > Process Plant Design: Process design criteria and mass balance modelling were completed with delivery of piping and instrumentation diagrams – key deliverables required in order to progress to commencement of detailed engineering;
- > Procurement and long-lead items: Key equipment procurement packages were progressed, including the acid plant, co-generation power unit, sulphate crystallizers, autoclave feed pumps and the ore sizer. These packages have been scoped and tendered, with formal bids received from a range of international suppliers;
- > Specialist constructability and operational design: Work on design services focused on safety and operability of the plant and efficiency of construction were actioned including hazard studies, safety in design and a review of constructability and pre-assembly; and,
- > Non-process plant infrastructure: Engineering of non-process plant infrastructure ('NPI') progressed steadily with a focus on bulk earthworks, site buildings, ancillary services and other NPI scope to support the mine and process plant.

In conjunction with these engineering deliverables, a comprehensive review was undertaken by Clean TeQ to assess key risks in both the design and delivery of the Project. The review was undertaken to identify the most efficient and effective execution plan, assessing (among other things) the process plant design, proposed vendors of key equipment packages, contracting risk (as it affects both commercial risk and financing of the Project) and planning undertaken to date for commencement of mobilisation and construction in Australia.

The key outcome of that review was that Project execution transitions to a conventional Engineering, Procurement and Construction Management ('EPCM') execution approach. The Project is best served by a delivery model that provides Clean TeQ with a higher degree of control over key aspects of project execution and management. Accordingly, Clean TeQ and MCC mutually agreed to terminate the MCC FEED Services Agreement and the EPC Heads of Agreement.

Since then, an integrated Fluor and Clean TeQ team has been undertaking a range of activities intended to deliver a comprehensive Project Execution Plan ('PEP') that sets up the Project for future delivery on an EPCM basis. The principal deliverables of the PEP include an update to the 2018 Definitive Feasibility Study ('DFS') outputs including the production forecast, resources, reserves and operating cost estimates for the Project as well as a revised master schedule.

The PEP work scope also includes a detailed re-estimation of the Project's capital development cost, incorporating the latest engineering and design work. Updated vendor pricing for key equipment packages is being obtained for virtually all major equipment packages. Materials and labour costs are being re-estimated based on updated quantities and current market rates. As the PEP progresses towards completion, a number of trends are emerging:

- > There is upward pressure on the capital cost estimate. Although the final economic outcomes of the PEP are yet to be determined, the Company advises that the PEP capital estimate will likely be higher than the 2018 DFS estimate; and,
- > Operating cost estimates indicate that the Project is expected to remain extremely competitive, still targeting first quartile nickel production costs as a result of strong cobalt by-product credits.



The Company expects that completion of the PEP workstreams, as well as the requisite review and sign-off processes, will result in the announcement of the PEP outcomes in late Q3 calendar year ('CY') 2020.

Over the financial year, the Company also continued to progress a range of other desk-top and site-based Project activities including:

- > Engineering and design for key supporting infrastructure including the proposed water supply pipeline, site earthworks the proposed electrical tie line to supply Sunrise with electricity from the NSW electrical grid as well as progressing connection arrangements with transmission groups;
- > Geotechnical drilling at the proposed site of the Sunrise processing plant;
- > A significant tree planting operation. Approximately 9,500 native species tree seedlings were planted around a number of Project area boundaries. In future years, the resulting vegetation screen will mitigate any visual amenity impacts of the Project;
- > On-site installation and commissioning of particulate matter dust monitors. Along with the existing meteorological station and dust deposition gauges, these particulate dust monitors will establish important site environmental baseline information;
- > Aboriginal cultural heritage salvage works were undertaken on the mining lease area in accordance with our Aboriginal Heritage Impact Permit. Members of our registered local Aboriginal parties participated in the salvage works. Collected artefacts are stored in a secure Aboriginal Keeping Place;
- > The Sunrise environment and approvals team continued to make good progress with the approval of management plans required prior to construction commencing. All of the ten required management plans have now been approved by the NSW Department of Planning, Industry and Environment;
- > The Company executed a Mining Lease Compensation Agreement with the government of New South Wales. The agreement sets out the basis on which the Company will access Crown land on the main Project area to conduct operations over the life of the Sunrise mine. As well as mineral tenure, Clean TeQ now has land tenure/access (either by freehold land ownership or through this Mining Lease Compensation Agreement) over all the land comprising the main approved mining/processing area detailed in the Sunrise Development Consent and mining lease MLI770;
- > Completion of an independent third-party environmental Life Cycle Assessment ('LCA') of Sunrise to quantify its greenhouse gas impacts, and to benchmark the Project against other hydrometallurgical processes used for nickel and cobalt recovery. The results of the LCA<sup>1</sup> demonstrated a carbon intensity (CO<sub>2</sub>e/kg contained nickel) of competing hydromet processes that are between 10% and 42% higher than Sunrise; and,
- > Ongoing engagement with a range of parties to secure land access arrangements (licences and easements) for the proposed water pipeline and electrical tie line.

### Scandium Marketing

In December 2019, Clean TeQ announced a collaboration with Panasonic Corporation Global Procurement Company to investigate the functional and commercial benefits of using scandium-containing aluminium alloys for certain applications in consumer and electronic products. The two companies have also agreed a binding Scandium Offtake Heads of Agreement for Clean TeQ to supply up to five tonnes per annum of scandium oxide (volumes to be determined at Panasonic's election) from the Sunrise Project.

The collaboration with Panasonic is consistent with Clean TeQ's long term strategy to work with, and assist, established industry players with low-cost programs to investigate and develop new applications for scandium-aluminium alloys. The Company's aim is to stimulate growth in demand for the material which will be converted into sales of scandium from the Sunrise Project once it is in operation.

<sup>1</sup> The greenhouse gas emission intensities of alternative processing routes are based on literature data that cannot be effectively harmonized. For comparison purposes the only harmonization that has occurred has been on end product (NiSO<sub>4</sub>) and using economic allocation to end products. Any comparison against Sunrise should be considered indicative only.

# DIRECTORS' REPORT

(CONTINUED)

## Partnering Process

The Company announced in June 2019 that it had appointed Macquarie Capital to run a partnering process for Clean TeQ to consider divesting an interest of up to 50% of the Project, in combination with long-term offtake. Although good interest has been expressed by a number of parties through that process, and engagement across the electric vehicle supply chain continues, to date the Company has not been able to secure an investment partner for the Project. As such, the Company was not able to commit to a final investment decision in mid-2020, as was targeted.

Not unexpectedly, the COVID-19 pandemic has presented difficult conditions for financial markets and challenges for funding new project developments. However, the Company remains optimistic on the outlook for demand growth in the electric vehicle and lithium-ion battery sectors, and in particular the strategic importance of Sunrise as one of the largest suppliers of battery-grade nickel and cobalt into the global electric vehicle supply chain.

While demand fundamentals continue to strengthen, the supply outlook for nickel and cobalt battery materials is challenging. Given the strong outlook for nickel and cobalt demand, the Company remains committed to developing the Project once funding has been secured. As such, the partnering process will continue, however the targeted timing for completion of any transaction is not possible to forecast, particularly in light of the significant uncertainty currently impacting the global economy as a result of the COVID-19 pandemic.

## Minore Project

During the quarter the Company was granted Exploration Licence 8961 (*Mining Act 1992*) for Group One metals (including base and precious metals) located near Dubbo and Narromine. Clean TeQ has also applied for an adjacent area subject to the existing Dubbo Mineral Allocation Area ('MAA'). The MAA system is a mineral exploration stimulus initiative by the NSW Government pursuant to which new exploration licence applications may not be lodged without Ministerial consent. The area is prospective primarily for copper/gold porphyry targets.

The area has been subject to limited mineral exploration, but there have been a number of shallow historic exploration drilling intercepts, largely drilled by CRA Exploration. The drilling targeted an outcropping north-west striking skarn, known as Minore, which exhibited boxwork structures and manganese in outcrop and magnetite, garnets, sulphides and epidote in fresher rock. The units dip moderately to the north-east where further structures of interest are noted from unprocessed Total Magnetic Intensity geophysical images.

Historic CRA diamond drill core is held at the Londonderry core library in NSW where Hylogger multispectral scans have recently been run on the core. Over the balance of CY 2020 Clean TeQ's geologists will further interpret this data while Southern Geoscience re-processes and interprets existing geophysical data over the area to better understand mineralisation target opportunities.

## Water Division

The Clean TeQ Water Division continues to progress activities focused on the development and commercialisation of the Consolidated suite of proprietary water purification processes with a focus on the Continuous Ionic Filtration technology ('CIF®').

## Water Projects

In November 2019, the Company announced successful customer acceptance of commissioning and handover of a ground-breaking CIF® plant in Oman. Clean TeQ was engaged by Multotec, the Company's sales and delivery partner in Africa, under a design, procure and construct contract to deliver a waste water treatment system at an antimony processing facility in Oman. The CIF® plant, utilising the Company's proprietary continuous ion-exchange technology, is designed to remove a range of deleterious elements from up to 200 tons of waste water per day. By treating the waste, the customer is able to recycle a significant proportion of the water for re-use in their processing plant, rather than disposing of it. This provides a valuable cost saving for the customer in a geographic location where water is relatively scarce. Recycling the water also results in environmental benefits by significantly reducing the volume of waste which would otherwise need to be disposed.

The plant consists of a number of precipitation steps to remove antimony, arsenic and hardness, followed by Clean TeQ's proprietary two stage CIF® system to extract calcium and magnesium sulphate plus any remaining heavy metals, followed by reverse osmosis to desalinate the water and prepare it for re-use.

Achieving customer acceptance of commissioning and handover of the plant demonstrates the effectiveness of the Company's proprietary technology as well as the capability of the Clean TeQ Water team. The plant was custom designed by Clean TeQ engineers in Melbourne, Australia, to meet the water treatment specifications required by the customer. CIF® plant fabrication, procurement and delivery was undertaken by Company personnel primarily based in Beijing. Equipment erection and installation was undertaken by a local construction contractor under supervision of Clean TeQ and Multotec.

Clean TeQ Water is now focused on completing two additional key projects at the Fosterville Gold Mine in Victoria, Australia and at a copper-cobalt mine in the DRC. These two Clean TeQ systems, as well as the plant completed in Oman, are the first of their type anywhere in the world and have been deployed as part of three different technical solutions. The successful delivery and commissioning of these three plants will provide strong demonstration of the efficacy of Clean TeQ's suite of proprietary ion exchange technologies and their versatility for metal extraction and waste water treatment. As commercial scale plants, the facilities provide a valuable platform from which to rapidly grow Clean TeQ Water.

At the Fosterville Gold Mine in Victoria, Australia, Clean TeQ was engaged to design, supply and commission a two million litre-per-day Clean TeQ DeSALx® mine water treatment plant. The plant is designed to deliver a sustainable water management solution by treating mine process water for reuse in the mine operations. Construction and commissioning of the plant has been completed. As at the end of June 2020 operation of the plant had been handed over to the customer and was running on waste water continuously. The Company is working with the customer with a view to confirming acceptance of completion during Q3 CY 2020.

In the DRC, Clean TeQ has been engaged to design and construct a Continuous Resin-In-Column (cLX) Ion Exchange plant to treat up to 20 million litres-per-day of a raffinate stream, removing contaminant metals and improving the quality and environmental rank of the raffinate, prior to further processing. All construction was completed during CY 2019 with hot commissioning commencing shortly thereafter. Initial tests showed that the cLX plant was performing well, exceeding design expectations. However, an accidental uncontrolled release of very high-pressure water from the main plant into the cLX system resulted in some damage being caused to the Clean TeQ plant, taking it offline. Repairs, as well as some other changes to the plant and process, are now close to completion. A restart of the plant was targeted for June, with performance testing of the cLX system to follow thereafter, but this timing is now highly uncertain given COVID-19 restrictions. Re-commissioning is expected to take around 8 weeks.

The Company announced in February 2020 that strong progress was being made towards Clean TeQ securing an engineering, procurement and construction ('EPC') contract with Townsville City Council for a large-scale water recycling plant utilizing our HiROx® process and BIOCLENS encapsulated bacteria. HiROx® is an ultra-high recovery water treatment process which combines Clean TeQ's CIF technology with reverse osmosis. Clean TeQ Water has been advised that it is the preferred contractor to deliver a recycled water re-use plant at the Cleveland Bay Purification Plant in Townsville, however, final award of an EPC contract is subject to a range of conditions including agreement on commercial terms, construction schedule and pricing. Townsville engaged Clean TeQ for an initial A\$920,000 scope of work for detailed design and procurement of long-lead items for the plant. The Company has received this non-refundable payment from Townsville and the work is currently underway.

### **BIOCLENS Manufacturing**

In 2018, Clean TeQ acquired an encapsulated bacteria technology comprising technology licences and a production plant for the manufacture of bacteria encapsulated in a polyvinyl alcohol lens – BIOCLENS. BIOCLENS offers significant opportunities in water treatment applications given the bacteria's ability to break down and remove over ninety percent of harmful nitrates and ammonia from wastewater. BIOCLENS, with encapsulated bacteria or enzymes, also has potential applications in the food and pharmaceuticals industries.

The bacteria are encapsulated in a plastic polymer in the shape of a lens. The lens shape and size are important as they ensure maximum biological activity while protecting the biology from potentially harmful environmental conditions.

