

CLEAN TEQ HOLDINGS LIMITED

ABN 34 127 457 916

AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2007 as provided in the Prospectus dated 9 October 2007.

CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

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CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

The directors present their report together with the condensed financial report of the consolidated entity consisting of Clean TeQ Holdings Limited and the entities it controlled, for the half-year ended 31 December 2007 and independent auditor's review report thereon.

Directors Names

The names of the directors in office at any time during or since the end of the half-year are:

Name	Period of directorship
Ralph Pliner (Chairperson)	Director since 24 September 2007
Greg Toll	Director since 10 September 2007
Jeremy Carter	Director since 10 September 2007
Barry Lewin	Director since 24 September 2007
Peter Voigt	Director since 10 September 2007

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated profit of the group for the half-year after providing for income tax amounted to \$1,564,000

Clean TeQ Holdings Limited was incorporated on 10 September 2007. On this date a reverse takeover of Clean TeQ Limited (formerly known as Clean TeQ Pty Ltd) took place. On this date Clean TeQ Holdings Limited acquired all the shares in Clean TeQ Limited. As a result of the acquisition of the shares in Clean TeQ Limited, the ultimate holding company acquired control of Resix Pty Ltd and Clean TeQ Resin Production Pty Ltd.

The company commenced trading as a public company on the Australian Stock Exchange on 9 November 2007.

During the course of the period under review the company continued to experience significant growth across all three areas of the business. Revenue during the period has grown some 315% compared to the corresponding prior year period. The net profit after tax has also grown by 280%.

Sales in the Air Purification Division are in line with the prospectus forecast. The Resource Recovery Division is also on track to meet its prospectus forecast. Both of these divisions' performances have met expectations. These divisions continue to have a significant pipeline of current and future business opportunities.

The Water Purification Division has entered into a significant contract for the supply of a Membrane Water Treatment Plant. Revenue will be recognised from this contract during the second half of the current financial year. The growth in the Water Purification Division is expected to continue during the second half of the current financial year and beyond.

CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES DIRECTORS' REPORT

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2007.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:

Greg Toll Director

Dated this 13th day of February 2008.



AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Clean TeQ Holdings Limited.

In relation to the half-year independent auditor's review for the six months to 31 December 2007, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners

Melbourne

S D Whitchurch

Partner

Dated 13th day of February 2008.

CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half	-year
	2007	2006
	\$'000	\$'000
Revenue		
Sales revenue	7,981	1,954
Other revenues	143	6
	8,124	1,960
Changes in inventories of finished goods and work in progress	51	(25)
Raw materials and consumables		(35)
	4,349	504
Employee benefits	1,409	803
Depreciation and amortisation	419	207
Finance costs	11	37
Other expenses	135	120
	6,374	1,636
Profit before income tax expense	1,750	324
Income tax expense (income tax benefit)	1,730	(88)
•	-	
Profit for the half-year	1,564	412
Profit attributable to the members of the parent	1,564	412
Earnings per share		
Basic (Cents per share)	5.71	0.94*
Diluted (Cents per share)	5.54	0.94*

^{*} The calculation of the basic and diluted earnings per share for the period ending 31 December 2006 has been restated for the corporate restructure that occurred on 24 September 2007 where 28.5 ordinary shares were issued for each share on issue at that date.

CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	31 December 2007	30 June 2007
CURRENT ASSETS	\$'000	\$'000
Cash and cash equivalents	5,835	1,119
Trade and other receivables	2,273	1,012
Inventories	415	466
TOTAL CURRENT ASSETS	8,523	2,597
NON-CURRENT ASSETS		
Plant and equipment	138	97
Intangible assets	5,961	5,614
TOTAL NON-CURRENT ASSETS	6,099	5,711
TOTAL ASSETS	14,622	8,308
CURRENT LIABILITIES		
Trade and other payables	1,292	949
Short-term borrowings	10	669
Current tax payable	186	-
Deferred income	1,300	435
Short-term provisions	60	83
TOTAL CURRENT LIABILITIES	2,848	2,136
NON-CURRENT LIABILITIES		
Long-term borrowings	5	9
Long-term provisions	83	38
TOTAL NON-CURRENT LIABILITIES	88	47
TOTAL LIABILITIES	2,936	2,183
NET ASSETS	11,686	6,125
EQUITY		
Share capital	7,177	2,109
Retained earnings	4,380	4,016
Share option reserve	129	
TOTAL EQUITY	11,686	6,125

CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year	
	2007	2006
	\$'000	\$'000
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	6,125	4,302
Employee share options	129	
Net income recognised directly in equity	129	
Profit for the half year	1,564	412
Total recognised income and expense for the period	1,564	412
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity via shares issued	6,250	-
Transaction costs relating to share issue	(1,182)	-
Dividends paid	(1,200)	-
	3,867	
TOTAL EQUITY AT THE END OF THE HALF-YEAR	11,686	4,712

CLEAN TEQ HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-year	
	2007	2006
	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	8,471	2,295
Payments to suppliers and employees	(6,263)	(1,894)
Interest received	116	5
Income taxes refunded	2	-
Borrowing costs	(1)	(8)
Net cash provided by operating activities	2,325	398
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(65)	(1)
Payment for other non current assets	(35)	(9)
Development expenditure	(713)	(605)
Net cash used in investing activities	(813)	(615)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from the issue of share capital	6,250	-
Capital raising costs	(1,182)	-
Proceeds from shareholder loans	-	300
Repayment of loan to related party	(658)	-
Repayment of borrowings	(6)	(5)
Dividend paid	(1,200)	
Net cash provided by financing activities	3,204	295
Net increase in cash and cash equivalents held	4,716	78
Cash at beginning of financial year	1,119	(245)
Cash at end of the reporting period	5,835	(167)
Such at the of the reporting period		(107)

NOTE 1: REPORTING ENTITY

Clean TeQ Holdings Limited (the "Company") is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interests in associates and jointly controlled entities.

NOTE 2: BASIS OF PREPARATION

The condensed consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reports* and the Corporations Act 2001.

The condensed consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 and any public announcements made by Clean TeQ Holdings Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

This condensed consolidated financial report was approved by the Board of Directors on 12 February 2008.

The consolidated entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this condensed consolidated financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007 as provided in the Prospectus dated 9 October 2007.

NOTE 4: ESTIMATES

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates

In preparing this condensed consolidated financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.

NOTE 5: COMPARATIVE INFORMATION

The Income Statement and the Statement of Cash Flows provide comparative information for the half-year ended 31 December 2006. The Balance Sheet provides comparative information as at 30 June 2007.

The half year financial report of Clean TeQ Holdings Limited and its controlled entities, for the period ending 31 December 2007, includes the operations of Clean TeQ Holdings Limited, the economic entity. The comparative figures for the six months ended 31 December 2006 are for Clean TeQ Limited, the operating entity in the group pre and post acquisition.

NOTE 6: SUBSEQUENT EVENTS

There have been no material subsequent events since the end of the half-year that require disclosure in the half year financial statements.

NOTE 7: SEGMENT INFORMATION

Segment information is presented in the condensed consolidated financial statements in respect of the consolidated entity's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The consolidated entity comprises of the following main business segments:

Air Purification

This has been the core business of the Company since 1990. Clean TeQ provides biological and energy efficient air purification and odour elimination solutions to municipal and statutory authorities and industrial companies.

• Water Purification

Clean TeQ is currently offering and further developing a suite of technologies for use in the purification and recycling of waste water and the desalination of brackish water to produce high quality industrial water. It has commissioned a pilot plant in WA to demonstrate the use of its Clean-iX® Technology for water purification.

