Smarter solutions. Cleaner future.

Annual Report 2023

CLEANTEQ WATER

Clean TeQ Water is an environmentally conscious and forward-thinking technology company.

We apply our innovative technologies to support the transition to a circular economy.

We invest in assets with positive ecological impact that can generate value for our shareholders.

Contents

About Us

Clean TeQ Water is an Australia-based company that designs and deploys solutions for water treatment, mine tailings, and metals recovery.

Our unique technology portfolio aims to increase the rate of resource recycling, while reducing environmental impact.

Our head office is based in Melbourne, Australia, and we have offices and laboratories located in China and Europe.

Acknowledgement of Country

Clean TeQ Water acknowledges the Traditional Custodians of the land and waterways on which our offices stand.

We recognise the continuing connection Aboriginal and Torres Strait Islander peoples have to land, water and culture and pay our respects to Elders past, present and emerging.

Highlights

$13.6m
Total Revenue

Up 9% from previous reporting period*

0 Loss Time Injuries

Everyone home safe, everyday

Largest Contract Signed

Delivering ~$10m contract for the Townsville Water Recycling Facility

Project Execution

Successfully delivered Laramba and Koumala Drinking Water Treatment Projects

Entering the Lithium Market

Go2Lithium JV looking to enter market via technology for equity agreement with lithium asset owner

Mine Tailings

ATA® Technology enables access to enormous market in mine tailings water and metals recovery

Product Development

NematiQ makes its first commercial sale of Graphene Membranes to the water treatment industry

Global Expansion

Technology demonstrations in Europe and South America in N, P and S reduction and recycle

* 15 February 2021 – 30 June 2022.

Core Values

Innovate

Solve the problem and find the better way

Own

Strive for excellence and own the outcome

Collaborate

Work with like-minded people and companies

Chairman's and CEO's Report

Ian Knight
Chairman

Peter Voigt
CEO

"Technology ready, momentum in markets building, business primed for success."

Dear Shareholder,

As we close out financial year 2023 and look towards our future, we would like to extend our gratitude to all our employees and shareholders who have supported us as we look to grow, streamline and become a profitable Company.

Move towards profitability

A major aim of the business was to improve efficiency in our operations, which also supports our safety and sustainability initiatives. We have made significant inroads into this objective and while still not at breakeven, our efforts have seen the loss reduced from $11M in 2022 to $5M in 2023. A continued effort in this area coupled with a more strategic approach to monetise our extensive IP portfolio gives us the real potential to become profitable in 2024.

Investing in innovation and growth

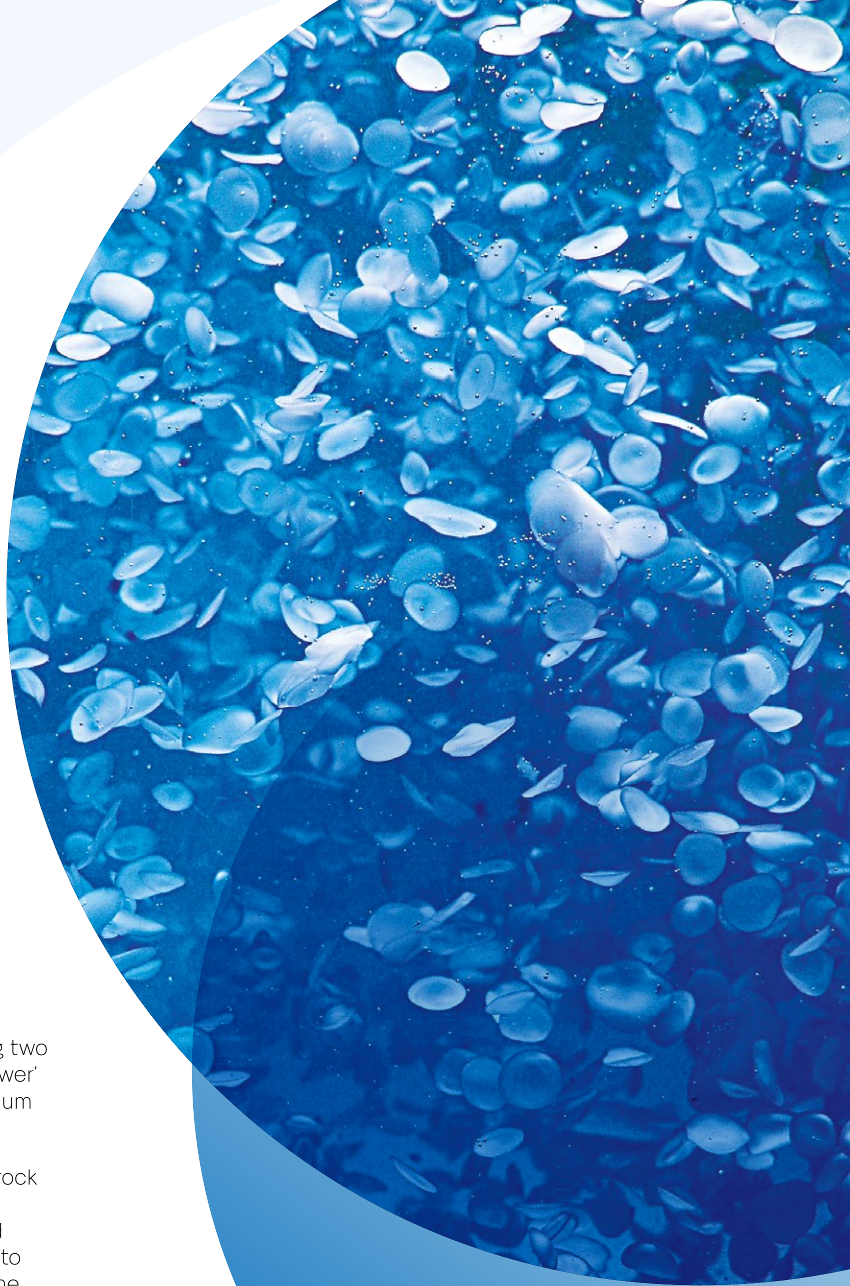
During 2023, the Company continued to invest in technology, and we wholeheartedly believe that our future is built around our people and knowledge. These investments in our core technologies of ion exchange, membranes, bioremediation, dewatering and evaporation provide the platform to launch the business into some exciting and growing markets.

Local success

During what has been a difficult year, our water division has been delivering projects in Australia and the Middle East. One standout project was the drinking water treatment plant for the Indigenous community at Laramba in Australia's Northern Territory. Our ability to deliver on time and budget to this remote community was a tribute to the efforts of our hardworking team and of the collaborative approach taken by Power and Water Corporation.

Global delivery

We are confident that the thematic of freshwater scarcity is not going to lessen but rather grow exponentially. We are in a great position to provide technical solutions for this problem if we turn our attention to working with cooperative partners for delivery. The problem is global, and working with international partners will aid our delivery while also providing opportunity for growth.



The big picture

In 2023, we have taken significant steps towards entering two exciting markets where we can provide the 'technical power' to deliver exceptional value to the Company, namely lithium production and mine tailings management.

While lithium production in Australia is mainly from hard rock sources, in the international market brines are becoming a more competitive source. The Company has developed and licensed Direct Lithium Extraction (DLE) technology to its JV, Go2Lithium, which will become a major player in the extraction and production of lithium in North America and then potentially other jurisdictions. The technology provides us with the lever to gain equity in potentially billion-dollar lithium assets.

We will follow the same business model in the mine tailings sector, where our CLEAN-IX® and ATA® technologies solve pressing issues and provide competitive advantages to our customers.

Looking ahead

Your Company is looking to a bright future as it embarks on a strategy that sees technology as the lever to gaining an equity position in assets. FY 2024 will be revolutionary as we move from base camp and begin to climb Everest. We enthusiastically embrace the challenge and encourage you to come with us on what will be an exciting journey.

Ian Knight
Chairman

Peter Voigt
Chief Executive Officer

Our Footprint

1 **Townsville Recycled Water Treatment Facility**
Townsville City Council, QLD, Australia
15 MLD plant to produce recycled water.