The Company has established the BIOCLENS production facility in China for its growing pipeline of potential water purification projects. Having completed the transportation and installation of the lens manufacturing equipment to a facility in Tianjin, trial production runs started in Q3 CY 2019. Stable output at consistent quality from continuous operation was achieved in Q2 CY 2020.

## DIRECTORS' REPORT

(CONTINUED)

In conventional biological purification processes, the salinity of the water suppresses the activity of the bacteria and limits its ability to remove ammonia and nitrate to the desirable levels for recycling. The BIOCLENS technology is highly amenable for application in the aquaculture sector because the polymer lens protects the bacteria to maintain high biological activity in this saline environment.

Clean TeQ has now been awarded a contract to pilot the BIOCLENS technology to treat 100 cubic meters per day of wastewater produced by a shrimp farm located in Tianjin. The pilot trial run is scheduled to take place in Q3 CY 2020, subject to COVID19 travel restrictions. Aquaculture facilities around the world generate significant volumes of saline wastewater. The pilot run will confirm that the BIOCLENS technology can successfully reduce nitrate concentration in the wastewater effluent to below 5 ppm. Successful demonstration of this capability will allow Clean TeQ to enter the global aquaculture sector.

The BIOCLENS technology is also an important water purification process in the proposed Townsville Project where it is employed to reduce the nitrogen load of the wastewater effluent discharged from the facility.

Combined with Clean TeQ's proprietary ion exchange capability, the addition of BIOCLENS technology allows Clean TeQ Water to provide a broad suite of solutions to the global water treatment market that are focused on cost-effectiveness, performance and sustainability.

### NematiQ Graphene Oxide Joint Venture

In late CY 2018, Clean TeQ and Ionic Industries established a joint venture company NematiQ Pty Ltd ('NematiQ') to pursue in partnership the development of graphene oxide ('GO') membranes for water treatment applications. Clean TeQ and Ionic have developed a process to manufacture high-purity GO that can be applied to a membrane support to create a graphene nanofiltration membrane (GO-Membrane). Significantly, the GO-Membrane manufacturing process has been demonstrated on commercial scale industrial equipment.

In water purification applications, GO membranes have the potential to offer distinct operational advantages over the current polymer nanofiltration membranes, providing a significant commercial opportunity should the technology prove successful. The benefits of graphene oxide nanofiltration membranes when compared to conventional nanofiltration membranes include higher flux (flow rates) and lower propensity to fouling. These benefits have the potential to deliver lower operating costs, longer membrane life and lower maintenance costs.

NematiQ has established a factory and office premises in Notting Hill, adjacent to the existing Clean TeQ head office and laboratory. From this facility, NematiQ is focused on optimising its proprietary process for refining graphite oxide raw material into graphene oxide, which is used to form the filtration layer of the GO-Membrane. A pilot plant for the manufacture of high purity graphene oxide has been designed and installed at NematiQ's premises, with graphene oxide produced by the facility to be used for larger scale manufacture of graphene oxide membranes.

The work completed during the financial year by the NematiQ team has been aimed at production of a marketable GO-Membrane product.

The development of the membrane has now progressed to a stage where we have produced at pilot scale a graphene oxide-based membrane with a molecular weight cut-off of 1,000 Daltons (commercial target molecular weight for nanofiltration) and with a flux rate that is superior to the currently available polymer based nanofiltration membranes.

The applications for these membranes are numerous and include many large-scale market segments such as removal of organics from drinking water and from wastewater effluents along with more niche markets in value-added industries such as food and pharmaceutical.

### Corporate

In July 2019, the Company received a cash payment of A\$14.6 million from the Australian Tax Office, representing the refundable tax offset available under the Research and Development ('R&D') Tax Incentive for FY 2018. In April 2020 Clean TeQ received a cash rebate of approximately \$4.4 million from the Australian Tax Office, representing the refundable tax offset available under the R&DTax Incentive for FY 2019. Clean TeQ's R&D activities during FY 2019 included valuable work to further advance the Company's proprietary Clean iX® continuous ion exchange technology platform. These efforts have generated significant benefits for the development of the Clean TeQ Sunrise Project, as well as several important projects currently being commercialized within Clean TeQ Water.



Clean TeQ and Ionic Industries established NematiQ as a joint venture company to pursue in partnership the development of graphene oxide membranes for water treatment applications. Ionic and the Company fund NematiQ's activities through periodic cash calls provided as shareholder loans. Under the terms of the NematiQ joint venture agreement, if a party fails to fund a cash call, then the other party may fund the resulting shortfall as either a senior loan or an equity placement at a pre-agreed price. During the quarter Clean TeQ funded a \$164,803 shortfall by way of equity placement in NematiQ at \$1 per share. As a result of the equity placement, the ownership of NematiQ is now approximately 81.5% Clean TeQ and 18.5% Ionic Industries.

## COVID-19

During the financial year there have been no material impacts on Clean TeQ's ongoing operations as a result of the COVID-19 pandemic. Remote working systems and technologies have been adopted in order to ensure that office-based workflows are not materially disrupted during periods when significant numbers of staff have been required to work from home. Field and laboratory staff have adopted control measures based on medical advice and have continued to work largely uninterrupted.

Control measures have been put in place in various regions which are limiting the movement of people. Until they are lifted, those measures may result in delays to some of the Company's planned future field activities including progressing the completion of current and future water purification projects, pilot projects and field activities at Sunrise. It is not possible to estimate the probable extent of those delays at this time.

The Sunrise Project Execution Plan remains on schedule to conclude at the end of Q3 CY 2020. Not unexpectedly, the COVID-19 pandemic has presented difficult conditions for financial markets and challenges for funding new project developments. However, given the strong outlook for nickel and cobalt demand, the Company remains committed to developing the Project once funding has been secured. As such, the Sunrise partnering process will continue, however the targeted timing for completion of any transaction is not possible to forecast, particularly in light of the significant uncertainty currently impacting the global economy as a result of the COVID-19 pandemic.

In order to sustain the group's cash reserves for as long as possible while we continue to seek funding for the Project, a range of measures were implemented during the financial year which reflect the fact that the level of Sunrise Project activity will significantly reduce over the next few months once the PEP is delivered.

These include:

- > A substantial proportion of the Sunrise PEP study, engineering and support teams will be demobilised during Q3 CY 2020 as workstreams relating to the PEP are completed;
- > The Clean TeQ board of directors has reduced total non-executive director fees by approximately 40%;
- > Key Management Personnel (MD/CEO, CFO and Sunrise Project Director) have agreed to a 20% reduction in their total fixed remuneration and a higher proportion of senior executive remuneration will be 'at-risk', to minimise cash awards under the Company's short-term incentive plan. Although subject to periodic review by the board, it is intended that these remuneration adjustments will remain in place until funding has been secured for the Project; and,
- > A pay-freeze has been implemented for FY 2021.

Global economic conditions are being heavily impacted by the COVID-19 pandemic. In response, many governments have announced stimulus packages and may enact further stimulus packages to rebuild economies post-COVID-19. If, and to what extent, the pandemic or any applicable stimulus package may negatively or positively impact on the demand for, or prices of, Clean TeQ's products in the future is uncertain.

The Company is well capitalised in order to navigate through a period of near-term uncertainty. Despite the significant impacts on capital markets and commodity prices due to COVID-19, we believe that the long-term market fundamentals for water purification technologies and nickel and cobalt remain strong, with ongoing commitment to improving environmental outcomes including the transition of the global transport sector to lithium ion powered electric vehicles by supply chain participants and governments.

These actual and potential impacts of COVID-19 have been considered by the board in making critical judgements required for the preparation of the financial statements for the financial year ending 30 June 2020.

# DIRECTORS' REPORT

(CONTINUED)

## Significant changes in the state of affairs

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 2020 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.

## 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 13. The authorities responsible for the granting of these licences require the tenement holder to comply with the terms and conditions of the licences 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.

The People, Governance and Sustainability Committee is responsible for monitoring compliance with the terms and conditions of the licences. 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.

## Dividends

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

## Corporate Governance Statement

The Company's 2020 Corporate Governance Statement was released to the ASX on 24 August 2020 and is available at [www.cleanteq.com](http://www.cleanteq.com).

## 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.

## 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 24 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 24 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

Mr 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. The Board believes this prior relationship with KPMG does not interfere with Mr Knight's exercise of objective, unfettered or independent judgement, or his ability to act in the best interests of the Consolidated Entity. The Board has determined, consistent with its policy on the independence of Directors, that Mr Knight is independent.

## 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 43 and forms part of the Directors' Report for the financial year ended 30 June 2020.

## 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 2020  
Melbourne

## REMUNERATION REPORT (AUDITED)

The Directors of Clean TeQ Holdings Limited present this Remuneration Report, which has been audited, for the financial year ending 30 June 2020.

The Remuneration Report provides information about the remuneration of Clean TeQ's key management personnel ('KMP'), being those executives with authority and responsibility for planning, directing, and controlling the activities of the Consolidated Entity, and its non-executive directors. The Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001* and contains the following sections:

<b>Section 1</b> Remuneration at Clean TeQ	This section of the Remuneration Report provides an overview of Clean TeQ's remuneration principles and structure of remuneration for KMP.
<b>Section 2</b> Performance and Executive Remuneration Outcomes	This section details the remuneration outcomes for Clean TeQ's KMP in the financial year. It also demonstrates how the components of remuneration at Clean TeQ are aligned with value-creation by being linked to the Company's performance.
<b>Section 3</b> Non-Executive Director Remuneration	This section outlines the remuneration structure and fees paid to Clean TeQ's non-executive directors.
<b>Section 4</b> Statutory Remuneration Disclosures	This section includes statutorily required remuneration disclosures for the financial year, including details of equity awards and KMP and non-executive director interests in equity instruments of Clean TeQ.

Non-executive Directors for the purposes of this report are as follows:

- > **Robert Friedland** (Co-Chairman and Non-Executive Director)
- > **Jiang Zhaobai** (Co-Chairman and Non-Executive Director)
- > **Stefanie Loader** (Lead Independent Non-Executive Director)
- > **Judith Downes** (Independent Non-Executive Director)
- > **Eric Finlayson** (Non-Executive Director)
- > **Ian Knight** (Independent Non-Executive Director)
- > **Michael Spreadborough** (Independent Non-Executive Director – resigned 2 March 2020)
- > **Shawn Wang** (Non-Executive Director – resigned 30 October 2019)

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

- > **Sam Riggall** – Managing Director and Chief Executive Officer
- > **Ben Stockdale** – Chief Financial Officer
- > **Tim Kindred** – Sunrise Project and Start-Up Director

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.



## Section 1: Remuneration at Clean TeQ

The Board of Directors is responsible for approving the compensation arrangements for the directors and KMP following recommendations received from the People, Governance and Sustainability Committee. The Board, in conjunction with the People, Governance and Sustainability Committee, regularly 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.

Compensation levels are set to attract and retain appropriately qualified and experienced directors and executives. As and when required the People, Governance and Sustainability 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 expert remuneration benchmarking advice was provided by Mercer Consulting (Australia) Pty Ltd ('Mercer') at a cost of \$32,000 during the 2017 financial year in relation to the absolute levels and the structure of non-executive director and KMP remuneration. To ensure the recommendations were not subject to undue influence from any KMP to whom the recommendations applied, Mercer reported directly to the Chair of the Nomination and Remuneration Committee<sup>2</sup>, who oversaw the engagement. The Board is satisfied that the measures were effective, and that the recommendations were not subject to undue influence from any KMP to whom the recommendations applied. The recommendations were implemented during 2018 financial year.

Since the adoption of the Mercer recommendations, non-executive director remuneration consists of fixed directors' fees only. KMP remuneration is structured to consist of fixed and variable remuneration. The KMP compensation structures explained below are designed to reward the achievement of strategic objectives, align performance with shareholder interests and create the broader outcome of creating value for shareholders.

The compensation structures take into account:

- > the capability and experience of the KMP;
- > KMPs' ability to control the relevant segment's performance;
- > the Consolidated Entity's performance including:
  - (i) the Company's market capitalisation;
  - (ii) the Consolidated Entity's earnings; and,
  - (iii) the growth in share price and delivering shareholder returns.

KMP 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.

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

### Fixed remuneration

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

Compensation levels are reviewed at least annually by the People, Governance and Sustainability Committee through a process that considers individual, segment and overall performance of the Consolidated Entity.

<sup>2</sup> Since renamed the People, Governance and Sustainability Committee.

## DIRECTORS' REPORT

(CONTINUED)

### Performance-linked remuneration

Clean TeQ's approach to remuneration is to ensure that remuneration received by KMP is closely linked to the Consolidated Entity's performance and the returns generated for shareholders. Performance-linked compensation, as outlined in the Consolidated Entity's Employee Incentive Plan ('EIP'), includes both short-term and long-term incentives, and is designed to incentivise and reward employees for meeting or exceeding Company-wide and individual objectives. The short-term incentive ('STI') is an 'at risk' bonus provided in the form of cash and/or shares, while the long-term incentive ('LTI') is provided as options and performance rights over ordinary shares of the Company. The STI and LTI plans provide for the Board to be able to exercise discretion on the award of cash bonuses, options and performance rights.