• Resource Recovery

Through its Clean-iX® Technology the Company aims to provide cost effective extraction techniques which are intended to enable a higher recovery rate of valuable ores, while having less environmental impact. This technology utilises an ion exchange process together with specially designed equipment and resin which can be used in the extraction process of a range of resources, including base metals, precious metals and radioactive elements (such as uranium).

Geographical segments

Geographically, the group operates predominately in Australia.

	Half-Year to 31 December 2007 \$'000	Half-Year to 31 December 2006 \$'000
Segment Revenue		
Air Purification	3,663	1,094
Water Purification	157	25
Resource Recovery	3,693	835
Other	611	6
	8,124	1,960
Inter-segmental revenues		_
Total Revenue	8,124	1,960
Segment Results		
Air Purification	638	209
Water Purification	(20)	(50)
Resource Recovery	989	159
Other	143	6
	1,750	324
Income tax expense	(186)	88
Profit for the period	1,564	412

NOTE 8: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the current period under review the company acquired all the shares in Clean TeQ Limited on 24 September 2007. A corporate restructure took place on this date with all the shares in Clean TeQ Limited being exchanged for shares in the new company, Clean TeQ Holdings Limited which was incorporated on 10 September 2007. As a result of this restructure Clean TeQ Holdings Limited acquired all of the shares in Resix Pty Ltd and 90% of the issued share capital of Clean TeQ Resin Production Pty Ltd.

At the conclusion of the restructure Clean TeQ Limited remained the operating entity within the Group while Clean TeQ Holdings Limited is a holding company that is listed on the Australian Stock Exchange. Resix and Clean TeQ Resin Production have remained dormant throughout the current period.

During the previous corresponding period under review the company did not acquire any new subsidiaries.

The acquisitions by the legal parent entity, Clean TeQ Holdings Limited, included the following transactions:

Acquisitions

Name	Date acquired	Consolidated entity's interest	Consideration \$'000	Contribution to consolidated net profit/(loss) 2007 \$'000
Clean TeQ Limited	24 September 2007	100%	-	\$1,564
Resix Pty Ltd	24 September 2007	100%	-	*
Clean TeQ Resin Production Pty Ltd	24 September 2007	90%	-	*

^{*} These entities did not trade during the half-year ended 31 December 2007.

Effect of Acquisitions

Whilst Clean TeQ Holdings Limited is the legal parent entity and Clean TeQ Limited the legal subsidiary, this transaction was accounted for in accordance with AASB 3; Business Combinations, using "reverse acquisition" accounting principles. Accordingly, the basis of preparation of the half year financial report has been presented as if the legal subsidiary, Clean TeQ Limited was the acquirer on 24 September 2007.

The following are the net assets of the legal subsidiary as identified as the acquirer in accordance with AASB 3; Business Combinations:

	Recognised
	Values
	2007
	\$'000
Property plant & equipment	101
Inventories	466
Trade and other receivables	896
Cash and cash equivalents	2,542
Intangible Assets	5,614
Trade and other payables	(1,972)
Provisions	(119)
Deferred Income	(435)
Interest bearing loans and borrowings	(17)
Net identifiable assets and liabilities	7,076
Goodwill on acquisition	-
	7,076
Consideration paid in cash	-
Consideration paid via share issue	7,076
	7,076

Recognised values and the carrying amount of all the assets and liabilities acquired during the period are identical.

The net assets of the legal parent, Clean TeQ Holdings Limited, were \$1 at the date of acquisition. Under AASB3; Business Combinations this entity was identified as the acquiree.

Disposals

No entities within the consolidated group were disposed of during the period ended 31 December 2007 or 31 December 2006.

NOTE 9: CONTINGENT LIABILITIES AND COMMITMENTS

There are no additional contingent liabilities or material commitments other than those disclosed in the financial report for the year ended 30 June 2007 as provided in the Prospectus dated 9 October 2007.

NOTE 10: LOANS AND BORROWINGS

The following loans and borrowings were issued and repaid during the six months ended 31 December 2007.

