

21 August 2008

Change of forecast

Buy

Important: The above recommendation has been made on a 12 month view and may not suit your investment needs or timeframe. The basis it is prepared on is summarised on the last page of this report. **PLEASE CONTACT YOUR ADVISER TO DISCUSS THIS GENERAL RECOMMENDATION BEFORE ACTING ON IT.**

Mod-High Volatility

Target price
A\$0.54

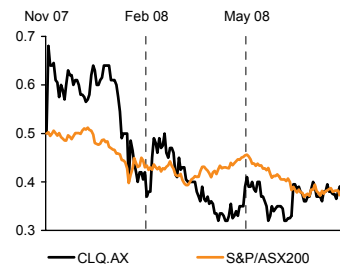
Price
A\$0.40

Short term (0-60 days)
n/a

CLQ80821

Price performance

	(1M)	(3M)	(12M)
Price (A\$)	0.38	0.39	n/a
Absolute %	3.9	2.6	n/a
Rel market %	2.0	22.9	n/a
Rel sector %	0.3	6.4	n/a



Market capitalisation
A\$22.60m (US\$19.77m)

Average (12 mth) daily turnover
A\$0.03m (US\$0.03m)

RIC: CLQ.AX, CLQ AU
Priced at close of business 21 Aug 2008.
Source: Bloomberg

Analysts

Roger Leaning
+61 7 3334 4554
rleaning@abnamromorgans.com.au

Paul Stevenson
+61 7 3334 4557
pstevenon@abnamromorgans.com.au

ABN AMRO Morgans Limited
(A.B.N. 49 010 669 726) AFSL235410
A Participant of ASX Group

www.abnamromorgans.com.au

Clean TeQ

Another clean result

CLQ has reported a strong result, with NPAT of A\$2.9m, in line with our forecast and slightly above prospectus guidance. We expect CLQ's strong growth to continue in FY09 from increasing demand for its technologies and further project wins. Buy.

Key forecasts

	FY07A	FY08A	FY09F	FY10F	FY11F
EBITDA (A\$m)	3.18	4.78	5.17 ▼	6.29 ▼	7.80
Reported net profit (A\$m)	1.85	2.92	3.71 ▼	4.79	6.20
Normalised net profit (A\$m) ¹	3.09	2.92	3.71 ▼	4.79	6.20
Normalised EPS (c) ¹	7.02	5.17	6.56 ▼	8.33	10.6
Normalised EPS growth (%)	n/a	-26.3	26.8	27.0	27.0
Dividend per share (c)	0.00	0.00	0.00 ▼	0.00 ▼	0.00 ▼
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Normalised PE (x)	5.70	7.73	6.10	4.80	3.78
EV/EBITDA (x)	6.98	3.36	1.86	0.89	0.00
Price/net oper. CF (x)	5.01	5.96	6.28 ▼	6.58 ▲	5.73 ▲
ROIC (%)	73523600	48.2	60.0	134.7	134.7

Use of ▲ ▼ indicates that the line item has changed by at least 5%.

1. Pre non-recurring items and post preference dividends

Accounting Standard: IFRS

Source: Company data, ABN AMRO forecasts

year to Jun, fully diluted

Strong result in line with forecasts

CLQ reported NPAT of A\$2.9m, in line with our forecasts, while EPS was 5.2c. Revenue of A\$15.2m, up 117% on pcp, was slightly below our forecast of A\$15.5m. Operating costs were up 151% to A\$10.5m (from A\$4.2m). CLQ noted that employment costs have risen, while it continues to invest more than 10% of revenue in R&D. At 30 June 2008, CLQ had cash and cash equivalents of A\$6.5m and negligible debt. Operating cash flow was strong, increasing to A\$4.2m.