Within the established remuneration framework, each employee is assigned a level which reflects the seniority and responsibility associated with their role. This level determines an employees' participation in the STI and LTI, and therefore, the proportion of their total remuneration which is linked to performance. Senior executives of the Company have a higher proportion of their total potential remuneration 'at risk'. During the financial year the EIP metrics were reviewed and amended by the board. In order to create stronger alignment of senior executive staff remuneration outcomes with the long-term interests of shareholders, short-term cash STI percentage was reduced and the long-term LTI percentage was increased for Level 1 and 2 employees. Short-term cash STI percentage was increased and the long-term LTI percentage was reduced for Level 4 and 5 employees. The applicable annual EIP metrics, which are effective from 1 July 2020, are detailed below.

Percentage of TFR	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
STI – bonus	20%	20%	20%	20%	20%
LTI – performance rights	150%	100%	20%	10%	5%

Total Remuneration Breakdown	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
TFR	37%	45%	71%	77%	80%
STI – bonus	7%	9%	14%	15%	16%
LTI – performance rights	56%	45%	14%	8%	4%
<b>Total at risk</b>	<b>63%</b>	<b>55%</b>	<b>29%</b>	<b>23%</b>	<b>20%</b>

The Board considers that the performance-linked compensation structure outlined in the EIP will generate the desired outcome in respect of attracting and retaining high calibre employees and aligning employee performance with shareholder interests. Refer to Section 2 of this Remuneration Report for an analysis of the Consolidated Entity's performance in the financial year ending 30 June 2020 and link to overall remuneration.

### Short Term Incentive

The STI has been adopted to link employee remuneration to key business outcomes which drive value creation in the short to medium term.

Each year, all employees have individual key performance indicators ('KPI's') agreed with their manager. The Board approves the individual KPI's for the CEO based on the recommendation of the People, Governance and Sustainability Committee. The CEO approves the individual KPI's for the KMP with endorsement from the People, Governance and Sustainability Committee. The individual performance objectives are designed to focus employees on goals and objectives specific to their roles and typically include financial performance compared to budgeted amounts as well as non-financial metrics which vary with position and responsibility and include measures such as completion of specific tasks and projects as well as health, safety and environment outcomes and staff development.

KPI's for the Consolidated Entity are also set each year by the Board. KPI's for the Consolidated Entity are designed to focus employees on the key goals and objectives of the business as a whole and include metrics relating to the financing and development of the Sunrise Project and the growth and financial performance of the Water Business.

At the end of the financial year, each employee's performance is assessed against their individual KPI's and a score is assigned. The Board approves the KPI assessments for the CEO based on the recommendation of the People, Governance and Sustainability Committee. The People, Governance and Sustainability Committee approves the assessments of the individual KPI's for the KMP based on the recommendation of the CEO.

The Board assesses the performance of the Consolidated Entity against the Consolidated Entity KPI's and a score is assigned. An employees' overall KPI score will be a combination of their individual KPI score and the Consolidated Entity KPI score, with higher level employees having a higher weighting of the Company KPI score vs the individual KPI score. The weighting applicable for each employee level is tabled below. The KPI score determines the STI outcome for each employee, subject ultimately to Board approval of the overall amount of the STI cash bonus pool to be awarded each year, if any.

STI Weighting	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
Company KPI's	70%	50%	25%	0%	0%
Individual KPI's	30%	50%	75%	100%	100%

There are also a number of defined disqualifying events which, if triggered, result in no STI being awarded for a financial year. These disqualifying events comprise a small number of severely adverse health, safety, environment and community related occurrences.

### Long Term Incentive

The LTI has been adopted to align employees' interests directly with shareholders by linking employee remuneration to the Company's share price performance over the medium to longer term. The LTI comprises grants of performance rights to all employees, and options to certain senior executives, pursuant to the Company's Employee Incentive Plan Rules which were approved by shareholders on 19 July 2017.

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 TFR, and priced based on the Company's share price at the time of grant. Vesting is contingent on the Company meeting or exceeding performance hurdles over the performance period. The performance hurdles involve an assessment of the Company's total shareholder returns in absolute terms and relative to Comparator Peer Group of companies. The Comparator Peer Group is selected on the basis that it presents the best fit for Clean TeQ over the coming years and is an established and 'live' index. The Comparator Peer Group is reviewed for each tranche of performance rights to ensure the group maintains ongoing relevance.

The EIP also provides for certain 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 senior executives with other owners of the Company over the medium to longer term and to increase those senior executives' proportion of 'at risk' remuneration. The ability to exercise the options is conditional upon each key executive's ongoing employment by the Company and other applicable vesting hurdles determined by the Board from time to time.

# DIRECTORS' REPORT

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## Section 2: Performance and Executive Remuneration Outcomes

During the current financial year the Consolidated Entity made good progress towards achieving some of its operational targets, however, a number of those operational targets were not achieved and 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.

### STI Performance and Outcomes

The Consolidated Entity's KPI's for FY20 are tabled below, along with the annual performance assessment undertaken by the People, Governance and Sustainability Committee. The Consolidated Entity KPI targets are intentionally challenging, and stretch targets are defined to deliver enhanced remuneration outcomes up to 125% grading for outstanding performance. As such, STI bonus payments are capped at an absolute maximum of 125% of TFR. While the precise terms of those objectives and progress made is in some cases commercially sensitive, a summary of the 2020 key strategic objectives and progress made against those objectives is set out below.

Measure	KPI	Weight	Result	Score
Sunrise Project	Finance and implementation plan support final investment decision and on-site Sunrise Project construction commences	80%	0%	0%
Water Business	Three new successfully contracted water plants	20%	0%	0%
<b>Total</b>				0%

Disclosure of disqualifying events is tabled below.

Measure	Event	Occurrence
Health and Safety	Workplace fatality	No
Environment	Category four environmental incident	No
Community	Event resulting in material community or reputational damage	No

The following provides details on the factors which were considered by the Board in relation to the Consolidated Entity's performance against its KPI's in the financial year ending 30 June 2020, as well as the rationale for inclusion of the particular metric.

### Financing and development of the Sunrise Project (80% weighting)

The Board considers that the financing and development of the Sunrise Project will create significant long-term value for shareholders. Accordingly, this objective remains the key focus of the Board and senior executives and this metric is allocated the highest weighting in the KPI's for the Consolidated Entity.

During the financial year, significant progress was made in progressing the financing and development of the Sunrise Project, however, the target of achieving a final investment decision and commencement of construction was not achieved. Accordingly, the KPI is assessed as zero for the financial year.

## Water Business (20% weighting)

The Board considers that the ongoing development and growth of the Water Business has the potential to create significant long-term value for shareholders. Accordingly, this objective remains a strong focus of the Board and senior executives and this metric is allocated a material weighting in the KPI's for the Consolidated Entity.

During the financial year, the Water Business made excellent progress towards completion, commissioning and handover of three commercial scale water purification plants in Oman, Australia and Democratic Republic of Congo. By year end, successful customer acceptance of commissioning and handover of the ground-breaking CIF® plant in Oman had been achieved and the other two projects had completed the design, engineering, procurement, delivery and construction phases and were at various stages of commissioning. Clean TeQ Water has been advised that it is the preferred contractor to deliver a recycled water re-use plant at the Cleveland Bay Purification Plant in Townsville, however, final award of an EPC contract is subject to a range of conditions including agreement on commercial terms, construction schedule and pricing. Notwithstanding the strong progress made in the Water Business during the financial year, no new contracts were awarded so the KPI is assessed as zero.

## Disqualifying Events

Providing a safe workplace for all employees and ensuring that the impact of the Consolidated Entity's activities on the environment and local community stakeholders is managed appropriately is integral to Clean TeQ's corporate objectives and values.

No disqualifying events occurred during the financial year.

## STI Outcome for the Consolidated Entity

In considering the Consolidated Entity's performance, the Board also 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 2020 are summarised below:

	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
Loss after income tax	(6,423)	(12,184)	(16,012)	(18,013)	(197,676)

The factors that affect total shareholder returns are summarised below:

	2016	2017	2018	2019	2020
Share price at financial year end (\$)	0.43	0.67	0.81	0.38	0.14
Movement in share price (\$)	0.20	0.24	0.14	(0.43)	(0.24)
Dividends paid (\$)	—	—	—	—	—
Market Capitalisation Undiluted (\$M)	200	381	598	284	105

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

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### KMP Individual STI Outcomes for 2020

#### Sam Riggall – Managing Director and Chief Executive Officer

Mr Riggall's performance against his individual objectives is summarised below:

Category	KPI
Team	Build and lead a cohesive and high-performing executive team, focused on taking Sunrise through development and construction.
Markets	Manage investor relations and communications to effectively promote the company.

The Board, based on the recommendation of the People, Governance and Sustainability Committee, assessed Mr Riggall's performance against his individual objectives as 50% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted
Consolidated Entity KPI's	70%	0%	0%
Individual KPI's	30%	50%	15%
Total			15%
STI outcome as a percentage of TFR			15%
STI award as a percentage of maximum STI			0%

The STI outcome for FY20 would ordinarily entitle Mr Riggall to receive a cash bonus, however, with a view to maximising the cash reserves of the Consolidated Entity, Mr Riggall volunteered to forfeit his STI bonus relating to the 2020 financial year. As such, the actual amount of the STI awarded is 0% of the theoretical maximum, with 100% forfeited.

With a view to maximising the cash reserves of the Consolidated Entity, effective 1 July 2020 Mr Riggall volunteered to reduce his TFR by 20% to \$381,060.

During the financial year Mr Riggall was granted 408,117 Performance Rights which vest on 1 July 2022. The Board also agreed to grant to Mr Riggall, subject to shareholder approval at a meeting yet to be convened, 348,742 Performance Rights which vest on 1 January 2023. In July 2020, the Board agreed to grant to Mr Riggall, subject to shareholder approval at a meeting yet to be convened, 2,173,194 Performance Rights which vest on 1 July 2023. All Performance Rights vest subject to defined performance criteria (see below for further details of the performance criteria).

#### Ben Stockdale – Chief Financial Officer

Mr Stockdale's performance against his individual objectives is summarised below:

Category	KPI
Finance	Manage the group finance function including financial reporting, tax, insurance, compliance, administration and IT within budget parameters
Funding	Formulate and implement funding strategy including debt finance facility for Sunrise
Risk Management	Oversee group risk management framework
Commercial	Oversee group commercial and marketing functions
Investor Relations	Enhance communication with markets and investors

The People, Governance and Sustainability Committee, based on the recommendation of the CEO, assessed Mr Stockdale's performance against his individual objectives as 57% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted
Consolidated Entity KPI's	50%	0%	0%
Individual KPI's	50%	57%	28.5%
Total			28.5%
STI outcome as a percentage of TFR			28.5%
STI award as a percentage of maximum STI			0%

The STI outcome for FY20 would ordinarily entitle Mr Stockdale to receive a cash bonus, however, with a view to maximising the cash reserves of the Consolidated Entity, Mr Stockdale volunteered to forfeit his STI bonus relating to the 2020 financial year. As such, the actual amount of the STI awarded is 0% of the theoretical maximum, with 100% forfeited.

With a view to maximising the cash reserves of the Consolidated Entity, effective 1 July 2020 Mr Stockdale volunteered to reduce his TFR by 20% to \$315,360.

During the financial year Mr Stockdale was granted 225,168 Performance Rights which vest on 1 July 2022 and 370,489 Performance Rights which vest on 1 January 2023. In July 2020, Mr Stockdale was granted 1,199,004 Performance Rights which vest on 1 July 2023. All Performance Rights vest subject to defined performance criteria (see below for further details of the performance criteria).

### Tim Kindred – Sunrise Project and Start-Up Director

Mr Kindred's performance against his individual objectives is summarised below:

Category	KPI
Sunrise	<ul style="list-style-type: none"> <li>&gt; Establish a high-performing team of employees and contractors to take Sunrise through development and construction</li> <li>&gt; Progress front end engineering and design and other project works in line with defined targets</li> <li>&gt; Enhance processes for managing and reporting of schedule, scope and costs</li> <li>&gt; Develop enhanced project HSEC framework</li> </ul>

The People, Governance and Sustainability Committee, based on the recommendation of the CEO, assessed Mr Kindred's performance against his individual objectives as 61% of target, resulting in the STI outcome tabled below.

STI	Weighting	Result	Weighted
Consolidated Entity KPI's	50%	0%	0%
Individual KPI's	50%	61%	30.5%
Total			30.5%
STI outcome as a percentage of TFR			30.5%
STI award as a percentage of maximum STI			0.0%

The STI outcome for FY20 would ordinarily entitle Mr Kindred to receive a cash bonus, however, with a view to maximising the cash reserves of the Consolidated Entity, Mr Kindred volunteered to forfeit his STI bonus relating to the 2020 financial year. As such, the actual amount of the STI awarded is 0% of the theoretical maximum, with 100% forfeited.

## DIRECTORS' REPORT

(CONTINUED)

With a view to maximising the cash reserves of the Consolidated Entity, effective 1 July 2020 Mr Kindred volunteered to reduce his TFR by 20% to \$ 357,058.

During the financial year Mr Kindred was granted 254,940 Performance Rights which vest on 1 July 2022 and 419,476 Performance Rights which vest on 1 January 2023. In July 2020, Mr Kindred was granted 1,357,538 Performance Rights which vest on 1 July 2023. All Performance Rights vest subject to defined performance criteria (see below for further details of the performance criteria).