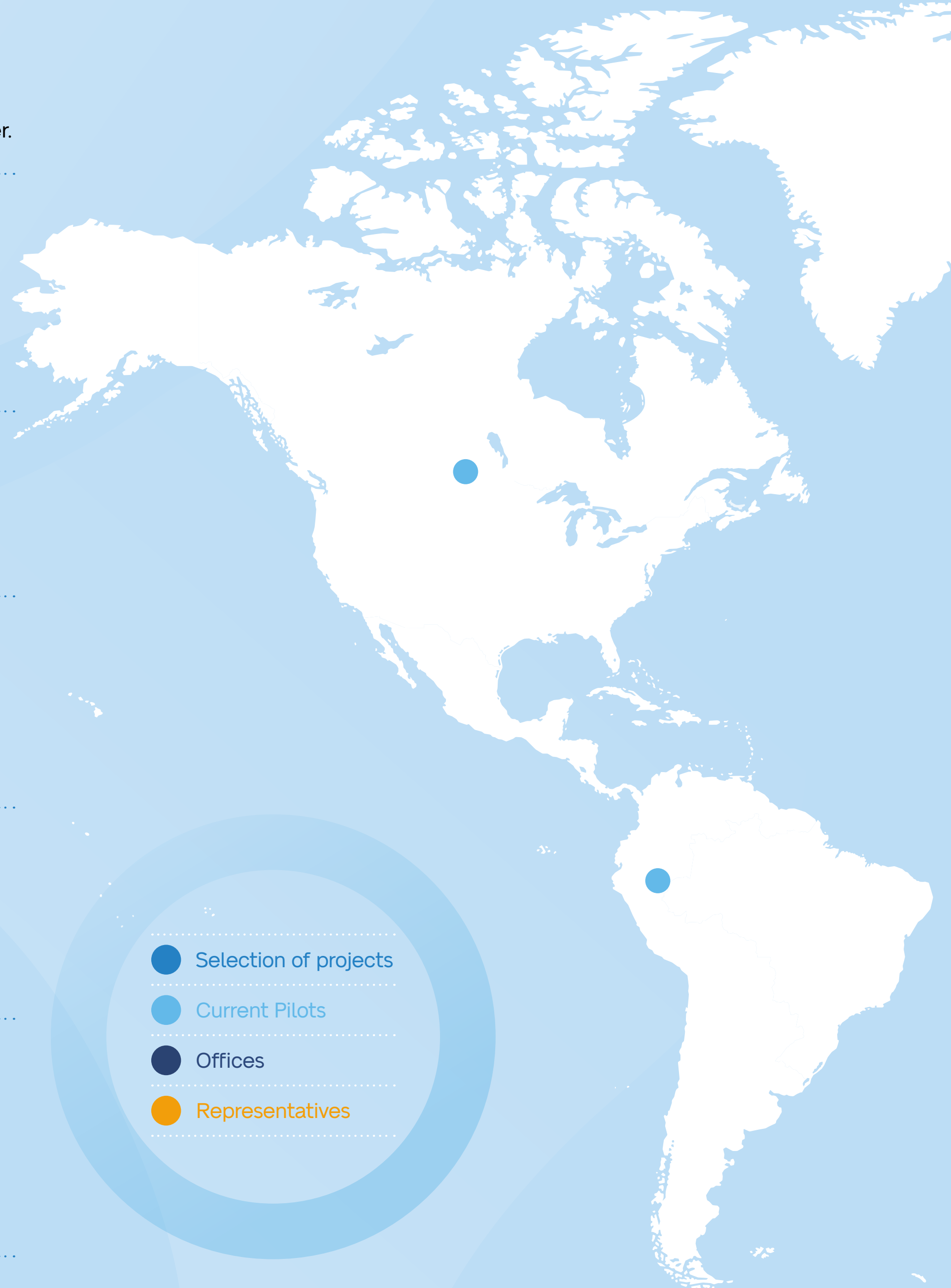
2 **Laramba Water Treatment Plant**
Power and Water Corporation, NT, Australia
0.38 MLD plant removing uranium from the remote Aboriginal community's drinking water.

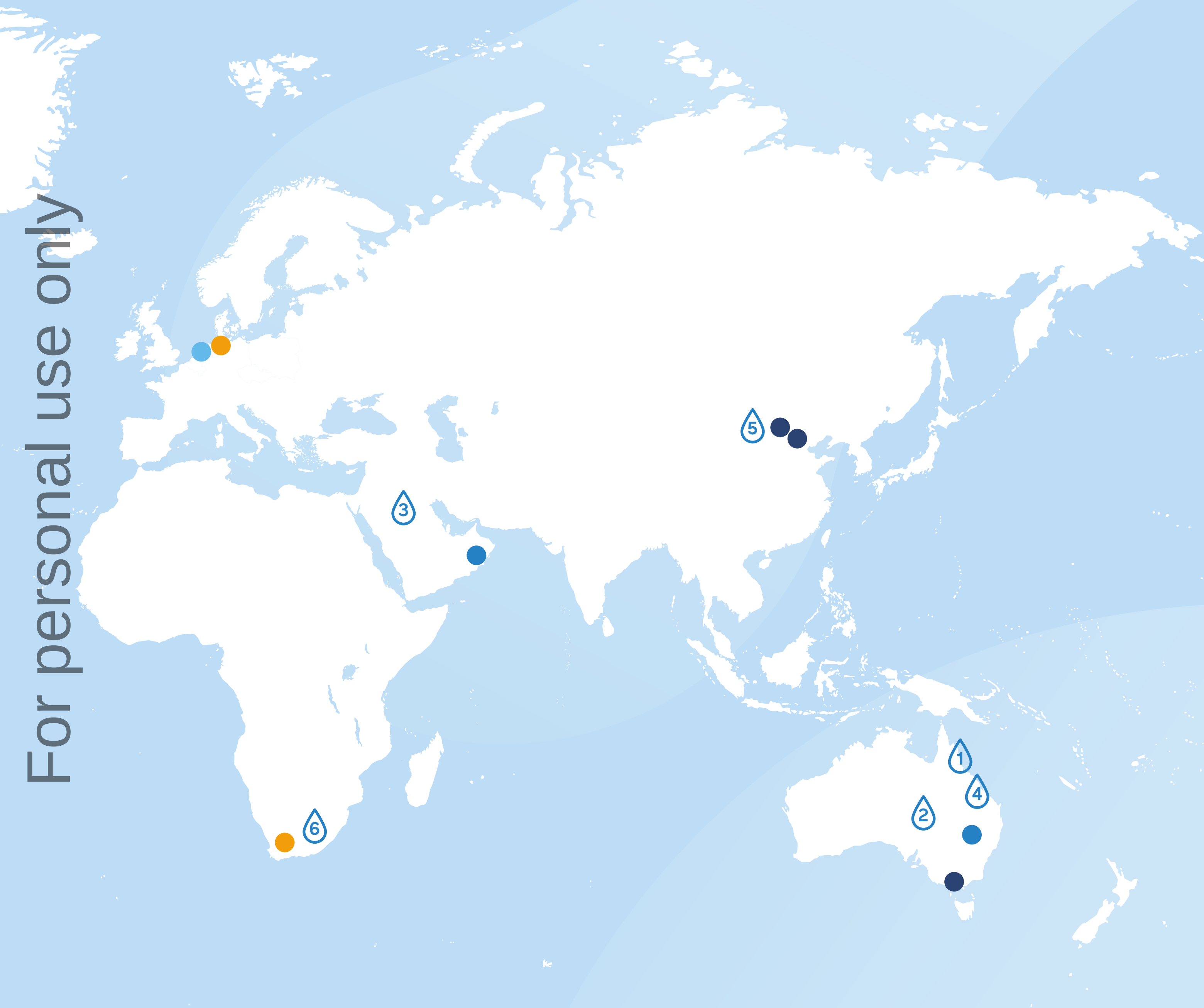
3 **NESR HIROX® Project**
NESR and BP, Iraq, Middle East
1.2 MLD plant to remove sulphate from well water.

4 **Koumala Water Treatment Plant**
Mackay Regional Council, QLD, Australia
0.67 MLD plant removing hardness and salinity from drinking water.

5 **Ordos BIONEX Project**
Beijing Enterprise Water Group (BEWG), Inner Mongolia, China
12 MLD plant removing nitrate from coal mining waste water.

6 **ATA® Gold Mine Pilot**
Pilot through our South African partner, Stitchwise
Investigation of dewatering rates and solids strength for backfilling with geotextile bags.





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Our Projects

Townsville Recycled Water Treatment Facility

Supporting the growth of Australian hydrogen

The Recycled Water Treatment Facility being delivered by Clean TeQ Water will support hydrogen production operations and enhance the water security of the region.

Industrial demand is anticipated to increase over the next three to five years, and the recycled water produced will supplement potable water usage for community irrigation requirements.

Using the Class A recycled water for non-potable applications frees up valuable potable water for population and industrial growth in the region.

Laramba Water Treatment Plant

Improving the health of the remote Aboriginal community

At Laramba, naturally occurring levels of uranium in the water exceed the Australian Drinking Water Guidelines. Clean TeQ Water installed a 360 kilolitres per day customised ion exchange system to remove uranium from the water, allowing the community to drink it straight from the taps.

The plant addresses the long-term health concerns of the community, and reduced migration from the town is expected now the water quality has improved.

Clean TeQ Water is proud to have delivered this locally designed and built plant, contributing towards important National Closing the Gap Initiatives.

NESR HIROX® Project

Reducing the environmental impact of oil and gas production

Clean TeQ Water is currently commissioning our first HIROX® (high recovery reverse osmosis) plant for oil and gas producer BP in the Middle East. By achieving high recovery of water, the plant reduces groundwater consumption by 60% compared to reverse osmosis, improving water security in the water scarce region. The plant also extracts and recycles the salt already present in the water, removing the need to purchase and truck large volumes of salt, improving the environmental credentials of the oil company.