Growth expected to continue in FY09 for all divisions

Resource recovery exceeded forecasts due to a substantial increase in fees for services, which we believe resulted from additional work at CLQ's pilot nickel-extraction plant for BHP. Growth for FY09 should continue, with anticipated high demand for resource-recovery plants, including the uranium pilot plant CLQ is designing and constructing for Paladin. We expect further project success to be announced in FY09. Air Purification delivered strong revenue growth, up about 115% on the pcp, but was still below our forecast. We believe this was due to an unexpected contract delay rather than a loss of revenue (which should roll into FY09 earnings). We expect growth to continue, with more project wins (and bigger projects) on the back of higher demand for air-purification technology in response to more stringent regulatory requirements. Water Purification contributed a small loss, but this was expected given its infancy. With the technology now commercial, we expect growth from strong demand for water recycling due to global water scarcity.

Retain A\$0.54 target price and Buy recommendation

We make no changes to our forecast numbers following today's result. Our DCF value remains at A\$0.54 and values CLQ at a FY09F PE of 5.7x. Catalysts include the successful installation of a uranium pilot plant at Langer Heinrich and announcements on the stage 3 upgrade, further project awards, the sale of new licences and FY09 earnings guidance. Key risks to our target price include an unsuccessful roll-out of Clean-iX technology, new competing technologies resulting in a loss of market share, the delay or cancellation of projects, and declining margins.