### Performance Criteria for Performance Rights

The performance criteria for the performance rights granted to KMP during the financial year are detailed below:

**Performance Criteria 1: 50% Performance Rights vesting conditional on Clean TeQ's absolute total shareholder return ('TSR') performance**

Absolute TSR	Performance Rights vesting
12.5% pa compounding annually or greater	100%
7.5% pa compounding annually	50%^
Less than 7.5% pa compounding	0%

^ Straight line pro-rata vesting between 7.5% and 12.5%.

**Performance Criteria 2: 50% vesting conditional on Clean TeQ's TSR performance compared to the Comparator Peer Group**

Comparative TSR	Performance Rights vesting
At or above 75th Percentile	100%
At median	50%^^
Below median	0%

^^ Straight line pro-rata vesting between the median and 75th percentile performance.

The Comparator Peer Groups for Performance Rights is listed below. This group is selected on the basis that it presents the best fit for Clean TeQ over the coming years and is an established and 'live' index. The comparator Peer Group will be reviewed for each tranche of LTI grant to ensure the group is tested for relevance and to determine the applicable price. The Board reserves the right to amend the Comparator Peer Group as appropriate.

### July 2019 and January 2020 Performance Rights Grant Comparator Peer Group

Altura Mining Limited (ASX: AJM)	New Century Resources (ASX: NCZ)
Galaxy Resources Limited (ASX: GXY)	Nickel Mines (ASX: NIC)
Ioneer (ASX: INR)	Orocobre Limited (ASX: ORE)
Lynas Corporation Limited (ASX: LYC)	Pilbara Minerals Limited (ASX: PLS)
Magnis Resources Limited (ASX: MNS)	Sandfire Resources Limited (ASX: SFR)
Metals X Limited (ASX: MLX)	Syrah Resources Limited (ASX: SYR)
Mineral Resources Limited (ASX: MIN)	Western Areas Ltd (ASX: WSA)

### July 2020 Performance Rights Grant Comparator Peer Group

Altura Mining Limited (ASX: AJM)	New Century Resources (ASX: NCZ)
Australian Mines Limited (ASX: AUZ)	Niocorp Developments Ltd (TSX: NB)
Fluence Corporation (ASX: FLC)	Phoslock Environmental Technologies Ltd (ASX: PET)
loneer (ASX: INR)	Pilbara Minerals Limited (ASX: PLS)
Jervois Mining Limited (ASX: JRV)	Purifloh Limited (ASX: PO3)
Metals X Limited (ASX: MLX)	Scandium International Mining Corp (TSX: SCY)
Mincor Resources NL (ASX: MCR)	Syrah Resources Limited (ASX: SYR)

### LTI Performance and Outcomes

At the end of the financial year, the 2017 grant of LTI Performance Rights completed their performance period (June 2017 to June 2020). The vesting of this tranche of Performance Rights was conditional on Clean TeQ's TSR performance compared to a comparator peer group of companies determined at the time of grant in 2017 based on the following:

Comparative TSR	Performance Rights vesting
At or above 75th Percentile	100%
At median	50%^
Below median	0%

^^ Straight line pro-rata conversion between the median and 75th percentile performance.

Compared to the applicable comparator peer group, Clean TeQ's TSR was below the median, and as such, none of the 2017 tranche of Performance Rights vest, and all those instruments lapse.

## DIRECTORS' REPORT

(CONTINUED)

### KMP Employment Agreements

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

<b>Name:</b>	Mr Sam Riggall
<b>Title:</b>	Managing Director and Chief Executive Officer
<b>Agreement commenced:</b>	1 July 2015
<b>Term of agreement:</b>	No fixed term
<b>Termination:</b>	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.

<b>Name:</b>	Mr Ben Stockdale
<b>Title:</b>	Chief Financial Officer
<b>Agreement commenced:</b>	15 January 2015
<b>Term of agreement:</b>	No fixed term
<b>Termination:</b>	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.

<b>Name:</b>	Mr Tim Kindred
<b>Title:</b>	Sunrise Project and Start-Up Director
<b>Agreement commenced:</b>	20 February 2018
<b>Term of agreement:</b>	No fixed term
<b>Termination:</b>	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.

### Section 3: Non-Executive Director Remuneration

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 (as approved by shareholders on 19 July 2017) 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 base fees for Board participation and fees for subcommittee roles and responsibilities. The structure of Non-Executive Director fees is tabled below.

With a view to maximising the cash reserves of the Consolidated Entity, the Clean TeQ board of directors reduced total non-executive director fees by approximately 40% with effect from 1 April 2020. The new fees are tabled below.

<b>Non-Executive Director Base Fees</b>	
Board Co-Chairman	70,000
Lead Independent Non-Executive Director	60,000
Board Member	50,000
<b>Board Subcommittee Fees</b>	
Audit, Finance and Risk Committee Chair	12,500
Audit, Finance and Risk Committee Member	5,000
People, Governance and Sustainability Committee Chair	12,500
People, Governance and Sustainability Committee Member	5,000

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.



# DIRECTORS' REPORT

(CONTINUED)

## Section 4: Statutory Remuneration Disclosures

Details of the remuneration and holdings in the securities of the Company of the KMP and Non-Executive Directors, prepared in accordance with the requirements of the *Corporations Act 2001* and applicable Australian Accounting Standards, are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	Total
	Cash salary and fees	Bonus*	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2020	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors:</b>							
Robert Friedland	113,125	—	—	—	—	—	113,125
Jiang Zhaobai	113,125	—	—	—	—	—	113,125
Judith Downes	79,528	—	—	8,206	—	—	87,734
Eric Finlayson	74,201	—	—	7,049	—	—	81,250
Ian Knight	89,998	—	—	—	—	—	89,998
Stefanie Loader	107,500	—	—	—	—	—	107,500
Mike Spreadborough**	59,361	—	—	5,639	—	—	65,000
Shawn Wang***	30,000	—	—	—	—	—	30,000
<b>Executive Director:</b>							
Sam Riggall	435,000	—	—	25,000	7,290	287,056	754,346
<b>KMP:</b>							
Tim Kindred	421,322	—	—	25,000	14,903	207,727	668,952
Ben Stockdale	369,200	—	—	25,000	6,187	202,223	602,610
	1,892,360	—	—	95,894	28,380	697,006	2,713,640

\* Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.

\*\* Mike Spreadborough resigned as a Non-Executive Director effective 2 March 2020.

\*\*\* Shawn Wang resigned as a Non-Executive Director effective 30 October 2019.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share based payments	Total
	Cash salary and fees	Bonus*	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2019	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors:</b>							
Robert Friedland	127,500	—	—	—	—	—	127,500
Jiang Zhaobai	127,500	—	—	—	—	—	127,500
Li Bingham**	60,000	—	—	—	—	—	60,000
Judith Downes***	61,262	—	—	5,820	—	—	67,082
Eric Finlayson	82,192	—	—	7,808	—	—	90,000
Ian Knight	101,946	—	—	—	—	—	101,946
Stefanie Loader	107,500	—	—	—	—	—	107,500
Mike Spreadborough	90,563	—	—	8,604	—	53,576	152,743
Shawn Wang****	30,000	—	—	—	—	—	30,000
<b>Executive Director:</b>							
Sam Riggall	435,000	—	—	25,000	7,022	195,218	662,240
<b>KMP:</b>							
Tim Kindred	421,322	—	—	25,000	1,726	187,129	635,177
Ben Stockdale	369,200	—	—	25,000	6,638	69,226	470,064
	2,013,985	—	—	97,232	15,386	505,149	2,631,752

\* Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.

\*\* Li Bingham resigned as a Non-Executive Director effective 6 March 2019.

\*\*\* Judith Downes was appointed to the Board as a Non-Executive Director effective 1 October 2018.

\*\*\*\* Shawn Wang was appointed to the Board as a Non-Executive Director, effective 6 March 2019.

# DIRECTORS' REPORT

(CONTINUED)

The following tables sets out the proportion of fixed and 'at risk' performance based remuneration for directors and Key Management Personnel for the current and previous financial period:

2020	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as equity settled LTI
<b>Non-Executive Directors:</b>			
Robert Friedland	100%	—	—
Jiang Zhaobai	100%	—	—
Eric Finlayson	100%	—	—
Judith Downes	100%	—	—
Ian Knight	100%	—	—
Stefanie Loader	100%	—	—
Mike Spreadborough*	100%	—	—
Shawn Wang**	100%	—	—
<b>Executive Director:</b>			
Sam Riggall	62%	—	38%
<b>KMP:</b>			
Tim Kindred	69%	—	31%
Ben Stockdale	66%	—	34%

\* Mike Spreadborough resigned as a Non-Executive Director effective 2 March 2020.

\*\* Shawn Wang resigned as a Non-Executive Director effective 30 October 2019.

2019	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as equity settled LTI
<b>Non-Executive Directors:</b>			
Robert Friedland	100%	—	—
Jiang Zhaobai	100%	—	—
Li Bingham*	100%	—	—
Eric Finlayson	100%	—	—
Judith Downes**	100%	—	—
Ian Knight	100%	—	—
Stefanie Loader**	100%	—	—
Mike Spreadborough	65%	—	35%
Shawn Wang***	100%	—	—
<b>Executive Director:</b>			
Sam Riggall	71%	—	29%
<b>KMP:</b>			
Tim Kindred	71%	—	29%
Ben Stockdale	85%	—	15%

\* Li Bingham resigned as a Non-Executive Director effective 6 March 2019.

\*\* Judith Downes was appointed to the Board as a Non-Executive Director effective 1 October 2018.

\*\*\* Shawn Wang was appointed to the Board as a Non-Executive Director, effective 6 March 2019.

## Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in the year ended 30 June 2020 financial year are as follows:

Grantee	Number of Options	Vesting and exercisable date	Expiry date	Exercise Price	Fair value per option at grant date
Sam Riggall	500,000	12-Aug-20	9-Aug-23	\$0.53	\$0.1969
Sam Riggall	500,000	12-Aug-21	9-Aug-23	\$0.53	\$0.1969
Ben Stockdale	500,000	12-Aug-20	9-Aug-23	\$0.53	\$0.1969
Ben Stockdale	500,000	12-Aug-21	9-Aug-23	\$0.53	\$0.1969
Tim Kindred	500,000	19-Feb-19	19-Feb-21	\$1.88	\$0.2231
Tim Kindred	500,000	19-Feb-20	19-Feb-21	\$1.88	\$0.2231
Tim Kindred	500,000	12-Aug-20	9-Aug-23	\$0.53	\$0.1969
Tim Kindred	500,000	12-Aug-21	9-Aug-23	\$0.53	\$0.1969

Options carry no dividend or voting rights.

## DIRECTORS' REPORT

(CONTINUED)

The number of options over ordinary shares granted to KMP as part of compensation during the year ended 30 June 2020 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
	2020	2019	2020	2019
<b>Executive Director:</b>				
Sam Riggall	1,000,000	–	–	–
<b>KMP:</b>				
Ben Stockdale	1,000,000	–	–	–
Tim Kindred	1,000,000	1,000,000	500,000	500,000

Values of options (as at date of grant) over ordinary shares granted, exercised and lapsed for directors and KMP as part of compensation during the year ended 30 June 2020 are set out below:

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year
	\$	\$	\$
<b>Non-Executive Directors:</b>			
Mike Spreadborough	–	–	284,432
<b>Executive Director:</b>			
Sam Riggall	196,914	–	–
<b>KMP:</b>			
Ben Stockdale	196,914	–	–
Tim Kindred	196,914	–	–

Options granted in prior years which expired or were exercised in the current year are disclosed in note 33 to the financial statements.

## Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of KMP in this financial year are as follows:

Grantee	Number of Performance Rights	Grant Date	Vesting and expiry date	Exercise Price	Fair value per performance right at grant
Sam Riggall	411,546	15-Aug-17	01-Jul-20	Nil	\$0.5810
Sam Riggall	100,757	22-Nov-18	01-Jan-21	Nil	\$1.0104
Sam Riggall	142,341	22-Nov-18	01-Jul-21	Nil	\$0.2995
Sam Riggall	348,742	01-Nov-19	01-Jan-22	Nil	\$0.1390
Sam Riggall	408,117	01-Nov-19	01-Jul-22	Nil	\$0.1640
Ben Stockdale	187,880	15-Aug-17	01-Jul-20	Nil	\$0.5810
Ben Stockdale	45,998	06-Feb-18	01-Jan-21	Nil	\$0.4060
Ben Stockdale	81,320	06-Sep-18	01-Jul-21	Nil	\$0.1500
Ben Stockdale	199,238	06-Feb-19	01-Jan-22	Nil	\$0.1468
Ben Stockdale	225,168	16-Aug-19	01-Jul-22	Nil	\$0.1410
Ben Stockdale	370,489	12-Mar-20	01-Jan-23	Nil	\$0.0530
Tim Kindred	92,073	06-Sep-18	01-Jul-21	Nil	\$0.1500
Tim Kindred	225,582	06-Feb-19	01-Jan-22	Nil	\$0.1468
Tim Kindred	254,940	16-Aug-19	01-Jul-22	Nil	\$0.1410
Tim Kindred	419,476	12-Mar-20	01-Jan-23	Nil	\$0.0530

Performance rights carry no dividend or voting rights.