Koumala Water Treatment Plant

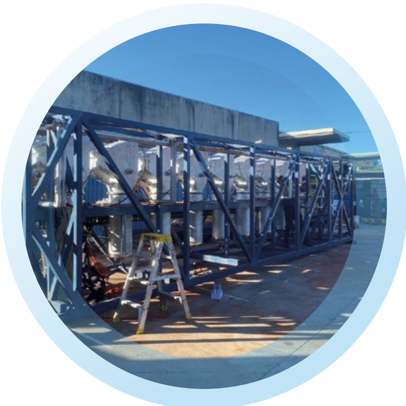
Improving the quality and taste of drinking water

The Koumala Water Treatment Plant uses ion exchange technology to remove hardness and salinity to improve the taste and reduce the scaling potential of the town's drinking water. The design minimises the production of waste, adding to the overall environmental and economic benefits.

Ordos BIONEX™ Project

Protecting environmentally sensitive waterways

The Ordos project in Inner Mongolia, China treats coal mining waste water to remove ecologically damaging levels of nitrate prior to discharge to a sensitive waterway. Nitrate is a major cause of eutrophication through algal blooms, and removing the nitrate protects both the river and the health of people who rely on it for drinking.



Go2Lithium Demonstration Plant

World-leading lithium extraction technology feeding the battery revolution

Direct lithium extraction technology recovers lithium from low lithium concentration brines, unlocking brine resources that have traditionally been seen as uneconomical. DLE provides many environmental benefits over hard rock and salar brine evaporation, including reduced water consumption, land use, waste generation, energy consumption, and CO_2 emissions.

ATA® Piloting

Advancing towards a future without tailings dams

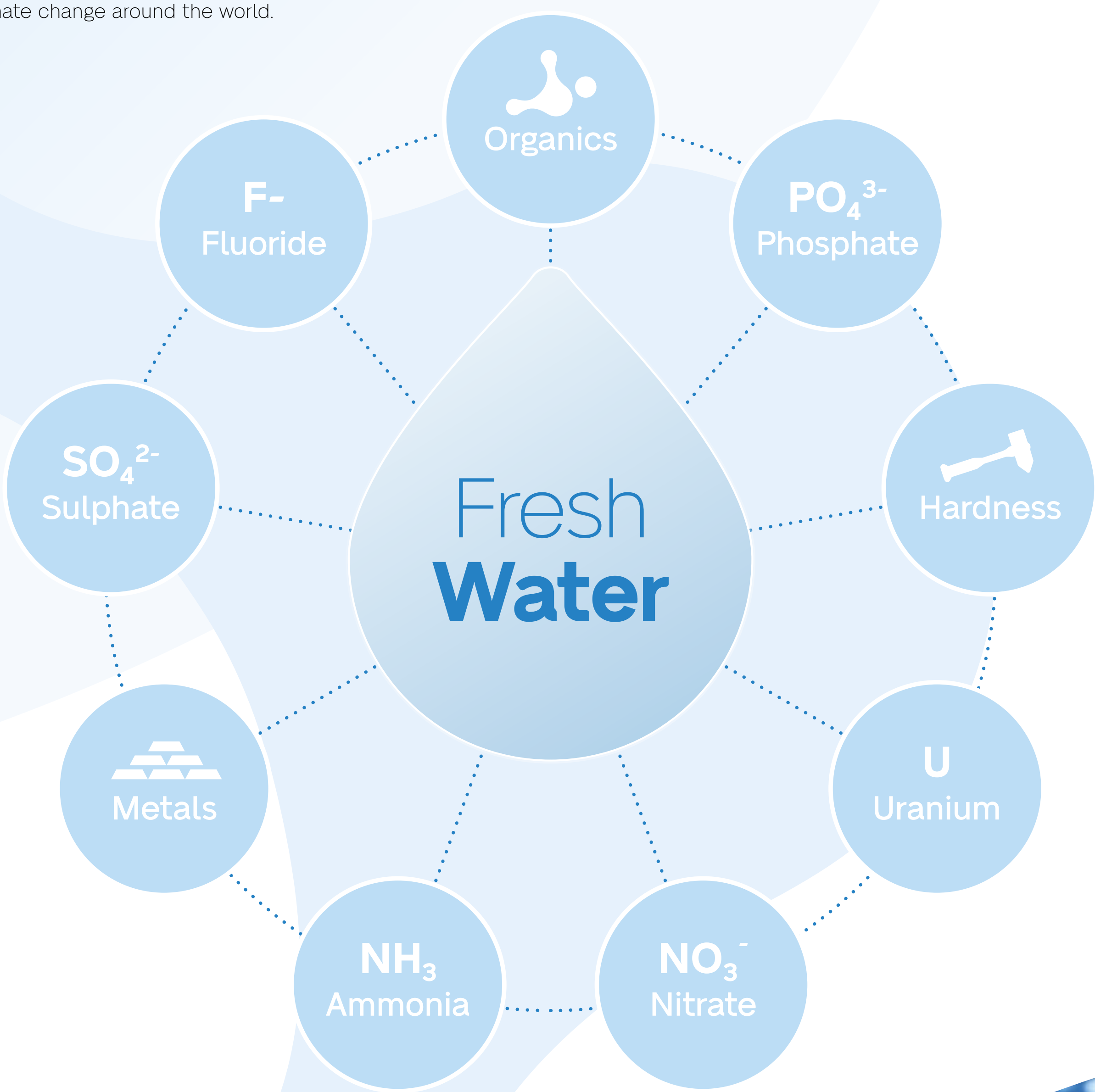
Testing and piloting of ATA® rapid dewatering technology is occurring at several sites. An example is Stitchwise, our exclusive partner in South Africa, who is demonstrating the benefits of ATA® in backfill and tailings wall reinforcement at a gold mine in South Africa. The accelerated dewatering time increases backfilling rates, removing a barrier to additional production. Preliminary compression testing results have shown ATA® solids far exceed normal backfill load-bearing capacity.

Revitalising Fresh Water Supplies: Global Untapped Potential

Water is the most important resource we have. Our society depends on a continuous supply of clean water and water supply is vital for industries and economies. Polluted water from industry and agriculture is a growing problem directly linked to the health and livelihood of people and communities.

Over two billion people live in countries where water supply is inadequate, and half of the world's population could be living in areas facing water scarcity by as early as 2025. Water scarcity will be exacerbated by the increasing impact of climate change around the world.

Clean TeQ Water's innovative suite of technologies is designed to close the water cycle by treating contaminated freshwater resources for reuse. Using ion exchange, membranes, biology or evaporation we remove the contaminants to allow the recycling of water recycling in the areas where water is needed the most. We strive to reduce the energy consumption of water treatment, providing the clean water to support life and industry with reduced impact on the environment.



New Lithium for the Green Energy Transition

	Salar brine evaporation	Hard rock mining	DLE
Freshwater consumption (m^3)	600	1,080	<100
Land use (m^2)	1,500 – 3,124	250 – 464	<10
Waste generation (tonnes)	150	60	<2
Energy consumption (GJ)	62	132	32
CO_2 emission (tonnes)	4	8.1	0 – 3.6

Lithium demand has increased significantly in recent years primarily due to electric vehicle growth and the associated lithium-ion battery demand. Hundreds of new lithium projects will be required to meet this new demand.

Direct lithium extraction (DLE) is a rapidly emerging new approach with improved ESG outcomes compared to hard rock and salar brine mining methods. Clean TeQ developed an improved version, cDLE® (continuous direct lithium extraction), which provides an economic recovery route for asset owners with low concentration brines, typically found in the USA and Canada, and which contain millions of tons of lithium. cDLE® unlocks the value in these lithium sources, opening up new pathways to expand the lithium supply chain while also delivering superior environmental credentials.