AAM – financial summary

Year to 30 Jun (A\$m)	AIFRS 2007A	AIFRS 2008A	AIFRS 2009F	AIFRS 2010F	AIFRS 2011F	Closing price (A\$)	0.40	Price target (A\$)	0.54	
Income statement						Valuation metrics				
Divisional sales	7.0	15.2	21.9	28.5	35.5	Preferred methodology	DCF	Val'n (A\$)	\$ 0.54	
Total revenue	7.0	15.3	22.0	28.6	35.6	Multiples				
EBITDA	3.2	4.8	5.2	6.3	7.8	Enterprise value (A\$m)	2008A	2009F	2010F	2011F
Associate income	0.0	0.0	0.0	0.0	0.0	EV/Sales (x)	16.1	9.6	5.6	0.0
Depreciation	-1.3	-0.9	-1.1	-1.1	-1.1	EV/EBITDA (x)	1.1	0.4	0.2	0.0
EBITDA	3.2	3.9	5.1	6.3	7.8	EV/EBITDA (x)	3.4	1.9	0.9	0.0
Amortisation/impairment	-1.2	0.0	-1.0	-1.0	-1.0	EV/EBIT (x)	4.1	2.4	1.1	0.0
EBIT	1.9	3.9	4.1	5.2	6.7	PE (pre-goodwill) (x)	7.7	6.1	4.8	3.8
EBIT (incl associate profit)	1.9	3.9	4.1	5.2	6.7	PEG (pre-goodwill) (x)				
Net interest expense	-0.1	0.0	0.8	1.2	1.5	At target price				
Pre-tax profit	1.9	3.9	4.9	6.4	8.3	EV/EBITDA (x)	2008A	2009F	2010F	2011F
Income tax expense	0.0	-1.0	-1.2	-1.6	-2.1	PE (pre-goodwill) (x)	5.0	3.4	2.1	1.0
After-tax profit	1.9	2.9	3.7	4.8	6.2	Comparable company data (x)				
Minority interests	0.0	0.0	0.0	0.0	0.0	Sedgman	2009F	2010F	2011F	
NPAT	1.9	2.9	3.7	4.8	6.2	Year to 30 Jun	EV/EBITDA	7.4	6.6	6.1
Significant items	0.0	0.0	0.0	0.0	0.0		EV/EBIT	8.5	7.5	6.9
NPAT post abnormal	1.9	2.9	3.7	4.8	6.2		PE	14.7	13.6	12.7
Cash flow statement							PEG			
EBITDA	3.2	4.8	5.2	6.3	7.8	Norfolk Group	EV/EBITDA	5.2	4.6	4.1
Change in working capital	0.4	0.0	0.5	0.0	-0.1	Year to 31 Mar	EV/EBIT	5.6	5.1	4.6
Net interest (pd)/rec	0.0	0.0	-0.8	-1.2	-1.5		PE	6.8	6.2	5.6
Taxes paid	0.0	-1.0	-1.2	-1.6	-2.1		PEG	1.4	1.2	1.1
Other oper cash items	0.0	0.0	0.0	0.0	0.0	Per share data				
Cash flow from ops (1)	3.5	3.8	3.6	3.5	4.1	No. shares	2008A	2009F	2010F	2011F
Capex (2)	0.0	0.0	0.0	0.0	0.0	EPS (cps)	56.5	56.5	57.5	58.6
Disposals/(acquisitions)	-1.8	0.0	0.0	0.0	0.0	EPS (normalised) (c)	5.2	6.6	8.3	10.6
Other investing cash flow	0.0	0.0	0.0	0.0	0.0	Dividend per share (c)	5.2	6.6	8.3	10.6
Cash flow from invest (3)	-1.8	0.0	0.0	0.0	0.0	Dividend payout ratio (%)	0.0	0.0	0.0	0.0
Incr/(decr) in equity	0.0	6.3	0.0	0.5	0.6	Dividend yield (%)	0.0	0.0	0.0	0.0
Incr/(decr) in debt	0.0	0.0	0.0	0.0	0.0	Growth ratios				
Ordinary dividend paid	0.0	0.0	0.0	0.0	0.0	Sales growth	2008A	2009F	2010F	2011F
Preferred dividends (4)	0.0	0.0	0.0	0.0	0.0	Operating cost growth	117.4%	43.6%	30.6%	24.4%
Other financing cash flow	0.0	0.0	0.0	0.0	0.0	EBITDA growth	172.9%	59.8%	33.4%	24.5%
Cash flow from fin (5)	0.0	6.3	0.0	0.5	0.6	EBITDA growth	50.5%	8.2%	21.6%	23.9%
Forex and disc ops (6)	0.0	0.0	0.0	0.0	0.0	EBITA growth	24.3%	31.2%	21.9%	24.1%
Incr/(decr) cash (1+3+5+6)	1.8	10.0	3.6	4.0	4.7	Operating performance				
Equity FCF (1+2+4)	3.5	3.8	3.6	3.5	4.1	Asset turnover (%)	2008A	2009F	2010F	2011F
Balance sheet						EBITDA margin (%)	32.5	28.4	27.0	26.6
Cash & deposits	1.1	6.5	13.0	17.0	22.6	EBIT margin (%)	31.4	23.7	22.0	22.0
Trade debtors	1.0	1.0	3.2	4.1	5.1	EBIT margin (%)	25.7	18.8	18.3	19.0
Inventory	0.5	0.6	1.5	1.9	2.4	Net profit margin (%)	19.2	17.0	16.8	17.5
Investments	0.0	0.0	0.0	0.0	0.0	Return on net assets (%)	32.6	26.1	25.5	25.2
Goodwill	5.6	0.0	5.3	4.2	3.2	Net debt (A\$m)	-6.5	-13.0	-17.0	-22.6
Other intangible assets	0.0	6.5	0.0	0.0	0.0	Net debt/equity (%)	-54.2	-82.4	-82.7	-84.7
Fixed assets	0.1	0.2	0.1	0.1	0.1	Net interest/EBIT cover (x)	1958.0	-4.9	-4.5	-4.4
Other assets	0.0	0.4	0.4	2.2	3.7	ROIC (%)	48.2	60.0	134.7	134.7
Total assets	8.3	15.1	23.4	29.6	37.1	Internal liquidity				
Short-term borrowings	0.7	0.0	0.0	0.0	0.0	Current ratio (x)	2008A	2009F	2010F	2011F
Trade payables	0.9	0.6	4.1	5.5	6.9	Receivables turnover (x)	11.6	4.2	4.2	4.4
Long-term borrowings	0.0	0.0	0.0	0.0	0.0	Payables turnover (x)	15.4	10.6	7.8	7.7
Provisions	0.0	0.5	0.5	0.5	0.5					
Other liabilities	0.5	2.0	3.0	3.0	3.0					
Total liabilities	2.2	3.1	7.6	9.0	10.4					
Preference shares										
Hybrid equity										
Share capital	2.1	7.5	11.2	16.0	22.2					
Other reserves										
FCTR										
Unrealised gains/losses										
Retained earnings	4.0	4.4	4.4	4.4	4.4					
Other equity	0.0	0.1	0.1	0.1	0.1					
Total equity	6.1	12.0	15.7	20.5	26.7					
Minority interest	0.0	0.0	0.0	0.0	0.0					
Total shareholders' equity	6.1	12.0	15.7	20.5	26.7					
Total liabilities & SE	8.3	15.1	23.4	29.6	37.1					