During the period the company repaid an outstanding loan to a related party of \$657,678 as part of the restructure. At 31 December 2007 the company had an overdraft facility in place of \$466,197 (2006: \$600,000). At balance date none of this facility had been drawn down. For the period ending 31 December 2006 an amount of \$167,192 was drawn down.

During the period ending 31 December 2006 related party loans of \$1,332,678 were outstanding at balance date. There were no other loans and borrowings in the current or prior interim periods.

NOTE 11: RELATED PARTIES

Ultimate parent and its subsidiaries

During the six months ended 31 December 2007 as a result of the incorporation and restructure of the Group, Clean TeQ Holdings Limited became the ultimate parent entity of the group.

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (see note 13 for issues of options under the share option program).

NOTE 12: CHANGES IN THE COMPOSITION OF THE ENTITY

During the course of the period under review Clean TeQ Holdings Limited was incorporated on 10 September 2007. The Company purchased all of the shares in Clean TeQ Limited on 24 September 2007 through a share exchange. The corporate restructure resulted in new shares being issued to existing shareholders on a 28.5:1 basis. There was no change in the ultimate control as a result of the restructure. A dividend in the amount of \$1.2 million was declared on 11 September 2007 and paid on 14 September 2007 to the shareholders of Clean TeQ Limited existing at the time.

The prospectus offer of 12,500,000 new shares in the Company was fully subscribed at the offer price of \$0.50 each during the period. Furthermore, there was the issue of 3,081,000 share options to directors and employees during the period as a result of the Company listing on the ASX on 9 November 2007.

NOTE 13: ISSUE OF EQUITY SECURITIES

During the period under review the Group established a share option programme that entitles Directors, key management personnel and all employees to purchase shares in the entity. The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant date	Number of instruments	Exercise Price	Vesting conditions	Contractual life of options
Options granted at 9 November 2007	1,027,000	50 cents	Upon listing of the company on the ASX	3 years
Options granted at 9 November 2007	1,027,000	55 cents	After 1 year of service	3 years
Options granted at 9 November 2007	1,027,000	60 cents	After 2 years of service	3 years

At grant date the share price was 50 cents per share. An amount of \$128,851 was recognised as a share based payment during the period ended 31 December 2007. The fair value and recognised value of share options and assumptions for the six months ended 31 December 2007 are identical.

CLEAN TEQ HOLDINGS LIMITED ABN 34 127 457 916

DIRECTORS' DECLARATION

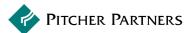
In the opinion of the directors of Clean TeQ Holdings Limited ("the Company"):

- 1. the financial statements and notes set out on pages 6 to 15 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the directors.

Greg Toll Director

Date at Melbourne this 13th day of February 2008.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CLEAN TEQ HOLDINGS LIMITED REPORT ON THE HALF YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Clean TeQ Holdings Limited. The half-year financial report comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Clean TeQ Holdings Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Clean TeQ Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001

Basis of Qualified Conclusion

As this is the first year that Clean TeQ Holdings Limited is required to prepare an interim financial report and have it reviewed, the balance sheet, income statement, statement of changes in equity, cash flow statement, statement of accounting policies and other selected explanatory notes for the preceding corresponding half year have not been reviewed or audited.



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CLEAN TEQ HOLDINGS LIMITED REPORT ON THE FINANCIAL REPORT

Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the half year ended 31 December 2006. However, the financial report for the preceding financial year ended 30 June 2007 has been audited and therefore our review statement is not qualified in respect of the comparative information for the year ended 30 June 2007 included in the balance sheet.

Qualified Conclusion

Except for the effect, if any, on the comparatives for the preceding corresponding half year that may result from the qualification in the preceding paragraph, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Clean TeQ Holdings Limited does not present fairly, in all material respects, or give a true and fair view of the financial position of Clean TeQ Holdings Limited as at 31 December 2007, and of its financial performance and its cash flows for the half year period ended that date, in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

Pitcher Partners

Melbourne

S D Whitchurch Partner

Date: 13 February 2008