Restorative Mine Tailings Management

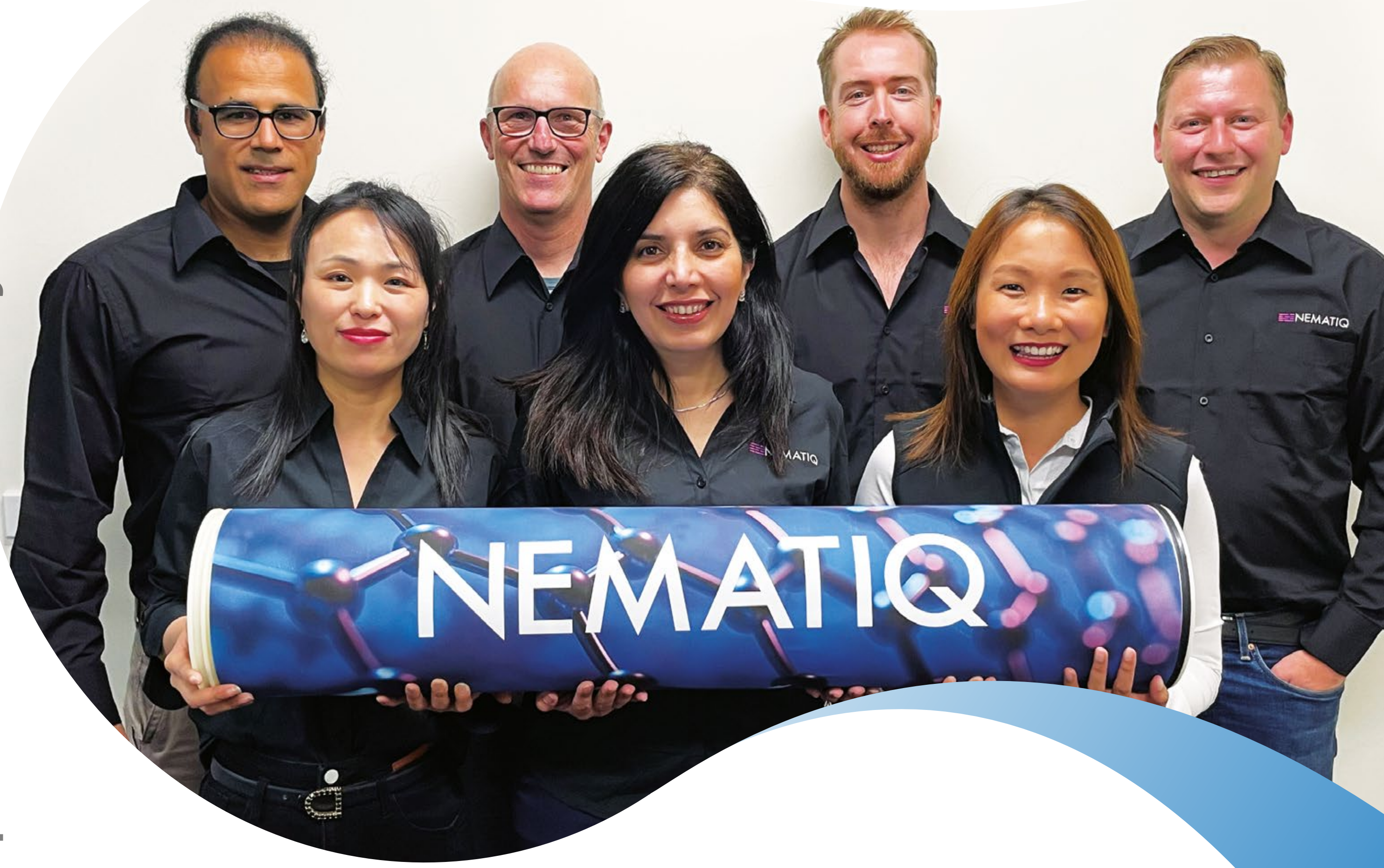
Mining plays a pivotal role in shaping modern society, providing the essential minerals and resources to power industries and economies. The environmental impacts of mining can be severe, with legacy sites often leaving behind scarred landscapes, degraded ecosystems and contaminated water sources.

Clean TeQ Water supports mining companies in their remediation efforts with a targeted suite of technologies, which:

- remove tailings ponds and allow fast restoration back to the natural conditions;
- treat contaminated water, producing freshwater and restoring the water balance; and
- recover valuable resources such as secondary metals left behind during processing.

The value of secondary metals in tailings dams presents a significant global opportunity for mining companies, allowing remediation efforts to be profitable. Our unique CLEAN-IX® metal recovery technology is highly effective at recovering metals from dilute sources, which, combined with our tailings and water technology portfolio, positions us well to enter the growing rehabilitation market.

NematiQ's Graphene Membranes: Direct Nanofiltration



"NematiQ is the first company in the world to produce advanced Graphene Membranes at commercial scale."

Membranes are becoming the most used technology for water and waste water remediation. A range of membranes are available in a range of sizes to remove bacteria, viruses, micropollutants, organics and salt. When membranes reject salt the power consumption increases significantly and a difficult to manage waste brine is created, greatly increasing the cost of ownership.

NematiQ has identified this gap in the market, and it has developed a Graphene Membrane which targets organic rejection without removing salt. NematiQ is now the first company in the world to produce advanced Graphene Membranes at commercial scale.

Advanced materials and manufacturing processes have been the key to NematiQ's ongoing success, allowing a sustainable, versatile and economic membrane to be developed which can be easily integrated into existing systems.

Following excellent results in a range of pilot plant applications, NematiQ's Graphene Membranes have been made commercially available. With pilot trials being conducted on surface waters, waste water effluent, industrial separations, and more, NematiQ's reputation is building, and pathways for rapid growth are opening up.

First Nations Communities: Empowering Voices Through Clean Water

Clean TeQ Water is committed to walking alongside Aboriginal and Torres Strait Islander peoples to connect, learn and create sustainable opportunities in the communities in which we live and operate.

Improving water services to First Nations remote communities and increasing the participation of Aboriginal and Torres Strait Islanders in water initiatives are currently key priorities in the Australian water industry. Millions of dollars of state and Federal Government funding is being committed to closing the gap for Aboriginal and Torres Strait Islander communities across Australia, and Clean TeQ Water is proud to be a supplier of technology and expertise to help support these initiatives.

Groundwater and surface waters are essential for water security in remote areas, and many communities are drinking bottled water due to contamination of the natural water sources. Access to safe drinking water is the right of every Australian, and there is an urgent need to upgrade water treatment infrastructure in many communities.

Attending the official launch of the Laramba Water Treatment Plant and seeing the community's positive response was the highlight of the year for many Clean TeQ Water employees.

"It's a spring water taste and it's pretty good, it's just like what you get from the shops. Everybody's so happy. I think it certainly might give us a bit of a longer life."
– Anmatjere man, Ron Hagan, on the Laramba Water Treatment Plant

Ngapa Jukurrpa (Water Dreaming) – Puyurru

Watson Jangala Robertson

Warlukurlangu Artists – Central Desert Region

The site depicted in this painting is Puyurru, west of Yuendumu. In the usually dry creek beds are 'mulju' (soakages), or naturally occurring wells. The 'kirda' (owners) for this site are Nangala/Nampijinpa women and Jangala/Jampijinpa men. Two Jangala men, rainmakers, sang the rain, unleashing a giant storm. The storm travelled across the country from the east to the west, initially travelling with a 'pamapardu Jukurrpa' (termite Dreaming) from Warntungurru to Warlura, a waterhole eight miles east of Yuendumu. At Warlura, a gecko called Yumariyumari blew the storm on to Lapurrukurra and Wilpiri. Bolts of lightning shot out at Wirnpa (also called Mardinymardinypa) and at Kanaralji. At this point the Dreaming track also includes the 'kurdukurdu mangkurdu Jukurrpa' (children of the clouds Dreaming). The water Dreaming built hills at Ngamangama using baby clouds and also stuck long pointy clouds into the ground at Jukajuka, where they can still be seen today as rock formations.

The termite Dreaming eventually continued west to Nyirripi, a community approximately 160km west of Yuendumu. The water Dreaming then travelled from the south over Mikanji, a watercourse with soakages north west of Yuendumu. At Mikanji, the storm was picked up by a 'kirrkarlanji' (brown falcon (Falco berigora)) and taken farther north. At Puyurru, the falcon dug up a giant 'warnayarra' (rainbow serpent). The serpent carried water with it to create another large lake, Jillyiumpa, close to an outstation in this country. The 'kirda' (owners) of this story are Jangala men and Nangala women. After stopping at Puyurru, the water Dreaming travelled on through other locations including Yalyarilalku, Mikilyparnta, Katalpi, Lungkardajarra, Jirawarnpa, Kamira, Yurrunjuku and Jikaya before moving on into Gurindji country to the north.

Board of Directors

Ian Knight
BBus, FCA, AFIML, MAICD
Chairman

Mr Knight was appointed Chairman on 1 May 2023 following his tenure as Independent Director between 28 April 2021 to 30 April 2023. Mr Knight's experience includes presenting to and working with boards of public, private and private equity ownership, not-for-profit, state and Federal Governments and extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives.

Mr Knight is an experienced Director and a former Partner of KPMG, where he held the position of Head of Mergers and Acquisitions and Head of Private Equity. Mr Knight brings strong ASX, audit, risk management and governance experience to the Board.

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.

Peter Voigt
BAppSc & MAppSc
Executive Director

Appointed to the Board on 15 February 2021. Mr Voigt is also the Company's Interim Chief Executive Officer and Chief Technology Officer (CTO).

Mr Voigt has a long and continuous involvement in the Clean TeQ Companies over a 30-year period, having founded the original Clean TeQ company, Clean Air TechniQ Pty Ltd in 1989, as an environmental engineering company operating in air pollution control using innovative biological processes. In 2000s, under Mr Voigt's leadership, the Company licensed innovative continuous ion exchange technology and developed the hydrometallurgy processes for nickel, cobalt and scandium along with several water treatment processes.