The number of performance rights over ordinary shares granted to each KMP as part of remuneration during the year ended 30 June 2020 is set out below:

	Number of rights granted during the year	Number of rights granted during the year	Number of rights vested during the year	Number of rights vested during the year
	2020	2019	2020	2019
Sam Riggall	756,859	243,098	–	480,000
Ben Stockdale	595,657	280,558	–	400,000
Tim Kindred	674,416	317,655	–	–



## DIRECTORS' REPORT

(CONTINUED)

Values of performance rights over ordinary shares (as at date of grant) granted, exercised and lapsed to key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	\$ Value of rights granted during the year	\$ Value of rights granted during the year	\$ Value of rights vesting during the year	\$ Value of rights vesting during the year
	2020	2019	2020	2019
Sam Riggall	115,386	42,633	–	31,330
Tim Kindred	58,065	46,893	–	–
Ben Stockdale	51,284	41,416	–	34,410

### Director and KMP interests in equity instruments of the Company

#### Movement in shares held

The number of ordinary shares in the Company held during the financial year by each director and KMP of the Consolidated Entity, including their 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
<b>Non-Executive Directors:</b>					
Robert Friedland	96,600,896	–	–	–	96,600,896
Jiang Zhaobai	92,518,888	–	–	–	92,518,888
Stefanie Loader	100,000	–	–	–	100,000
Judith Downes	357,290	–	–	–	357,290
Eric Finlayson	750,000	–	–	–	750,000
Ian Knight	1,646,840	–	–	(528,400)	1,118,440
Mike Spreadborough*	–	–	–	–	–
Shawn Wang**	–	–	–	–	–
<b>Executive Director:</b>					
Sam Riggall	26,440,247	–	–	–	26,440,247
<b>KMP:</b>					
Tim Kindred	–	–	–	–	–
Ben Stockdale	1,700,000	–	–	–	1,700,000
	220,114,161	–	–	(528,400)	219,585,761

\* Retired as director effective 2 March 2020. Final balance as per date of resignation.

\*\* Retired as a director effective 30 October 2019. 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 Shawn Wang, 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. During the financial year ended 30 June 2020, no event occurred which triggered the Pengxin Anti-Dilution Right.

### 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
<b>Non-Executive Directors:</b>					
Mike Spreadborough*	750,000	–	–	(750,000)	–
<b>Executive Director:</b>					
Sam Riggall	–	1,000,000	–	–	1,000,000
<b>KMP:</b>					
Ben Stockdale	–	1,000,000	–	–	1,000,000
Tim Kindred	1,000,000	1,000,000	–	–	2,000,000
	1,750,000	3,000,000	–	(750,000)	4,000,000

\* Retired as director effective 2 March 2020. Final balance as per date of resignation.

### Movement in performance rights held

The number of performance rights over ordinary shares in the Company held during the financial year by each KMP 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
Sam Riggall	1,485,669	756,859	–	(831,025)	1,411,503
Ben Stockdale	983,042	595,657	–	(468,606)	1,110,093
Tim Kindred	317,655	674,416	–	–	992,071
	2,786,366	2,026,932	0	(1,299,631)	3,513,667

## DIRECTORS' REPORT

(CONTINUED)

### Shares under option

Unissued ordinary shares of the Company under option as at 30 June 2020 are as follows:

Grant Date	Expiry Date	Exercise Price	Number under Option
07-Sep-17	31-Aug-20	\$0.95	350,000
06-Nov-17	06-Nov-20	\$1.73	75,000
05-Feb-18	04-Dec-20	\$1.80	5,000,000
02-Jul-18	12-Mar-21	\$1.63	500,000
13-Jul-18	19-Feb-21	\$1.88	1,000,000
12-Aug-19	09-Aug-23	\$0.53	6,537,130
01-Nov-19	09-Aug-23	\$0.53	1,000,000
			14,462,130

No option holder has any right by virtue of the option to participate in any share issue of the Company or of any other of its related bodies corporate.

### Shares subject to performance rights

Unissued ordinary shares of the Company subject to performance rights as at 30 June 2020 are as follows:

Grant Date	Vest Date	Exercise Price	Number
15-Aug-17	1-Jul-20	Nil	1,256,919
6-Feb-18	1-Jan-21	Nil	478,439
6-Sep-18	1-Jul-21	Nil	843,084
6-Feb-19	1-Jan-22	Nil	2,301,572
6-Feb-19	1-Jan-22	Nil	2,839,232
12-Mar-20	1-Jan-23	Nil	3,976,380
			11,695,626

### Shares issued on the exercise of options or performance rights

During the year, the Company did not issue any shares as a result of option holders exercising their options or vesting of performance rights.

### Voting and comments made at the Company's 2018 and 2019 Annual General Meetings

The Company received 165,757,845 (73.4% of votes cast) votes 'for' and 59,962,615 (26.6% of votes cast) votes 'against' the remuneration report for the year ended 30 June 2018, resulting in a first strike against the remuneration report. In response to that result, the Board sought to improve shareholders' understanding of the remuneration arrangements through expanded and enhanced disclosures in the 2019 and 2020 Remuneration Report.

The Company received 171,441,130 (87.5% of votes cast) votes 'for' and 24,406,599 (12.5% of votes cast) votes 'against' the remuneration report for the year ended 30 June 2019.

**This concludes the Remuneration Report which has been audited.**

# AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020



## 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 2020 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

Tony Romeo

Partner

Melbourne

24 August 2020

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# STATEMENT OF PROFIT & LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Revenue and other income</b>	5	1,168	4,697
Interest income		949	2,994
Share of profit/(loss) of joint venture accounted for using the equity method		–	35
<b>Expenses</b>			
Inventory write downs		(96)	–
Raw materials and other direct costs	6	(1,226)	(2,981)
Employee benefits expenses	6	(10,853)	(11,487)
Depreciation and amortisation expenses	6	(1,404)	(829)
Legal and professional expenses		(1,725)	(3,510)
Occupancy expenses		(945)	(1,274)
Marketing expenses		(478)	(1,022)
Impairment expense	7	(179,221)	–
Other expenses		(3,791)	(4,631)
Finance costs		(54)	(5)
<b>Loss before income tax benefit</b>		<b>(197,676)</b>	<b>(18,013)</b>
Income tax benefit	8	–	–
<b>Loss after income tax benefit for the year</b>		<b>(197,676)</b>	<b>(18,013)</b>
<i>Loss after income tax benefit for the year is attributable to:</i>			
Owners of the company		(197,482)	(17,921)
Non-controlling interests		(194)	(92)
		(197,676)	(18,013)
<b>Total comprehensive income for the year</b>		<b>(197,676)</b>	<b>(18,013)</b>
<i>Total comprehensive income for the year is attributable to:</i>			
Owners of the company		(197,482)	(17,921)
Non-controlling interests		(194)	(92)
		(197,676)	(18,013)

	Note	Consolidated	
		2020 Cents	2019 Cents
<b>Earnings per share of loss from continuing operations attributable to the owners of Clean TeQ Holdings Limited</b>			
Basic earnings per share	32	(26.48)	(2.40)
Diluted earnings per share	32	(26.48)	(2.40)
<b>Earnings per share of loss attributable to the owners of Clean TeQ Holdings Limited</b>			
Basic earnings per share	32	(26.48)	(2.40)
Diluted earnings per share	32	(26.48)	(2.40)

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

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# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	40,083	78,871
Trade and other receivables		1,847	3,568
Inventories		–	96
Research and development incentive receivable	10	1,155	14,867
Other financial assets		235	100
<b>Total current assets</b>		<b>43,320</b>	<b>97,502</b>
<b>Non-current assets</b>			
Other financial assets		146	146
Investment in equity accounted investee		310	838
Lease assets		1,005	–
Property, plant and equipment	11	917	21,553
Intangibles	12	3,535	9,367
Exploration and evaluation assets	13	–	121,060
<b>Total non-current assets</b>		<b>5,913</b>	<b>152,965</b>
<b>Total assets</b>		<b>49,233</b>	<b>250,467</b>
<b>Current liabilities</b>			
Trade and other payables	14	2,767	10,490
Employee benefits		665	902
Provisions		667	667
Lease liabilities		360	–
Deferred revenue		967	47
<b>Total current liabilities</b>		<b>5,426</b>	<b>12,106</b>
<b>Non-current liabilities</b>			
Deferred revenue		402	402
Employee benefits		123	144
Provisions		207	202
Lease liabilities		651	–
Shareholder Loans		340	137
<b>Total non-current liabilities</b>		<b>1,723</b>	<b>885</b>
<b>Total liabilities</b>		<b>7,149</b>	<b>12,991</b>
<b>Net assets</b>		<b>42,084</b>	<b>237,476</b>
<b>Equity</b>			
Issued capital	16	289,637	289,637
Reserves	17	16,835	14,481
Accumulated losses	18	(264,102)	(66,550)
Non-Controlling Interest	19	(286)	(92)
<b>Total equity</b>		<b>42,084</b>	<b>237,476</b>

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 2020

	Contributed Equity	Accumulated Losses	Reserves	Non- Controlling Interests	Total Equity
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	289,293	(48,629)	11,492	–	252,156
Loss after income tax benefit for the financial year	–	(17,921)	–	(92)	(18,013)
Total comprehensive income for the financial year	–	(17,921)	–	(92)	(18,013)
<b>Transactions with owners in their capacity as owners:</b>					
Equity contributions, net of transaction costs	344	–	–	–	344
Share-based payments (note 33)	–	–	2,989	–	2,989
Total contribution and distribution:	344	–	2,989	–	3,333
Balance at 30 June 2019	289,637	(66,550)	14,481	(92)	237,476
Balance at 1 July 2019	289,637	(66,550)	14,481	(92)	237,476
Adjustment on adoption of AASB 16	–	(70)	–	–	(70)
Loss after income tax benefit for the financial year	–	(197,482)	–	(194)	(197,676)
Total comprehensive income for the financial year	–	(197,482)	–	(194)	(197,676)
<b>Transactions with owners in their capacity as owners:</b>					
Equity contributions, net of transaction costs	–	–	–	–	–
Share-based payments (note 33)	–	–	2,354	–	2,354
<b>Total contribution and distribution:</b>	–	–	2,354	–	2,354
Balance at 30 June 2020	289,637	(264,102)	16,835	(286)	42,084

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

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,652	5,483
Payments to suppliers and employees (inclusive of GST)		(18,239)	(23,594)
Cash used in operating activities		(16,587)	(18,111)
Interest received		1,069	3,040
Payments of interest on leases		(49)	–
Research and development tax incentive received		19,020	–
Net cash used in operating activities		3,453	(15,071)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	10	(440)	(4,575)
Payments for acquisition of other intangibles	11	–	(250)
Payments for exploration and evaluation assets	12	(41,880)	(54,339)
Proceeds from wind up of joint venture		692	–
Payments of principal for rental leases		(517)	–
Payments for investment in associated company		(164)	–
Proceeds from sale of plant & equipment		–	6
Net cash used in investing activities		(42,309)	(59,159)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of issuance costs		–	344
Proceeds from shareholder loans		203	138
Cash on deposit for security over bank guarantees		(135)	(18)
Repayment of borrowings		–	–
Net cash from financing activities		68	464
Net increase/(decrease) in cash and cash equivalents		(38,788)	(73,766)
Cash and cash equivalents at the beginning of the financial year		78,871	152,637
Cash and cash equivalents at the end of the financial year	8	40,083	78,871

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 2020

## 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 21 August 2020.

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 \$197,676,000 (30 June 2019: loss of \$18,013,000). The entity earned some revenues from its Water Division during the financial year, however, these revenues were more than offset by research and development, business development and corporate overhead and administration costs. An asset write-down totalling \$179,221,000 was recognised during financial year in relation to the Metals cash generating unit comprised primarily of the Sunrise Nickel-Cobalt-Scandium Project which materially impacted the Consolidated Entity's loss after tax for the current year. Working capital, being current assets less current liabilities, amounts to a \$37,894,000 surplus (30 June 2019: \$85,489,000 surplus), with cash reserves decreasing from \$78,871,000 to \$40,083,000 during the financial year. Net cash inflow from operating activities was \$3,453,000 for the financial year (30 June 2019: \$15,071,000 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 has available cash on hand as at 30 June 2020 of \$40,083,000;
- > The Consolidated Entity received cash rebates totalling \$19,020,000 from the Australian Tax Office for eligible research and development expenditure relating to the 2018 and 2019 financial years. The Consolidated Entity anticipates that a proportion of the 2020 financial year's research and development expenditure, will also be eligible for the refundable tax offset. The Consolidated Entity has booked a \$1,155,000 receivable for the estimated refund due to it for expenditure incurred during the 2020 financial year;
- > The Consolidated Entity is able to defer major development expenditure at the Sunrise Project until a funding package is secured; and,
- > The forecast cash flows for the Consolidated Entity indicate that, based on current cash on hand, the Consolidated Entity is able to maintain a positive cash position for at least the period of 12 months to August 2021.

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 additional water purification 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 2020, cashflow forecasts to 31 August 2021, 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.

## (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 27.

## (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 2020 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.

## NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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.

### 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 Maker ('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

In the 2019 financial year, the Consolidated Entity applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 July 2018. AASB 15 introduced a 5-step approach to revenue recognition.

The Consolidated Entity adopts the following approach to recognising revenue in relation to the sale of goods and services under contract:

- > Establish performance obligations or milestones in each contract for goods and services. When a milestone is reached, that is the catalyst to recognise revenue from the customer;
- > Establish the transaction price in the contract, and allocate that transaction price to each milestone in the contract; and,
- > Recognise revenue when the milestone is satisfied.