Source: Company data, ABN AMRO Morgans forecasts

RESEARCH TEAM

ROGER LEANING	-	Head of Research	JOSEPHINE LITTLE	-	Analyst
ROBERT BITOMSKY	-	Analyst	BELINDA MOORE	-	Senior Analyst
MATT BROOKS	-	Retail Strategy	SCOTT POWER	-	Senior Analyst
CHRIS BROWN	-	Senior Analyst	TOM SARTOR	-	Analyst
FIONA BUCHANAN	-	Senior Analyst	TAMARA STRETCH	-	Analyst
NICK HARRIS	-	Analyst	TANYA SOLOMON	-	Analyst
MICHAEL KNOX	-	Director of Strategy & Chief Economist	REBECCA SULLIVAN	-	Retail Strategy
JAMES LAWRENCE	-	Fixed Interest Analyst	SAM TURNER	-	Analyst

ABN AMRO MORGANS OFFICES

BRISBANE	(07) 3334 4888	CHATSWOOD	(02) 9411 8988
BUNDABERG	(07) 4153 1050	COFFS HARBOUR	(02) 6651 5700
BURLEIGH HEADS	(07) 5520 8788	GOSFORD	(02) 4325 0884
CAIRNS	(07) 4052 9222	HURSTVILLE	(02) 9570 5755
CALOUNDRA	(07) 5491 5422	MERIMBULA	(02) 6495 2869
CAPALABA	(07) 3245 5466	NEUTRAL BAY	(02) 8969 7500
CHERMSIDE	(07) 3350 9000	NEWCASTLE	(02) 4926 4044
EMERALD	(07) 4988 2777	NEWPORT	(02) 9998 4200
GLADSTONE	(07) 4972 8000	ORANGE	(02) 6361 9166
GOLD COAST	(07) 5592 5777	PARRAMATTA	(02) 9615 4500
IPSWICH	(07) 3202 3995	PORT MACQUARIE	(02) 6583 1735
MACKAY	(07) 4957 3033	SCONE	(02) 6544 3144
MILTON	(07) 3114 8600	WOLLONGONG	(02) 4227 3022
MISSION BEACH	(07) 4088 6188	MELBOURNE	(03) 9947 4111
NOOSA	(07) 5449 9511	BERWICK	(03) 9796 2676
REDCLIFFE	(07) 3897 3999	BRIGHTON	(03) 9519 3555
ROCKHAMPTON	(07) 4922 5855	CAMBERWELL	(03) 9813 2945
SPRING HILL	(07) 3833 9333	GEELONG	(03) 5222 5128
SPRINGWOOD	(07) 3808 7588	TRARALGON	(03) 5176 6055
SUNSHINE COAST	(07) 5479 2757	WARRNAMBOOL	(03) 5559 1500
TOOWOOMBA	(07) 4639 1277	CANBERRA	(02) 6232 4999
TOWNSVILLE	(07) 4771 4577	ADELAIDE	(08) 8464 5000
YEPPON	(07) 4939 3021	PERTH	(08) 9261 0888
SYDNEY	(02) 8215 5000	BUNBURY	(08) 9791 9188
ARMIDALE	(02) 6770 3300	DARWIN	(08) 8981 9555
BALLINA	(02) 6686 4144	HOBART	(03) 6236 9000
BALMAIN	(02) 8755 3333		