In 2008, Clean TeQ Holdings Limited ('Clean TeQ') became a public listed company (ASX: CLQ) and Mr Voigt moved to the CTO role. In 2014, Clean TeQ acquired the Syerston Nickel Cobalt Project, and instigated a program of works aimed at developing a battery chemical mine and refinery. The Company was renamed as Sunrise Energy Metals Limited (ASX: SRL) and reached a market value of over $1 billion in 2019.

Mr Voigt has held positions of Executive Chairman, Managing Director, Chief Executive Officer, Chief Technology Officer (CTO), and Board Member over the journey.

Mr Voigt graduated in Applied Sciences (Chemistry) and holds a Masters in Applied Science (Chemistry) from the Royal Melbourne Institute of Technology (RMIT University).

Sam Riggall
LLB (Hons), B.Com., MBA
Non-Executive Director

Appointed on 15 February 2021, Mr Riggall has spent his career in the mining industry. 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 also served as a Director on several public and private boards, both in Australia and overseas, and brings extensive experience on the interface between emerging technologies and raw material markets.

Mr Riggall is currently the Managing Director and CEO of Sunrise Energy Metals, and prior to that was Head of Strategy and Planning at Ivanhoe Mines, where he worked actively in Central Asia, Africa and Australia.

Mr Riggall holds Law and Economics degrees from the University of Melbourne, and an MBA from Melbourne Business School. He is a Fellow of the Australian Institute of Mining and Metallurgy, was a taskforce member on the Australian Government's Modern Manufacturing Strategy on Resources Technology and Critical Minerals Processing and is a Steering Committee Member of the World Materials Forum in Europe. Mr Riggall was awarded the Honor Medal for Economic and Financial Services by the Government of Mongolia for his contribution to Mongolia's economic and social development.

Robyn McLeod
FAICD, BA, BEd
Independent Non-Executive Director

Appointed on 8 October 2021, Ms McLeod is a highly respected leader within the water and health sectors in Australia. Ms McLeod currently also sits on the boards of Melbourne Water and Austin Health.

Ms. McLeod's previous positions include Independent Commissioner for Water Security for South Australia, National Director of Water at KPMG, Executive Director of Major Water Projects for the Department of Sustainability and Resources in Victoria, Chief of Staff to the Victorian Minister for Energy, Resources and Ports and until recently a Non-Executive Director on the Board of VicWater and Monash Health Services.

Ms McLeod has previously worked in higher education to industry, industrial relations and secondary teaching. She is a Fellow of the AICD and completed the Senior Executive Fellows Program at The Kennedy School of Government, Harvard University.

Financial Report

Contents

Directors' Report

For the year ended 30 June 2023

The Directors present their report, together with the financial statements, for the consolidated entity consisting of Clean TeQ Water Limited (referred to hereafter as the 'Parent Entity', 'the Company' or 'Clean TeQ Water') and the entities it controlled (referred to hereafter as the 'Consolidated Entity' or 'Group'), listed in Note 29, for the period from 1 July 2022 to 30 June 2023 ('financial year'), and the auditor's report thereon.

Directors

The following persons were Directors of the Company during the reporting period and up to the date of this report, unless otherwise stated:

Ian Knight (Appointed Chairman 1 May 2023. Lead Independent Non-Executive Director between 28 April 2021 and 30 April 2023)

Sam Riggall (Non-Executive Director)

Robyn McLeod (Independent Non-Executive Director)

Peter Voigt (Appointed Interim CEO 1 May 2023. Executive Chairman and CTO between 15 February 2021 until 30 April 2023)

Board of Directors

Directors' Profiles

Ian Knight

BBus, FCA, AFIML, MAICD
Chairman

Mr Knight was appointed Chairman on 1 May 2023 following his tenure as Independent Director between 28 April 2021 to 30 April 2023. Mr. Knight's experience includes presenting to and working with Boards of public, private and private equity ownership, Not-for-Profits, State and Federal Governments and extensive experience in strategising and implementing mergers, acquisitions, divestments and capital raising initiatives.

Mr Knight is an experienced Director and a former Partner of KPMG where he held the position of Head of Mergers and Acquisitions and Head of Private Equity. Mr Knight brings strong ASX, audit, risk management and governance experience to the Board.

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.

Board Committees

Chair of the of the Audit and Risk Committee

Chair of the Nomination and Remuneration Committee

Other current listed company directorships

None

Former listed company directorships in the last three years

Sunrise Energy Metals Limited

Peter Voigt

BAppSc & MAppSc
Executive Director

Appointed to the Board on 15 February 2021. Mr Voigt is also the Company's Interim Chief Executive Officer and Chief Technology Officer (CTO).

Mr Voigt has a long and continuous involvement in the Clean TeQ Companies over a 30-year period, having founded the original Clean TeQ company, Clean Air TechniQ Pty Ltd in 1989, as an environmental engineering company operating in air pollution control using innovative biological processes. In 2000's, under Mr Voigt's leadership, the Company licensed innovative continuous ion exchange technology and developed the hydrometallurgy processes for nickel, cobalt and scandium along with several water treatment processes.

In 2008, Clean TeQ Holdings Limited ('Clean TeQ') became a public listed company (ASX: CLQ) and Mr Voigt moved to the CTO role. Under his guidance, the Company developed a suite of proprietary technologies in water treatment. In 2010, Mr Voigt moved to the position of CEO and held this position until 2014 when Clean TeQ moved to become a more metals-centric business and he moved to the CTO position. In 2014, Clean TeQ acquired the Syerston Nickel Cobalt Project, and instigated a program of works aimed at developing a battery chemical mine and refinery. The Company was renamed as Sunrise Energy Metals Limited (ASX: SRL) and reached a market value of over $1 billion in 2019.

In 2018, Mr Voigt founded NematiQ Pty Ltd as a subsidiary to Clean TeQ Water and has led the development and commercialisation of a ground-breaking graphene membrane technology up until 2022.

Mr Voigt has held positions of Executive Chairman, Managing Director, Chief Executive Officer, Chief Technology Officer (CTO), and Board Member over the journey.

Mr Voigt graduated in Applied Sciences (Chemistry) and holds a Masters in Applied Science (Chemistry) from the Royal Melbourne Institute of Technology (RMIT University).

Board Committees

None

Other current listed company directorships

None

Sam Riggall

LLB (Hons), B.Com., MBA
Non-Executive Director

Appointed on 15 February 2021, Mr Riggall has spent his career in the mining industry. 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 also served as a director on several public and private boards, both in Australia and overseas, and brings extensive experience on the interface between emerging technologies and raw material markets.

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Mr Riggall holds law and economics degrees from the University of Melbourne, and an MBA from Melbourne Business School. He is a Fellow of the Australian Institute of Mining and Metallurgy, was a taskforce member on the Australian Government's Modern Manufacturing Strategy on Resources Technology and Critical Minerals Processing and is a steering committee member of the World Materials Forum in Europe. Mr Riggall was awarded the Honor Medal for Economic and Financial Services by the Government of Mongolia for his contribution to Mongolia's economic and social development.

Board Committees

Member of the of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Other current listed company directorships

Sunrise Energy Metals Limited (ASX: SRL) from 4 June 2013

Former listed company directorships in the last three years

Syrah Resources Limited (resigned 22 May 2020)

Robyn McLeod

FAICD, BA, BEd
Independent Non-Executive Director

Appointed on 8 October 2021, Ms. McLeod is a highly respected leader within the water and health sectors in Australia. Ms. McLeod currently also sits on the Boards of Melbourne Water and Austin Health.

Ms. McLeod's previous positions include Independent Commissioner for Water Security for South Australia, National Director of Water at KPMG, Executive Director of Major Water Projects for the Department of Sustainability and Resources in Victoria, Chief of Staff to the Victorian Minister for Energy, Resources and Ports and until recently a Non-Executive Director on the Board of VicWater and Monash Health Services.

Ms. McLeod has previously worked in higher education to industry, industrial relations, and secondary teaching. She is a Fellow of the AICD and completed the Senior Executive Fellows Program at The Kennedy School of Government, Harvard University.

Board Committees

Member of the of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Other current listed company directorships

None

For personal use only

Former listed company directorships in the last three years

None.

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 three years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company Secretary

Ms Anita Addorisio was appointed to the position of Company Secretary on 1 April 2021 and holds a Masters in Accounting. Ms Addorisio is a Fellow of Certified Practicing Accountant (CPA) and the Governance Institute of Australia. She is part of Vistra (previously Leydin Freyer), a prominent provider of specialised consulting and administrative services to clients in the Fund, Corporate, Capital Markets and Private Wealth Sectors.

She is an experienced finance professional with 20 years' experience in senior finance roles within public and private entities across IT technology, mining, industrial and public practice sectors, including 8+ years of ASX listed company secretary experience. Anita specialises in corporate governance, secretarial support and statutory financial reporting. Her expertise also extends to IPO's, capital raisings, acquisitions, takeovers and restructure.

Skills and Experience

The Board undertakes a comprehensive review of the Board skills matrix on an annual basis, more details on this review can be found in the 2023 Corporate Governance Statement. Following the review, it was determined that the Board and Committees currently have an appropriate mix of relevant skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's strategic objectives. A copy of the Board skills matrix is included in Clean TeQ Water's 2023 Corporate Governance Statement.