This process is in accordance with the 5-step approach to revenue recognition that is prescribed by AASB 15.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 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(p). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. An impairment expense totalling \$179,221,000 was recognised during the financial year in relation to the Metals cash generating unit comprised primarily of the Sunrise Nickel-Cobalt-Scandium Project. Of that total impairment charge, \$153,343,000 related to capitalised exploration and evaluation expenditure.

From 1 July 2020, Sunrise Project exploration and evaluation expenditure will be expensed in the statement of profit and loss and other comprehensive income until such time as a final investment decision is made. Subsequent to this decision being made, project engineering and construction expenditure will be capitalised.

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 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.

#### **(i) 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.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## (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.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model. The expected credit loss model requires the Consolidated Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Consolidated Entity to recognise a loss allowance for expected credit losses on:

- > Debt investments measured subsequently at amortised cost;
- > Lease receivables;
- > Trade receivables and contract assets; and,
- > Financial guarantee contracts to which the impairment requirements of AASB 9 apply.

In particular, AASB 9 requires the Consolidated Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The Consolidated Entity has recognised no credit losses in this financial year, or the previous financial year.

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 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:

<b>Mining equipment</b>	2.5 to 20 years (straight line and diminishing value)
<b>Office furniture and equipment</b>	2.5 to 20 years (straight line and diminishing value)
<b>Leasehold improvements</b>	3-7 years (diminishing value)
<b>Motor vehicles</b>	5-6 years (diminishing value)
<b>Land</b>	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 licence 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).

#### **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.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## 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 (including mining rights acquired via business combination) 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

This is the first set of the Consolidated Entity's financial statements where AASB 16 Leases has been applied. Refer to Note 2(aa) for the accounting policies adopted from 1 July 2019 under AASB 16. The accounting policy within this note applies to the comparative period.

## 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.

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; and,
- > interest on hire purchases.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## (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.

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 costs 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 equity-settled transactions (performance rights or options) is initially, and at each reporting date until the vesting or expiry date, 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 costs of transactions settled by shares in lieu of cash, is determined by applying the fair value of the shares on the issue date.

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.

#### **(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 the Consolidated Entity 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.



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## (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

This is the first set of the Consolidated Entity's financial statements where AASB 16 Leases has been applied.

In accordance with the transition provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 July 2019. Comparatives for the 2018 and 2019 financial years have not been restated.

Below is a summary of the change in accounting measurements from AASB 17 to AASB 16:

	Consolidated 30 June 2020 \$'000
Right of Use Assets	1,005
Right of Use Liabilities	1,011
Discount Rate (Incremental Borrowing Rate)	4.96%
Operating Lease Commitments as disclosed in the 30 June 2019 Financial Statements	1,352
Less: lease commitments for low value and short-term leases	(180)
Finance Charge over the lease period	(70)
Lease liabilities recognised at 1 July 2019	1,102
	Consolidated 30 June 2020 \$'000
<b>Right of Use Assets</b>	
Carrying amount as at 1 July 2019	1,007
Additions to Right of Use Assets	461
Depreciation Charge for the Year	(463)
Carrying amount as at 30 June 2020	1,005

	Consolidated 30 June 2020 \$'000
<b>Amounts recognised in the statement of cash flows</b>	
Payments of principal for rental leases	(517)

	Consolidated 30 June 2020 \$'000
<b>Lease liabilities</b>	
One year or less	374
More than one year but less than five years	686
Interest Charge for the Year	(49)
Carrying amount as at 30 June 2020	1,011

The Consolidated Entity leases a number of rental properties. Rental contracts are typically made for fixed periods of one to five years but may have extension options as described in below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Consolidated Entity. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- > fixed payments (including in-substance fixed payments), less any lease incentives receivable if applicable;
- > variable lease payment that are based on an index or a rate;
- > amounts expected to be payable by the lessee under residual value guarantees if applicable;
- > the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- > payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- > the amount of the initial measurement of lease liability;
- > any lease payments made at or before the commencement date, less any lease incentives received;
- > any initial direct costs; and,
- > restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture.

# 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.

## 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 about 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.

## 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:

<b>Water</b>	The Company's suite of water technologies filter, separate and purify polluted waters for drinking, agriculture, recreation or industrial use.
<b>Metals</b>	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

Revenue for the year ended 30 June 2020 is derived chiefly from interest income and contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Operating segment information

	Metals	Water	Intersegment eliminations/ unallocated*	Total
Consolidated – 2020	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>				
Sales to external customers	–	(24)	–	(24)
Rental income	–	–	–	–
Interest income	1	–	948	949
Other revenue	10	–	1,182	1,192
<b>Total revenue and other income</b>	11	(24)	2,130	2,117
Share of profit/(loss) from Joint Venture	–	–	–	–
<b>Reportable segment (loss)/profit before interest, depreciation and tax</b>	(800)	(4,675)	(11,522)	(16,997)
Depreciation and amortisation	(484)	(499)	(421)	(1,404)
Impairment of assets	(179,221)	–	–	(179,221)
Finance costs	(10)	–	(44)	(54)
<b>Profit/(loss) before income tax benefit</b>	(180,515)	(5,174)	(11,987)	(197,676)
Income tax benefit	–	–	–	–
<b>Loss after income tax benefit</b>				(197,676)

	Metals	Water	Intersegment eliminations/ unallocated*	Total
Consolidated – 2020	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Segment assets	–	5,603	43,630	49,233
<b>Total assets</b>				49,233
<i>Total assets includes:</i>				
Additions of non-current assets (including those acquired in a business combination)	–	430	–	430
<b>Liabilities</b>				
Segment liabilities	1,579	2,292	3,278	7,149
<b>Total liabilities</b>				7,149

\* 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.

	Metals	Water	Intersegment eliminations/ unallocated*	Total
Consolidated – 2019	\$'000	\$'000	\$'000	\$'000
<b>Revenue and other income</b>				
Sales to external customers	–	3,816	–	3,816
Rental income	–	–	–	–
Interest income	–	–	2,994	2,994
Other revenue	–	356	525	881
<b>Total revenue and other income</b>	–	4,172	3,519	7,691
Share of profit/(loss) from Joint Venture	–	35	–	35
<b>Reportable segment (loss)/profit before interest, depreciation and tax</b>	(900)	(69)	(16,210)	(17,179)
Depreciation and amortisation	(263)	(381)	(185)	(829)
Impairment of assets	–	–	–	–
Finance costs	–	–	(5)	(5)
<b>Profit/(loss) before income tax benefit</b>	(1,163)	(450)	(16,400)	(18,013)
Income tax benefit	–	–	–	–
<b>Loss after income tax benefit</b>				(18,013)

	Metals	Water	Intersegment eliminations/ unallocated*	Total
Consolidated – 2019	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Segment assets	148,018	7,772	94,677	250,467
<b>Total assets</b>				250,467
<i>Total assets includes:</i>				
Additions of non-current assets (including those acquired in a business combination)	58,364	188	612	59,164
<b>Liabilities</b>				
Segment liabilities	9,312	1,224	2,455	12,991
<b>Total liabilities</b>				12,991

\* 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 and other income

	Consolidated	
	2020 \$'000	2019 \$'000
<b>Sales revenue</b>		
Contract revenue*	(24)	3,816
	(24)	3,816
<b>Other income</b>		
Gain from sale of asset	–	6
Government grants	745	356
Other revenue	447	519
	1,192	881
<b>Revenue and other income</b>	<b>1,168</b>	<b>4,697</b>

The negative balance arose as a result of credit notes being issued to customers which exceeded the value of sales receipts during the period.



## Note 6. Expenses

	Consolidated	
	2020 \$'000	2019 \$'000
Loss before income tax from continuing operations includes the following specific expenses:		
<b>Cost of sales</b>		
Raw materials and other direct costs	1,226	2,981
<b>Depreciation</b>		
Motor vehicles	20	20
Leasehold improvements	107	67
Lease assets	464	–
Office equipment and furniture	168	96
Total depreciation	759	183
<b>Amortisation</b>		
Capitalised development costs	610	611
Patents and trademarks	35	35
Total amortisation	645	646
Total depreciation and amortisation	1,404	829
<b>Employee benefit expenses</b>		
Wages and salaries	7,120	6,445
Employee entitlements expense including movements in provisions for employee entitlements	194	593
Superannuation	515	472
Equity settled share-based payments	2,354	2,989
Other costs	670	988
Total employee benefit expenses	10,853	11,487

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Note 7. Write down of Assets

The Consolidated Entity has been progressing a Project Execution Plan ('PEP') in conjunction with Fluor Australia Pty Ltd, part of the Fluor global engineering group headquartered in Irving, Texas. As previously advised, the PEP deliverables include an update to the 2018 Definitive Feasibility Study ('DFS') outputs including the production forecast, resources, reserves and operating cost estimates for the Project as well as a revised master schedule. Although the PEP deliverables are not yet complete, in preparing the 30 June 2020 full-year financial results, the Company has undertaken a review of the carrying value of the Sunrise Project assets based on a best estimate of what the probable PEP outcomes will be as well as macroeconomic assumptions including forecast metal prices.

The PEP work scope includes a detailed re-estimation of the Project's capital development cost, incorporating the latest engineering and design work. Updated vendor pricing for key equipment packages is being obtained for virtually all major equipment packages. Materials and labour costs are being re-estimated based on updated quantities and current market rates. As the PEP progresses towards completion, a number of trends are emerging, including a trend indicating that there is upward pressure on the capital cost estimate. Although the final economic outcomes of the PEP are yet to be determined, as per the announcement of 17 July 2020, the Company advises that the PEP capital estimate will likely be higher than the 2018 DFS estimate. A likely higher capital development cost has impacted negatively on the review of the carrying value of the Sunrise assets.

The partnering process the Company has been running with the support of Macquarie Capital remains on-going, however, to date the Company has not been able to secure an investment partner for the Project. As such, the Company is not able to commit to a final investment decision (FID) in mid-2020, as was targeted. Not unexpectedly, the COVID-19 pandemic has presented difficult conditions for financial markets and challenges for funding new project development. However, the Company remains optimistic on the outlook for demand growth in the electric vehicle (EV) and lithium-ion battery sectors, and in particular the strategic importance of Sunrise as one of the largest suppliers of battery-grade nickel and cobalt into the global EV supply chain. Given the outlook for nickel and cobalt demand, the Company remains committed to developing the Project once funding has been secured. As such, the partnering process will continue, however the targeted timing for completion of any transaction is not possible to forecast, particularly in light of the significant uncertainty currently impacting the global economy as a result of the COVID-19 pandemic. In assessing the carrying value of the Sunrise assets, the Company has taken into account the negative impact of the anticipated longer development timeframes for the Project.

As a result of the impairment assessment for its Metals CGU the Consolidated Entity recognised an impairment expense against assets totalling \$179,221,000 during the financial year. The breakdown of the assets to which the impairment expense was applied is detailed below.

	Consolidated	
	30 June 2020 \$'000	30 June 2019 \$'000
Mining equipment	13,141	—
Land	7,550	—
Capitalised research and development costs	3,329	—
Licence rights	421	—
Patents	137	—
Mineral Rights	1,300	—
Exploration and evaluation asset	153,343	—
	179,221	—

An impairment charge is recognised when the carrying amount exceeds the recoverable amount of the assets. The recoverable amount is determined as the greater of the fair value of the asset less costs of disposal or the value in use. The fair value less costs of disposal method was applied for determination of the recoverable amount of the Metal's CGU, based on an internal valuation model incorporating Level 3 fair value inputs as described below that estimates the future cash flows of the Sunrise Project, discounted to their present value using a 15% nominal post-tax discount rate (2019: 15%). In generating the forecast cash flows, the Consolidated Entity has used forecast prices of US\$8.30/lb for nickel (including US\$1.00/lb sulphate premium), US\$21.60/lb for cobalt, US\$1,500/Kg for Scandium oxide and AUD/USD 0.70 for the Metals CGU.

## Note 8. Income tax benefit

	Consolidated	
	2020 \$'000	2019 \$'000
<b>Income tax benefit:</b>		
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 15)	–	–
<b>Numerical reconciliation of income tax benefit and tax at the statutory rate</b>		
Loss before income tax benefit from continuing operations	(197,676)	(18,013)
Profit before income tax (expense)/benefit from discontinued operations	–	–
	(197,676)	(18,013)
Tax at the statutory tax rate of 27.5% (2019: 27.5%)	(54,361)	(4,954)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment expenses	49,286	–
Share-based payments	648	822
Tax losses (reinstated)/not brought to account	4,464	4,062
Non-assessable government grant income	(205)	(98)
Non-deductible amortisation expense	168	168
Income tax benefit	–	–
<b>Tax losses not recognised:</b>		
Unused tax losses for which no deferred tax asset has been recognised, including tax losses arising from a business combination	72,358	55,719
Potential tax benefit @ 27.5% (2019: 27.5%)	19,898	15,323
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	20,487	15,912
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	
	2020 \$'000	2019 \$'000
Cash at bank	40,083	78,871
	40,083	78,871

The effective interest rate on short-term bank deposits at 30 June 2020 was 0.90% (2019: 2.43%). 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 – Research and development incentive receivable

	Consolidated	
	2020 \$'000	2019 \$'000
Research and development incentive receivable	1,155	14,867

The research and development incentive receivable represents the estimated refund due to the Consolidated Entity on expenditure incurred during the current or previous financial years which is eligible for research and development tax concessions.