DISCLAIMER - ABN AMRO MORGANS LTD

This report was prepared as a private communication to clients and was not intended for public circulation or publication or for the use of any third party, without the approval of ABN AMRO Morgans Ltd ("ABN AMRO Morgans"). While this report is based on information from sources which ABN AMRO Morgans considers reliable, its accuracy and completeness cannot be guaranteed. Any opinions expressed reflect ABN AMRO Morgans judgment at this date and are subject to change. ABN AMRO Morgans has no obligation to provide revised assessments in the event of changed circumstances. ABN AMRO Morgans, its directors and employees do not accept any liability for the results of any actions taken or not taken on the basis of information in this report, or for any negligent misstatements, errors or omissions. This report is made without consideration of any specific client's investment objectives, financial situation or needs. Those acting upon such information without first consulting one of ABN AMRO Morgans investment advisors do so entirely at their own risk. It is recommended that any persons who wish to act upon this report consult with an ABN AMRO Morgans investment advisor before doing so. This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever.

DISCLOSURE OF INTEREST

ABN AMRO Morgans and/or its affiliated companies may make markets in the securities discussed. Further, ABN AMRO Morgans and/or its affiliated companies and/or their employees from time to time may hold shares, options, rights and/or warrants on any issue included in this report and may, as principal or agent, sell such securities. ABN AMRO Morgans affiliates may have acted as manager or co-manager of a public offering of any such securities in the past three years. ABN AMRO Morgans affiliates may provide or have provided banking services or corporate finance to the companies referred to in the report. The knowledge of affiliates concerning such services may not be reflected in this report.

The Directors of ABN AMRO Morgans advise that they and persons associated with them may have an interest in the above securities and that they may earn brokerage, commissions, fees and other benefits and advantages, whether pecuniary or not and whether direct or indirect, in connection with the making of a recommendation or a dealing by a client in these securities, and which may reasonably be expected to be capable of having an influence in the making of any recommendation, and that some or all of our Proper Authority holders may be remunerated wholly or partly by way of commission.

RECOMMENDATION STRUCTURE

Absolute performance, long-term (fundamental) recommendation: The recommendation is based on implied upside/downside for the stock from the target price. A Buy/Sell implies upside/downside of 10% or more and a Hold less than 10%. The target price is the level the stock should currently trade at if the market accepted the analyst's view of the stock, provided the necessary catalysts are in place to effect the change in perception. If it is felt that the catalysts are not fully in place to effect a re-rating of the stock to its warranted value the target price will differ from 'fair' value. Given the volatility of share prices and our pre-disposition not to change recommendations frequently, these performance parameters should be interpreted flexibly. Performance in this context only reflects capital appreciation and the horizon is 12 months.

For listed property trusts (LPTs) the recommendation is based upon the target price plus the dividend yield, ie total return. A Buy implies a total return of 10% or more; a Hold 5-10%; and a Sell less than 5%.

Absolute performance, short-term (trading) recommendation: The Trading Buy/Sell recommendation implies upside/downside of 3% or more. The trading recommendation time horizon is 0-60 days.

Each stock has been assigned a Volatility Rating to assist in assessing the risk of the security. The rating measures the volatility of the security's daily closing price data over the previous year relative to other stocks included in either the S&P/ASX200 Index (large caps) or the Small Ordinaries Index (small caps) of which it is a member. This rating is a quantitative (objective) measure provided as an additional resource and is independent of the qualitative research process undertaken by our research analysts.

A rating of Low indicates very little movement in price over the previous year (Coefficient of Variation < 4 for small caps or < 5 for large caps). A Moderate rating implies average price movement over the previous year (Coefficient of Variation of 9 - 21 for small caps or 7.25 - 15 for large caps). A High rating implies significant price movement over the past year (Coefficient of Variation greater than 25 for small caps or 35 for large caps).

REGULATORY DISCLOSURES

Subject companies: CLQ.AX

ABN AMRO Morgans Limited was the Lead Manager and Underwriter to the initial public offer of shares by Clean Teq Limited in September 2007 and received fees in this regard.: CLQ.AX.

PRIVACY

Personal information held by ABN AMRO Morgans Ltd may have been used to enable you to receive this publication. If you do not wish your personal information to be used for this purpose in the future please advise us, including your account details to your local ABN AMRO Morgans Ltd office or to Reply Paid 202, GPO Box 202 Brisbane Qld 4001.