Directors' Interests

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G (1) of the Corporations Act 2001, as at the date of this report is as follows:

Director	Number of ordinary shares	Number of options to acquire ordinary shares	Rights over ordinary shares
Mr S Riggall	1,425,519	Nil	Nil
Mr I Knight	105,921	Nil	Nil
Ms R McLeod	13,158	Nil	Nil
Mr P Voigt	1,195,964	Nil	850,077

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 2023, and the number of meetings attended by each director are tabled below:

	Board			Audit and Risk Committee		Nomination and Remuneration Committee	
Director	Held	Chaired	Attended	Held	Attended	Held	Attended
Total meetings	16	16		4		4	
Peter Voigt*	16	14	16	–	–	–	–
Sam Riggall	16	–	14	4	2	4	3
Ian Knight**	16	2	16	4	4	4	4
Robyn McLeod	16	–	16	4	4	2	2

Chair Member

* Peter Voigt held the position of Executive Chairman until 30 April 2023. He attends all Committee meetings by invitation. He is not a member of these Committees.

** Ian Knight was appointed Chairman of the Board 1 May 2023. He was Lead Independent Non-Executive Director up until that date.

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.

Reporting Period

This Annual Report covers the period of 1 July 2022 to 30 June 2023. Comparisons to the prior year are made to the non-standard period of 15 February 2021 to 30 June 2022.

Principal Activities

During the financial year the principal continuing activities of the Consolidated Entity is the provision and development of technology solutions for water treatment and water reuse and resource recovery to government entities and companies.

Clean TeQ Water is a public company listed on the ASX, incorporated and domiciled in Australia, and with a registered office and principal place of business located at 12/21 Howleys Rd, Notting Hill Vic 3168.

Except as disclosed elsewhere in this Report, there have been no significant changes in the nature of these activities during the year.

Operating and Financial Review

During the financial year ended 30 June 2023, the loss after tax for the Consolidated Entity's continuing operations amounted to $5,506,793 (2022: loss after tax of $11,076,301*).

The Consolidated Entity's revenue and other income from continuing operations amounted to $13,571,817 (2022: $11,967,193*)

As at 30 June 2023 the Consolidated Entity had a cash and deposits position of $4,847,887 (30 June 2022: $5,903,148). Working capital, being current assets less current liabilities, amounted to a surplus of $5,983,474 (30 June 2022: $6,390,808).

The Consolidated Entity's business strategy is to build long-term shareholder value through the development and application of innovative, cost effective and environmentally sustainable solutions to water purification and the recovery of valuable metals.

During the financial year ended 30 June 2023, the focus was on the delivery of key water treatment projects and expanding the regional activities in the pursuit of new opportunities for revenue growth. Investment was also applied to integration of our proprietary ion exchange technology to the rapidly developing markets associated with lithium production for the lithium battery market and which has resulted in a 50% ownership of a lithium-focused company, Go2Lithium Inc. The Consolidated Entity has made further investment to licence and eventually secure technology for the multi-billion mine tailings management market. ATA® technology provides an elegant solution to the management of mine tailings, through the potential for dry stacking, the recovery of additional metal units and water recycling. We are at the start of these two exciting initiatives and expect them to commence generating revenue and asset value in the coming year. NematiQ's Graphene Membranes are now being deployed commercially with customers with first revenues received in 2023FY. Ongoing development work will continue for future advances in the field.

An active program of research and development into complementary technologies continued to expand and enhance the Consolidated Entity's product offering in the water treatment and metal recovery industries.

Following the resignation of the CEO in May, a full strategic and operation review was undertaken by the Board. The Board appointed Peter Voigt as the interim CEO. Mr Voigt was the Company's founder and Executive Chairman, and his intimate knowledge of the Company and significant previous experience in the CEO role will guide the Company through the interim period.

Mr Voigt commenced a review of the Company's operations with a view to focusing on its skills and markets where Clean TeQ's technology can add significant value through solving current problems or by upgrading undervalued resources.

The supply of water to remote Australian communities was identified as a unique market where Clean TeQ can add value. Following the successful delivery of the Laramba project, which is the first project to be delivered as part of the Northern Territory Labor Government's $28 million commitment to remote Aboriginal communities, Clean TeQ looks to participate in future projects. Potential funding sources for similar projects include $150 million of Federal Government funding through the National Water Grid Authority, and $200 million for water and power infrastructure as part of the WA Government's Remote Communities Fund.

The Company has identified increased interest from industrial customers who are looking to improve their water recycling and effluent quality, driven by regulatory requirements and internal ESG goals. This trend is particularly evident in Europe where the Company has recently expanded its operations and have initiated our first pilots.

With the Company's deep experience in mining applications and the demand and excitement surrounding lithium due to its critical role in modern technologies, particularly in batteries and energy storage, a focused plan is in train to enter the lithium market through Go2Lithium Inc, a joint venture with an Ivanhoe Mines subsidiary, Computational Geosciences Inc.

Furthermore, tailings management from an environmental, social and governance perspective is becoming a contemporary issue for all mining companies with wet tailings storage facilities. Our ATA® technology provides solutions to these problems providing positive outcomes in regards water recycling and ability to safely dry stack tailings. This endeavour interfaces well with our water and metal recovery technologies and therefore will become a market for future growth.

Our technology suite is comprehensive and the problems we address are global in nature. The aim is now to deploy our excellent technical capabilities in concert with engineering companies that have excellent delivery capabilities to deliver solutions to our customers.

Notes:
* Comparisons to the prior year are made to the non-standard period of 15 February 2021 to 30 June 2022.

Projects

Uranium Removal Project (NT, Australia)

In May 2022, the Consolidated Entity was awarded a $5 million contract by Power and Water Corporation to design, manufacture and deliver a water treatment plant to remove uranium from bore water in Laramba, approximately 200km north-west of Alice Springs in the Northern Territory.

Clean TeQ Water was engaged by Power and Water Corporation to improve the drinking water quality for the residents of the Laramba community and Napperby Station. A customised ion exchange plant with a capacity of 360,000 litres per day was installed to reduce the naturally occurring uranium to below the Australian Drinking Water Guideline (ADWG) Levels. The project was funded by the Northern Territory Labor Government's $28 million commitment to address critical water supply infrastructure needs in remote Aboriginal communities that are experiencing water quality and security stress.

On 16th of December 2022, the project achieved Practical Completion. The delivery was achieved safely, on time, on budget and to specification by Clean TeQ Water's experienced multi-disciplinary team.

Clean TeQ Water designed and built the customised ion exchange system to remove the naturally occurring uranium from the bore water. The ion exchange system was designed to produce minimum volumes of by-product waste. Clean TeQ Water will continue to support Power and Water Corporation through remote monitoring to ensure reliable operations and minimum disruption to the water supply.

The project has been nominated for the Northern Territory Government's Chief Minister's Awards, and the Australian Water Association's Northern Territory Project Awards, with outcomes for these submissions expected in October 2023.

Townsville City Council Project – Cleveland Bay Purification Plant (Queensland, Australia)

During the reporting period the Consolidated Entity entered a significant contract valued at approximately $10 million with civil engineering partner, A. Gabrielli Construction (AGC). The contract's objective is to construct and deliver a state-of-the-art Recycled Water Treatment Facility (WTF) with a capacity of 15 megalitres per day (MLD) at the Cleveland Bay Purification Plant. The project is an integral part of a larger agreement aimed at providing water treatment and distribution services for the Townsville City Council (TCC).

As per the contract terms, AGC, serving as the head contractor, holds the responsibility for the comprehensive integrated design and construction, encompassing all civil and infrastructure-related tasks. Clean TeQ Water has taken charge of designing and constructing the water treatment plant, which is designed to produce Class A water suitable for industrial process reuse and irrigation purposes.

The project has now successfully transitioned to the delivery phase as significant equipment items required for the facility are currently being delivered and installed on-site.

Koumala Ion Exchange Drinking Water Project (Queensland, Australia)

The Consolidated Entity secured the Koumala Drinking Water Project in January 2021 through a competitive tender by offering an alternative ion exchange solution for the treatment of ground water. The total contracted revenue including variations was A$3 million.

Construction of the plant was completed in August 2022, with commissioning completed in October 2022 and formal acceptance and handover in January 2023.

Clean TeQ Water's in-depth knowledge of ion exchange allowed a process to be selected that simultaneously reduces hardness while also reducing the total dissolved solids of the water. This allows the plant to meet the aesthetic limits for both sodium and hardness in the Australian Drinking Water Guidelines, producing a higher quality and better tasting water for residents.

Directors' Report continued

For the year ended 30 June 2023

The treatment of groundwater to produce potable water is a key market for Clean TeQ Water, particularly in regions where water quality is subpar and strict restrictions are in place for brine disposal. The Consolidated Entity's technologies offer effective solutions that optimise water recovery while simultaneously reducing brine volumes and addressing associated brine management complexities.