**Note 11. Non-current assets – property, plant and equipment**

	Consolidated	
	2020 \$'000	2019 \$'000
Office furniture and equipment – at cost	870	738
Less: Accumulated depreciation	(320)	(246)
	550	492
Motor vehicles – at cost	169	169
Less: Accumulated depreciation	(84)	(64)
	85	105
Factory equipment – at cost	737	737
Less: Accumulated depreciation	(737)	(737)
	–	–
Leasehold improvements – at cost	454	436
Less: Accumulated depreciation	(172)	(161)
	282	275
Mining Equipment – at cost	13,141	13,131
Less: Accumulated impairment losses	(13,141)	–
	–	13,131
Land – at cost	7,550	7,550
Less: Accumulated impairment losses	(7,550)	–
	–	7,550
	917	21,553

# 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:

	Mining Equipment	Land	Office Furniture & Equipment	Leasehold Improve- ments	Motor Vehicles	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	13,374	4,687	177	248	94	18,580
Additions	1,163	2,863	412	94	43	4,575
Disposals	–	–	–	–	(12)	(12)
Reversal of Accrual	(1,406)	–	–	–	–	(1,406)
Depreciation expense	–	–	(97)	(67)	(20)	(184)
Balance as at 30 June 2019	13,131	7,550	492	275	105	21,553
Additions	10	–	226	211	–	447
Transfer	–	–	–	(87)	–	(87)
Impairment of asset	(13,141)	(7,550)	–	–	–	(20,691)
Depreciation expense	–	–	(168)	(117)	(20)	(305)
Balance as at 30 June 2020	–	–	550	282	85	917

## Note 12. Non-current assets – intangibles

	Consolidated	
	2020 \$'000	2019 \$'000
Capitalised development costs – at cost	18,424	18,424
Less: Accumulated amortisation and impairments	(15,045)	(11,106)
	3,379	7,318
Patents and trademarks – at cost	713	713
Less: Accumulated amortisation and impairments	(577)	(406)
	136	307
Licence rights – at cost	4,792	4,792
Less: Accumulated amortisation and impairments	(4,772)	(3,051)
	20	1,742
	3,535	9,367

## 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:

	Capitalised Development Costs	Licence Rights	Patents and Trademarks	Total
Consolidated	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2018	7,929	1,491	342	9,762
Additions	–	250	–	250
Amortisation expense	(611)	–	(35)	(646)
Balance as at 30 June 2019	7,318	1,742	307	9,367
Additions	–	–	–	–
Impairment of assets	(3,329)	(1,722)	(136)	(5,187)
Amortisation expense	(610)	–	(35)	(645)
Balance as at 30 June 2020	3,379	20	136	3,535

	Capitalised Development Costs	Licence Rights	Patents and Trademarks	Total
Allocation of Intangible Assets to Cash Generating Units (CGUs)	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2019:</b>				
Water	3,693	21	153	3,867
Metals	3,625	1,721	154	5,500
	7,318	1,742	307	9,367
<b>As at 30 June 2020:</b>				
Water	3,379	20	136	3,535
Metals	–	–	–	–
	3,379	20	136	3,535

The carrying amount of each CGU inclusive of assets other than intangible assets is \$2,243,000 (2019: \$3,277,000) for Water and nil (2019: \$143,025,000) 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.



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Note 13. Non-current assets – Exploration & evaluation assets

	Consolidated	
	2020 \$'000	2019 \$'000
At the beginning of the financial year	121,060	76,894
Additions:		
Feasibility Study	–	1,036
Met Testwork & Piloting	332	3,507
Engineering	20,693	36,407
Construction & Infrastructure	726	3,101
Environment, planning & community	601	798
Drilling and resource determination	–	1,368
Mining & Geology	4,476	–
Software Licences	865	–
Geotechnical assessments	685	–
Other	7,449	6,386
R&D tax incentive on exploration asset off-set	(4,596)	(14,490)
Accrual of expenditure at period end	1,052	6,053
Impairment charge	(153,343)	–
Asset balance at end of the financial year	–	121,060

### Mineral tenement summary

Licence Number	Project Name	Location	Equity Interest	Equity Interest
			2020	2019
EL8961	Minore	NSW	100%	–
EL4573	Sunrise	NSW	100%	100%
EL8561	Sunrise	NSW	–	100%
EL8833	Sunrise	NSW	100%	100%
EL8882	Sunrise	NSW	100%	–
EL8883	Sunrise	NSW	100%	–
EL8928	Sunrise	NSW	100%	–
ML1770	Sunrise	NSW	100%	100%
ML1769*	Sunrise	NSW	–	100%

\* During the financial year ML 1770 was amended to include the area previously comprising ML1769.

**Note 14. Current liabilities – trade and other payables**

	Consolidated	
	2020 \$'000	2019 \$'000
Trade payables	533	3,124
Other payables	2,234	7,366
	2,767	10,490

**Note 15. Non-current liabilities/assets – deferred tax**

	Consolidated Balance as at 30 June 2020				
	Net Balance 1 July 2019 \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Deferred tax assets \$'000	Deferred tax liabilities \$'000
<i>Deferred tax asset (liability) comprises temporary differences attributable to:</i>					
Amounts recognised in:					
> Intangible assets	(1,870)	168		–	(1,702)
> Unearned interest	64	233		297	
> Accrued expenses	(202)	(187)		–	(389)
> Employee benefits	288	(33)		255	–
> Transaction costs on share issues	(211)		(372)	–	(583)
> Legal and consulting fees	15	–	–	15	–
> Plant & equipment	(112)	(81)			(193)
> Unused tax losses	2,028	272		2,300	–
Tax liabilities (assets) before set-off	–			2,867	(2,867)
Set off deferred tax assets/liabilities	–			(2,867)	2,867
Net tax liabilities (assets)	–			–	–
<b>Movements 2020</b>					
Opening balance	–				
Charges to profit or loss	–				
Closing balance	–				

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Note 16. Equity – issued capital

	Consolidated			
	2020 Shares	2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares – fully paid	746,460,205	746,460,205	289,637	289,637

### Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$'000
Balance	1 Jul 2019	746,460,205		289,637
Capital raising costs		–		–
Balance	30 Jun 2020	746,460,205		289,637

### 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.

**Note 17. Equity – reserves**

	Consolidated	
	2020 \$'000	2019 \$'000
Share based payments reserve	16,835	14,481
	16,835	14,481

**Movements in reserves**

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

Consolidated	Share Based Payments	Total
	\$'000	\$'000
Balance as at 1 July 2018	11,492	11,492
Lapsed options	–	–
Share based payments	2,989	2,989
Balance as at 30 June 2019	14,481	14,481
Lapsed options	–	–
Share based payments	2,354	2,354
Balance as at 30 June 2020	16,835	16,835

**Note 18. Equity – accumulated losses**

	Consolidated	
	2020 \$'000	2019 \$'000
Accumulated losses at the beginning of the financial year	(66,550)	(48,629)
Loss after income tax benefit for the year	(197,482)	(17,921)
Adjustment on adoption of AASB 16	(70)	–
	(264,102)	(66,550)

**Note 19. Equity – non-controlling interest**

	Consolidated	
	2020 \$'000	2019 \$'000
Balance as start of financial year	(92)	–
Loss after income tax benefit for the year attributable to non-controlling interest	(194)	(92)
	(286)	(92)

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Note 20. Equity – dividends

### Dividends

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

### Franking credits

	Consolidated	
	2020 \$'000	2019 \$'000
Franking credits available for future years based on a tax rate of 27.5%	–	–

## Note 21. 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 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 has term deposits for surplus cash holdings and as security for bank guarantees and credit card debts as well as at call deposit facilities with variable interest rates. The Consolidated Entity currently has no debt. Accordingly, the Consolidated Entity has limited exposure to interest rate movements.

### 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.

### 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 \$2,021,000 (2019: \$3,568,000) 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.

The Consolidated Entity is exposed to credit risk in relation to project revenue. 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 corporations. 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.

### 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 \$40,083,000 as at 30 June 2020 (2019: \$78,871,000). 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

Consolidated – 2020	Contractual cash flows					Total \$'000
	Carrying amount \$'000	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	533	533	–	–	–	533
Other payables	2,234	2,234	–	–	–	2,234
Shareholder loans	340	–	–	340	–	340
<b>Total non-derivatives</b>	<b>3,107</b>	<b>2,767</b>	<b>–</b>	<b>340</b>	<b>–</b>	<b>3,107</b>

Consolidated – 2019	Contractual cash flows					Total \$'000
	Carrying amount \$'000	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	3,124	3,124	–	–	–	3,124
Other payables	7,336	7,336	–	–	–	7,336
Shareholder loans	137	–	–	137	–	137
<b>Total non-derivatives</b>	<b>10,627</b>	<b>10,490</b>	<b>–</b>	<b>137</b>	<b>–</b>	<b>10,627</b>

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 nor 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 22.

### Note 22. 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:

<b>Level 1</b>	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.
<b>Level 2</b>	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
<b>Level 3</b>	Unobservable inputs for the asset or liability.

	Fair value				
	Carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated – 2020</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	40,083	–	–	–	–
Trade and other receivables	1,847	–	–	–	–
Research and development incentive receivable	1,155	–	–	–	–
Other financial assets	235	–	–	–	–
	43,320	–	–	–	–
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	(2,767)	–	–	–	–
Shareholder loan	(340)	–	–	–	–
	(3,107)	–	–	–	–
	Fair value				
	Carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated – 2019</b>					
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents	78,871	–	–	–	–
Trade and other receivables	3,568	–	–	–	–
Research and development incentive receivable	14,867	–	–	–	–
Other financial assets	246	–	–	–	–
	97,502	–	–	–	–
<b>Financial liabilities not measured at fair value</b>					
Trade and other payables	(10,490)	–	–	–	–
Shareholder loan	(137)	–	–	–	–
	(10,627)	–	–	–	–

There were no transfers between levels during the financial year.



# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Financial instruments measured at fair value – valuation technique

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.

## Note 23. 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)
- > Stefanie Loader (Lead Independent Non-Executive Director)
- > Judith Downes (Independent Non-Executive Director)
- > Eric Finlayson (Non-Executive Director)
- > Ian Knight (Independent Non-Executive Director)
- > Michael Spreadborough (Independent Non-Executive Director – resigned 2 March 2020)
- > Shawn Wang (Non-Executive Director – resigned 30 October 2019)

### 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:

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

### Compensation

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

	Consolidated	
	2020 \$	2019 \$
Short-term employee benefits	1,892,360	2,013,985
Post-employment benefits	95,894	97,232
Long-term benefits	28,380	15,386
Termination benefits	–	–
Share-based payments	697,006	505,149
	2,713,640	2,631,752

## Note 24. 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	
	2020 \$	2019 \$
<b>Audit services – KPMG</b>		
Audit or review of the financial statements	92,115	90,563
Audit-related services	–	–
	92,115	90,563
<b>Other services – KPMG</b>		
Advisory services	–	–
Taxation services	160,498	72,509
	160,498	72,509
	252,613	163,072

## Note 25. 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.

## Note 26. Related party disclosures

### Parent Entity

Clean TeQ Holdings Limited is the Parent Entity.

### Subsidiaries

Interests in subsidiaries are set out in note 28.

### Key management personnel

Disclosures relating to key management personnel are set out in note 23.

### Transactions with related parties

No transactions occurred with related parties during the financial year ending 30 June 2020 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 27. Parent entity information

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

### Statement of profit or loss and other comprehensive income

	Parent	
	2020 \$'000	2019 \$'000
Profit(loss) after income tax	(2,329)	(2,989)
Total comprehensive income/(loss)	(2,329)	(2,989)

### Statement of financial position

	Parent	
	2020 \$'000	2019 \$'000
Total current assets	–	1
Total assets	290,962	290,937
Total current liabilities	–	–
Total liabilities	(11,934)	(11,934)
Equity		
Issued capital	289,637	289,637
Share-based payments reserve	16,835	14,481
Accumulated losses	(27,444)	(25,115)
Total equity	279,028	279,002

### 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 2020 and 30 June 2019, 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 2020 and 30 June 2019.

### Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment at as 30 June 2020 and 30 June 2019, 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; and,
- > 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.

## Note 28. 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	
		2020 %	2019 %
Clean TeQ Pty Ltd	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%
Clean TeQ Exploration Pty Ltd*	Australia	100%	100%
Syerston Scandium Pty Ltd	Australia	100%	100%
CLQW HK Limited	Hong Kong	100%	100%
Clean TeQ Environmental Protection Technology (Beijing) co., Ltd	China	100%	100%
Tianjin Clean TeQ Biology Co., Ltd	China	100%	100%
Shanyi Hoyo Clean TeQ Environmental Co Ltd**	China	50%	50%
Nematiq Pty Ltd	Australia	81.5%	75%

\* Name changed from Uranium Development Pty Ltd on 22 May 2020.

\*\* Accounted for as investment in equity accounted trustee.

## Note 29. 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; and,
- > Clean TeQ Pty Ltd

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'.