NESR HIROX® Project (Iraq, Middle East)

In August 2021 the Consolidated Entity was awarded a contract, valued at around $3 million, to design, procure, deliver and install a HIROX® (High Recovery Reverse Osmosis) plant to treat bore water used for enhanced oil recovery (EOR) in the Middle East.

The HIROX® project is with National Energy Services Reunited Corp ('NESR'), the Consolidated Entity's strategic partner for the oil and gas sector in the Middle East. NESR has a 5-year cooperation agreement with the Consolidated Entity which was signed following the award of the contract. NESR is one of the largest oilfield services providers in the MENA (Middle East and North Africa) and Asia Pacific regions and is listed on NASDAQ (NASDAQ: NESR).

The Consolidated Entity's HIROX® solution allows for high recovery of water with minimum waste. The objective of this project is to reduce the sulphate concentration in bore water to prevent scaling when the water is used for reinjection. The HIROX® solution significantly increases the water recovery compared to conventional membrane solutions. The result is a more efficient use of scarce bore water resources and a substantial reduction of liquid waste. HIROX® will also reuse the recovered salt, replacing imported salt, to achieve the targeted water density for reinjection. These benefits result in substantial operational cost savings for the end-user and further reduces the environmental footprint of the EOR process through reduced energy consumption, waste production and overall environment impact.

The commissioning phase is currently in progress and expected to be finalised in Q1 FY24.

Ordos BIONEX™ Nitrate Removal Project (Inner Mongolia, China)

In March 2022, the Consolidated Entity was awarded a contract to design, procure, deliver and install a 12,000 cubic meters per day BIONEX™ nitrate removal plant to a coal mine operator in Inner Mongolia, China. The BIONEX™ solution is a combination of the Consolidated Entity's Continuous Ionic Filtration (CIF®) and BIOCLENS® (bacteria encapsulated in a protective PVA lens) technologies. The ion exchange plant captures the nitrate, and the biological process converts it to nitrogen gas. BIONEX™ is highly effective for removal of nitrate from wastewater and minimises costs of operation and volumes of salty waste by-products.

The CIF® portion of the plant has operated continuously for most of the time since May 2022, removing nitrate to levels below the specified 1ppm level.

The installation of the biological (BIOCLENS®) section of the plant has seen substantial delays due to COVID-related lockdowns in China.

The BIOCLENS® installation is now reaching completion and commissioning is expected to be complete in Q1 FY24.

This BIONEX™ plant is the first of its kind in China and will act as a demonstration site for other prospective customers. The market for BIONEX™ nitrate removal technology is large and includes treating effluents from mining, industrial processes and municipal water treatment facilities located in ecologically sensitive areas.

EVAPX® Project (NSW, Australia)

On 23 September 2021, the Consolidated Entity was awarded a $1.6 million contract to design, procure, and deliver an EVAPX® system. The system is designed to treat wastewater, recover clean water and recycle brine at an agriculture by-product processing facility located in New South Wales, Australia.

The Consolidated Entity's EVAPX® process uses low energy humidification – dehumidification process to evaporate water from a concentrated salty wastewater, reducing the overall wastewater volume and producing a concentrated brine and purified water which are re-used in the process.

The EVAPX® solution is a low energy solution, substantially reducing the carbon footprint of the products produced. The EVAPX® technology treats highly concentrated wastewaters and brines to achieve minimal liquid discharge (MLD) or zero liquid discharge (ZLD). EVAPX® is supplied as a complete engineered package and has applications for treatment across a wide variety of industrial sectors including mining, metal processing, and chemicals.

Efforts are ongoing to fine-tune the plant's operation to reach nameplate capacity and accommodate more complex input streams.

Metal Recovery

The Consolidated Entity remains committed to pursuing business development opportunities in different priority sectors, both within Australia and globally. The recovery and purification of metals is a sector where our technologies deliver significant benefits both economically and environmentally.

Uranium

An important market for metal extraction and purification is the Uranium sector. This market has been depressed over several years but is now entering a growth phase.

An order was recently placed by Heathgate Resources for Preliminary Engineering Works for the design and supply of a CLEAN-IX® system for a Uranium Processing Plant. The design package represents the preliminary work for the overall project which is valued at approximately $5.5 million. This project would be the first in Australia to use our U-Column technology, which provides improved metal recovery outcomes and project economics. The Company expects to see final agreement on a commercial contract in September 2023.

Nickel and Cobalt

Sunrise Energy Metals Ltd (ASX: SRL) is developing a nickel, cobalt and scandium metal production facility in New South Wales, Australia. As part of the development, the incorporation of recycled materials into the feed is an important regulatory aspect for the Company. Clean TeQ Water has provided a paid work service investigating the use of spent lithium battery materials known as, black mass as an input material. Preliminary results see substantial leaching of nickel and cobalt in a relatively simple leach circuit which can be simply incorporated into the process flow.

Lithium

In February 2023, the Company established the joint venture, Go2Lithium, with Computational Geosciences Inc. (a subsidiary of Ivanhoe Electric (NYSE US: IE; TSX: IE). The primary objective of this joint venture is to explore the possibility of acquiring and financing a portfolio of brine assets initially in Northern America for producing battery-grade lithium salts.

The Joint Venture brings together the intellectual property and know-how to identify lithium brine assets and provide the most economical and environmentally sustainable extraction and purification process of battery-grade lithium salts. Extensive test work has confirmed our cDLE® technology provides an economical and sustainable extraction process with benefits which include high lithium recovery, low power use and highly efficient use of chemicals.

Direct lithium extraction (DLE) is an evolving technology which is expected to revolutionise the lithium industry. Clean TeQ Water's continuous ion exchange technology (CLEAN-IX®), which has already undergone extensive testing in producing battery-grade nickel and cobalt sulphate, can be modified to extract and purify lithium from brines. Unlike current DLE systems, test work conducted using continuous ion exchange indicates the potential for a more concentrated lithium product reducing the lithium refinery.

Clean TeQ Water is currently testing the extraction technology with various brine sources. Laboratory testing is used to identify the operational benchmarks for a particular brine. Given the technical and economic benchmarks are met, the Company will move to pilot plant testing, with specific clients and/or partner. This collaborative effort aims to significantly reduce the costs of lithium production and contribute to the advancement of sustainable and efficient energy storage solutions.

Copper

Work on copper recovery from the Kamoa Kakula flotation tailings was initiated during this reporting period. A series of tests have been conducted using chemical and physical methods to recover copper units from the flotation tailings.

The ongoing tests will determine the success and economic viability of this approach. If the results prove promising, the scope of the project will be expanded to demonstrate the technology at a larger scale.

Both mechanical and chemical activation have shown improved outcomes, and the results are currently being evaluated for potential full-scale applications. This progress represents a significant step towards maximising copper recovery and optimising resource utilisation in the mining process.

ATA® Rapid Dewatering Technology

During the reporting period the Consolidated Entity secured an exclusive global licence to the Soane Labs, LLC ATA® dewatering technology. This technology holds immense importance as mine operations come under increasing scrutiny of their operations and the effect on the local communities. Mining operations in regions experiencing high rainfall see the dewatering of mine tailings has become a critical issue following the failures of several tailings storage facilities. These failures have resulted in loss of life for locals and have severe environmental impacts. Mines in areas that have low rainfall and insufficient freshwater resources are under duress to maximise the recovery and reuse of water within their processes. To address these issues, mines are now seeking to transition from traditional tailings storage facilities to dry storage, making the dewatering process crucial for a successful outcome.

The Consolidated Entity has been demonstrating the benefits of ATA® technology to clients, including Stitchwise in South Africa. Stitchwise uses their geotextile bags in their backfill operations, and the implementation of ATA® technology enhances their dewatering process and increases the efficiency of the mine production.

To introduce ATA® dewatering technology to the global mining market, the Consolidated Entity has initiated an active program of trials in different locations such as Australia, the USA, and South Africa. These trials are instrumental in showcasing the effectiveness and potential of ATA® technology in tackling the challenges posed in mine tailings management and facilitating a more environmentally responsible and sustainable approach to mining operations.

NematiQ

NematiQ (a 100% owned subsidiary of Clean TeQ Water) is focused on the manufacturing, demonstration and sales of Graphene Membranes for water treatment. Graphene Membrane nanofiltration technology is a new innovation in the production of pure and lower-cost water. The Graphene Membrane removes organic contaminants under low pressure without rejecting salts, resulting in a lower energy and environmental footprint than current methods.

In the Graphene Membrane, filtration occurs through stacked layers of graphene oxide, which have been specifically tuned to a molecular weight cut-off (MWCO) of approximately 800 Daltons. At this cut-off, water and salts are able to pass through the membrane as clean water, while micropollutants, organics, bacteria, and viruses are rejected.