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

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

	2020 \$'000	2019 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	1,831	3,579
Inventory write downs	(96)	–
Raw materials and other direct costs	(1,211)	(2,392)
Employee benefits expenses	(9,283)	(10,146)
Depreciation and amortisation expenses	(1,029)	(737)
Legal and professional expenses	(1,081)	(2,749)
Occupancy expenses	(245)	(676)
Marketing expenses	(369)	(723)
Other expenses	(2,330)	(3,386)
Impairment expense	(3,887)	–
Finance costs	(40)	(5)
<b>Loss before income tax benefit</b>	<b>(17,740)</b>	<b>(17,235)</b>
Income tax benefit	–	–
<b>Loss after income tax benefit</b>	<b>(17,740)</b>	<b>(17,235)</b>
Other comprehensive income for the year, net of tax	–	–
<b>Total comprehensive income for the year</b>	<b>(17,740)</b>	<b>(17,235)</b>
<b>Equity – retained profits</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Retained profits/ (accumulated losses) at the beginning of the financial year	(64,902)	(47,667)
Loss after income tax benefit	(17,740)	(17,235)
Accumulated losses at the end of the financial year	(82,642)	(64,902)

Statement of financial position	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Cash and cash equivalents	39,258	77,988
Trade and other receivables	953	1,212
Inventories	–	96
Income tax receivable	1,155	14,867
	41,366	94,163
<b>Non-current assets</b>		
Receivables	179,926	137,770
Other financial assets	146	146
Plant and equipment	127	304
Lease assets	591	–
Intangible assets	3,766	8,047
Investment in subsidiary companies	386	1,054
	184,942	147,321
<b>Total assets</b>	226,308	241,484
<b>Current liabilities</b>		
Trade and other payables	634	836
Employee benefits	490	644
Deferred revenue	47	47
	1,171	1,527
<b>Non-current liabilities</b>		
Deferred revenue	402	402
Employee benefits	116	137
Lease liabilities	582	–
Provisions	207	202
	1,307	741
<b>Total liabilities</b>	2,478	2,268
<b>Net assets</b>	223,830	239,216
<b>Equity</b>		
Issued capital	289,637	289,637
Reserves	16,835	14,481
Accumulated losses	(82,642)	(64,902)
<b>Total equity</b>	223,830	239,216

# NOTES TO THE FINANCIAL STATEMENTS

(CONTINUED)

## Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 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 31. Reconciliation of cash used in operating activities

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Loss after income tax expense for the year		(197,676)	(18,013)
Adjustments for:			
Depreciation and amortisation	6	1,404	829
Impairment expense		179,221	–
Share-based payments	6	2,354	2,989
Write off of bad debts		38	–
Write off of debtor accounts		971	–
Inventory write downs		96	–
Non-cash finance costs		54	(5)
Share of (profit)/loss – Joint Venture		–	(35)
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		1,995	540
Decrease/(increase) in other financial assets			82
Decrease/(increase) in R&D contra asset		21,412	14,491
(Increase)/decrease in accrued revenue		(135)	(14,800)
Increase/(decrease) in deferred revenue		920	–
Increase/(decrease) in shareholder loans		203	–
Increase/(decrease) in provisions		5	–
Increase/(decrease) in trade and other payables		(7,172)	(1,541)
Increase/(decrease) in employee benefits		(237)	392
Net cash used in operating activities		3,453	(15,071)

**Note 32. Earnings per share**

	Consolidated	
	2020 \$'000	2019 \$'000
<b>Loss per share from continuing operations</b>		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(197,482)	(17,921)
	2020 Number	2019 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	746,460,205	745,879,815
Weighted average number of ordinary shares used in calculating diluted earnings per share	746,460,205	745,879,815
	2020 Cents	2019 Cents
Basic earnings per share	(26.46)	(2.40)
Diluted earnings per share	(26.46)	(2.40)
	Consolidated	
	2020 \$'000	2019 \$'000
<b>Earnings per share for loss</b>		
Loss after income tax attributable to the owners of Clean TeQ Holdings Limited	(197,482)	(17,921)
	2020 Number	2019 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	746,460,205	745,879,815
Weighted average number of ordinary shares used in calculating diluted earnings per share	746,460,205	745,879,815
	2020 Cents	2019 Cents
Basic earnings per share	(26.46)	(2.40)
Diluted earnings per share	(26.46)	(2.40)

The options 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 33. 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:

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
15-Dec-16	15-Dec-19	\$0.59	325,000	–	–	(325,000)	–
19-Jul-17	17-Feb-20	\$0.77	750,000	–	–	(750,000)	–
07-Sep-17	31-Aug-20	\$0.95	350,000	–	–	–	350,000
06-Nov-17	06-Nov-20	\$1.73	75,000	–	–	–	75,000
05-Feb-18	04-Dec-20	\$1.80	5,000,000	–	–	–	5,000,000
02-Jul-18	12-Mar-21	\$1.63	500,000	–	–	–	500,000
13-Jul-18	19-Feb-21	\$1.88	1,000,000	–	–	–	1,000,000
09-Oct-18	03-Sep-21	\$1.09	1,000,000	–	–	(1,000,000)	–
12-Aug-19	09-Aug-23	\$0.53	–	8,000,000	–	(2,134,396)	5,865,604
01-Nov-19	09-Aug-23	\$0.53	–	1,000,000	–	–	1,000,000
			9,000,000	9,000,000	–	(4,209,396)	13,790,604
Weighted average exercise price:			\$1.56	\$0.53	–	\$0.71	\$1.15

The weighted average number of years for share options issued under the Plan is 1.78 years (30 June 2019: 2.80 years).

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:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
12-Aug-19	09-Aug-23	\$0.37	\$0.53	81.93%	–%	1.31%	\$0.196

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

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Expired/forfeited/Other*	Balance at the end of the year
16-May-16	01-Jul-19	\$0.00	1,169,463			(1,169,463)	0
06-Sep-16	01-Jul-19	\$0.00	1,292,706			(1,292,706)	0
15-Aug-17	01-Jul-20	\$0.00	1,344,573			(87,654)	1,256,919
06-Feb-18	01-Jan-21	\$0.00	418,662			(40,980)	377,682
06-Sep-18	01-Jul-21	\$0.00	818,449			(117,706)	700,743
22-Nov-18	01-Jan-21	\$0.00	100,757				100,757
22-Nov-18	01-Jul-21	\$0.00	142,341				142,341
06-Feb-19	01-Jan-22	\$0.00	2,652,789			(699,959)	1,952,830
16-Aug-19	01-Jul-22	\$0.00		3,495,833		(1,064,718)	2,431,115
01-Nov-19	01-Jan-22	\$0.00		348,742			348,742
01-Nov-19	01-Jul-22	\$0.00		408,117			408,117
12-Mar-20	01-Jan-23			4,496,984		(520,604)	3,976,380
			7,939,740	8,749,676	0	(4,993,790)	11,695,626

\* Performance rights forfeited as they did not meet the vesting conditions prior to the expiry date or due to the employee ceasing employment.

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:

Grant date	Expiry date	Share price at grant date	Volatility	Dividend Yield	Vesting probability	Fair value at grant date
16-Aug-19	01-Jul-22	\$0.36	77.94%	–%	50.00%	\$0.141
16-Aug-19	01-Jul-22	\$0.36	77.94%	–%	50.00%	\$0.141
1-Nov-19	01-Jan-22	\$0.23	80.14%	–%	100.00%	\$0.151
1-Nov-19	01-Jan-22	\$0.23	80.14%	–%	100.00%	\$0.127
1-Nov-19	01-Jul-22	\$0.23	77.94%	–%	100.00%	\$0.152
1-Nov-19	01-Jul-22	\$0.23	77.94%	–%	100.00%	\$0.176
12-Mar-20	01-Jan-23	\$0.15	74.89%	–%	50.00%	\$0.091
12-Mar-20	01-Jan-23	\$0.15	74.89%	–%	50.00%	\$0.118

## DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 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 29 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 2020  
Melbourne

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS 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 2020 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 2020
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Clean TeQ Holdings Limited (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 (including Independence Standards) (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 (\$3,535 thousand) and exploration and evaluation (E&E) assets (\$nil)

Refer to significant accounting policies in Note 2 and Notes 7 and 12 to the Financial Report.

The key audit matter	How the matter was addressed in our audit
<p>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&amp;E assets have been allocated.</p> <p>The valuation of the Metals and Water CGU intangible assets and Metals E&amp;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:</p> <ul style="list-style-type: none"> <li>Discount rates applied to forecast cash flows, as each CGU displays unique conditions varying the assessment of discount rates</li> <li>Future commodity prices</li> <li>Future foreign exchange rates</li> <li>For the Water CGU, forecasting the probability of converting tender pipeline into contracted revenue</li> <li>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 costs are estimated based on the Group's expertise/experience from other mining operations</li> </ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>Working with our valuation specialists we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to each CGU;</li> <li>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;</li> <li>Performing sensitivity analysis in respect of the discount rates, future production/output, capital expenditure and operating costs, future commodity 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;</li> <li>Comparing future commodity 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;</li> <li>Reading a sample of tenders submitted by the Group, memorandums of understanding and contracts to inform our view of the likelihood of the Water CGU tender pipeline being converted into contracted revenue;</li> <li>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;</li> </ul>



<ul style="list-style-type: none"> <li>Reserves, including the success of exploration, and appraisal activities, including drilling and geological and geophysical analysis.</li> </ul> <p>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.</p>	<ul style="list-style-type: none"> <li>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&amp;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;</li> <li>We assessed the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.</li> </ul>
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#### 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.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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
- assessing the Group and Company'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 and Company or to cease operations, or have no realistic alternative but to do so.

# INDEPENDENT AUDITOR'S REPORT

(CONTINUED)



## 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 2020, 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 sections 1 to 4 of the Directors' report for the year ended 30 June 2020.

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

KPMG

Tony Romeo

Partner

Melbourne

24 August 2020

# SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2020

The information below is current as at 30 July 2020

## Distribution of equity securities

The number of shareholders by size of holding of ordinary shares is:

Range	Total Holders	Units	% Units
1 to 1,000	807	433,271	0.06
1,001 to 5,000	1,912	5,777,961	0.77
5,001 to 10,000	1,178	9,654,577	1.29
10,001 to 100,000	2,627	92,086,761	12.34
100,001 and over	514	638,507,635	85.54
Rounding			0.00
<b>Total</b>	<b>7,038</b>	<b>746,460,205</b>	<b>100.00</b>
The number of shareholders holding less than a marketable parcel of shares	1,550	1,730,168	

The number of holders by size of holding of unquoted options over ordinary shares is:

Range	Total Holders	Units	% Units
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	1	75,000	0.54
100,001 and over	11	13,715,604	99.46
Rounding			0.00
<b>Total</b>	<b>11</b>	<b>13,790,604</b>	<b>100.00</b>

The number of holders by size of holding of unquoted performance rights is:

Range	Total Holders	Units	% Units
1 to 1,000	1	385	0
1,001 to 5,000	14	37,080	0.24
5,001 to 10,000	10	67,635	0.44
10,001 to 100,000	51	2,091,378	13.51
100,001 and over	34	13,288,192	85.82
Rounding			-0.01
<b>Total</b>	<b>110</b>	<b>15,484,670</b>	<b>100</b>



# SHAREHOLDER INFORMATION

(CONTINUED)

## Equity security holders

### Twenty largest quoted equity security holders

The names of the twenty largest security holders of fully paid ordinary shares as at 30 July 2020 are listed below:

Rank	Name of Share Holder	Number of Shares Held	% of Total Shares Issued
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	183,838,622	24.63
2	PENGXIN INTERNATIONAL GROUP LIMITED	92,518,888	12.39
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	86,347,304	11.57
4	CITICORP NOMINEES PTY LIMITED	37,055,879	4.96
5	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	19,454,948	2.61
6	CANADIAN REGISTER CONTROL\ C	10,793,259	1.45
7	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	10,356,705	1.39
8	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	9,000,000	1.21
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,923,691	0.66
10	SAM RIGGALL	4,879,930	0.65
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,846,442	0.65
12	JEREMY'S HAVEN PTY LTD	4,690,310	0.63
13	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,633,034	0.62
14	UBS NOMINEES PTY LTD	3,425,836	0.46
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,034,921	0.41
16	MAL CLARKE & ASSOCIATES PTY LTD <MAL CLARKE FAMILY A/C>	3,029,985	0.41
17	SUNSHINE SUPERANNUATION PTY LTD <SCIENTIFIC & LAB P/L S/F A/C>	2,750,000	0.37
18	BNP PARIBAS NOMS PTY LTD <DRP>	2,481,449	0.33
19	MR MAL CLARKE <MAL CLARKE & ASSOCIATES A/C>	2,021,260	0.27
20	MR DAVID NEVILLE COLBRAN	2,000,000	0.27
<b>Total – Top 20 holders of Ordinary Fully Paid Shares</b>		<b>492,634,325</b>	<b>65.92</b>
<b>Total – Shares Issued</b>		<b>746,460,205</b>	<b>100.00</b>

## Substantial holders

Substantial holders in the Company as detailed in the most recent public filings of Form 604 Notice of Change of Interests of Substantial Holder or Appendix 3Y Change of Director's Interest Notice are set out below. Percentage of total shares issued is based on the total shares on issue as at 30 June 2020 of 746,460,205.

Name of Share Holder	Ordinary Shares	
	Number held	% of total shares issued
Robert Martin Friedland	96,600,896	12.94%
Pengxin International Group Limited	92,518,888	12.39%
FMR LLC	58,489,117	7.84%
AustralianSuper Pty Ltd	64,551,351	8.65%

## 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.

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# 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)  
Stefanie Loader (Lead Independent Non-Executive Director)  
Judith Downes (Independent Non-Executive Director)  
Eric Finlayson (Non-Executive Director)  
Ian Knight (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](http://www.cleanteq.com)

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