NematiQ's Graphene Membranes are manufactured using a patented and innovative high-speed layer-by-layer process which allows mass production of the flat-sheet membranes. Coatings are subsequently applied to produce 1m wide membranes for conversion into modules which include 1812, 3012, 2540, 4040 and 8040 configurations all with 32mil, 46mil and 65mil spacers to form the final product. Graphene membrane modules are now being produced at scale for commercial sales. Manufacturing occurs at NematiQ's Notting Hill site which hosts the headquarters, graphene coating production site, laboratory and quality control centre.

The breakthrough developments NematiQ achieved during 2021 and 2022 provided a strong jumping off point for the 2023 financial year. During FY23, NematiQ successfully demonstrated the capability of its membranes in over 30 customer projects and generated initial sales from these tests.

NematiQ Graphene Membrane modules have been used for laboratory investigations with customers, universities and for initial sales to early adopters. NematiQ has also invested in development of piloting capability to provide data and proof of effectiveness with its customers that it has been working with.

Key markets that NematiQ has identified for its technology include the removal of organics without the separation of salts that create problematic brine waste streams for drinking water, treated effluent, industrial wastewater and for the food, beverage and agricultural market segments.

The key projects that have led to customer adoption have largely been in the drinking water sector, but also in the industrial separation sector. One of the significant drinking water sector sales resulted from a 7-month trial with Water Source Australia who have developed an IoT enabled drinking water cabinet for deployment at the edge of infrastructure in the drinking water market. The performance of NematiQ's membranes were benchmarked against a leading ultrafilter and proved to generate a cleaner product from the trials. In FY2024, 8040 configured Graphene Membrane modules will be deployed into Water Source Australia's cabinet design following the start of manufacturing.

Corporate

On 27 October 2022 the Company announced it had successfully secured commitments for a $5 million two-tranche placement to institutional and sophisticated investors. The Company issued 6,588,861 Fully Paid Ordinary Shares (Shares) at an issue price of $0.38 (38 cents) on 3 November 2022 (Tranche 1). Tranche 2 was completed on 20 December 2022 subsequent to obtaining shareholder approval at the company's Annual General Meeting held on 14 December 2022. The Company issued 6,455,263 Fully Paid Ordinary Shares (Shares) at an issue price of $0.38 (38 cents) per Share which concluded the second tranche (Tranche 2) of the placement.

Funds raised in the equity raisings are being used to fund the Company's existing projects along with commercialisation of NematiQ and emerging opportunities in metals recovery.

Board changes

There was one change to the Company's board during the financial year. Ian Knight was appointed as Chair of the Board on 1 May 2023, with Peter Voigt stepping down as Chair of the Board to take on the role of interim Chief Executive Officer following the resignation of Willem Vriesendorp as Chief Executive Officer effective 1 May 2023. Ian Knight was, prior to his appointment as Chair of the Board, the Lead Independent Non-Executive Director of the Company.

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

On 11 September 2023, the Company announced that it had signed an agreement between GL2 Greenview Resources Inc (G2L), a fully owned subsidiary of Go2Lithium Inc, and LithiumBank Resources Corp under which G2L will license its continuous direct lithium extraction technology (cDLE®) to support development of LithiumBank's North American lithium brine assets. In consideration for the license, LithiumBank has agreed to issue LithiumBank shares to G2L on satisfaction of certain milestones, which if fully vested, would constitute G2L as LithiumBank's largest shareholder.

In consideration for the license, G2L was issued 4 million common shares in LithiumBank upon receipt by LithiumBank of acceptance by the TXV Venture Exchange (the TSXV) of the license. Additionally, G2L retains the right to be issued up to an additional 10 million common shares in tranches, subject to achievement of certain technical and study milestones.

The 14 million shares, if fully issued, represent as of the date of this release approximately 25% of LithiumBank's current issued and outstanding shares (on a post-issue basis).

4 million common shares being approximately 8.63% of the issued shared in the capital of LithiumBank Resources Corp have an approximate value was at CAD$1.32 per share representing CAD $5.4 million (AUD$6.2 million).

Additionally, G2L retains the right to be issued up to an additional 10 million common shares in tranches, subject to achievement of certain technical and study milestones. The 14 million shares, if fully issued, represent as of the date of this release approximately 25% of LithiumBank's current issued and outstanding shares (on a post-issue basis).

On 21 September 2023, the Company announced it had executed a Purchase Agreement to acquire ATA® accelerated dewatering technology as part of targeted expansion into the global mine tailings management industry. Soane Labs will be issued with 7,178,033 fully paid ordinary shares in the Company ("Consideration Shares"). The shares will be placed in voluntary escrow for 12 months.

No other matter or circumstance has arisen since 30 June 2023 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.

Outlook

The Consolidated Entity has a long history in the development and applications of filtration and separations technologies and now has a strong portfolio of demonstrated technologies and projects that deliver economic and environmental benefits to our clients.

We will continue to invest in these technical developments and at the same time move to a business model where the advantages and benefits provided by our technology suite can be more adequately monetised. The Company anticipates a successful year ahead, aiming to boost Company value through several strategic initiatives, including:

- The buildup of individual business units within the Company focussed on major growth markets. This includes energy metals (lithium in particular), mine tailings, remote communities, and various other water reuse and water purification opportunities. These business units will be powered by Clean TeQ technologies.
- A lithium business unit, under the banner of the Go2Lithium, will enter the lithium production market. Powered by Clean TeQ's ion exchange expertise, G2L will engage in the further development and commercialisation of our continuous Direct Lithium Extraction (cDLE®) technology. DLE technologies are becoming increasingly important in the lithium industry due to their potential to extract lithium from brine sources more efficiently and with lower environmental impact compared to traditional methods. Our cDLE® technology is the enabler of pursuing an equity-based business model in this sector.
- A tailings business unit, powered by Clean TeQ's ion exchange and ATA® technologies, will enter the mine tailings services market. We will be offering solutions related to tailings dewatering, treatment, and responsible disposal to minimise the environmental impact of mining operations. Additionally, with our technology suite, we are able to offer solutions for water treatment and resource recovery to address issues associated with mine tailings.
- The established water business unit will continue its momentum and grow its market particularly within the Australasian region and remote communities. The current Engineering, Procurement and Commissioning (EPC) model will be gradually moved to a Licencing and Partnering model to enable market reach without overstretching available resources. Our portfolio of delivered products provides reference sites for future projects which will improve the potential for successful sales. We will also investigate the potential for leveraging our technologies into an equity-based business model.
- NematiQ, our Graphene Membrane company, will continue expanding its piloting operations in new applications, unlocking new potential markets for the product. Emphasis will be placed on the scaling up of the production capabilities which may include discussions with potential partners with skills in both membrane production and marketing.

Other than the business activities described in the annual report and, in particular, those matters discussed in the Operating and Financial Review, the Board is not aware of any likely developments in the foreseeable future which may materially impact on the financial outlook of the Consolidated Entity.

Environmental regulation

The Group's operations are subject to environmental regulation of the territories in which it operates.

The Group commits to comply with all regulations governing the use and application of its water technology products both in Australia and internationally.

The Directors believe that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Dividends

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

Corporate Governance Statement

The Company's 2023 Corporate Governance Statement was released to the ASX on 21 September 2023 and is available at www.cleanteqwater.com.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company and its controlled entities 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 Consolidated Entity paid premia in respect of contracts to insure the Directors and executives of the Company and its controlled entities 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 25 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 25 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 (including Independence standards) 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.

Proceedings on Behalf of the Company

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

Officers of the Company who are former partners of KPMG

Mr Ian Knight, appointed as a Non-Executive Director on 28 April 2021 and interim Chairman on 1 May 2023, 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 did 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 was independent.

Risk Management

There are various internal and external risks that may have a material impact on the Consolidated Entity's future financial performance and economic stability. The Consolidated Entity makes every effort to identify material risk and manage these effectively.

Clean TeQ Water's approach to managing risk involves the ongoing assessment, monitoring and reporting of risks and is documented in a Board approved Risk Management Framework and Risk Appetite Statement. The Risk Management Framework is reviewed annually and is updated as the Company's asset portfolio and business environment evolve and the underlying risks change. Additionally, the Company keeps a Risk Register that is reviewed on an annual basis by the Audit and Risk committee (ARC), while risks categorised as Top Risks undergo quarterly assessments. The Risk Register seeks to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner and is evaluated and updated as the Company's business model evolves and underlying risks change.

The ARC convenes at least 4 times annually to review the Risk Register, receives updates and feedback from Management on the identification of risks and the progress/effectiveness of risk mitigation strategies.

The following is a summary of the key continuing material risks facing the business and the way in which Clean TeQ Water manages these risks. The risks do not represent an exhaustive list of the risks the Consolidated Entity is exposed to, nor are they in order of significance.

- **Organisational Capability and Corporate Strategy** – The Consolidated Entity effectively addresses a range of strategic risks from various aspects including retention of high-calibre employees, innovation and new product development opportunities, tax implications, foreign exchange volatility and our capital investment plan to ensure delivery of the Company's' core business and aligned to the company's strategic initiative and growth plans.
- **People** – The Company maintains an ongoing assessment of the remuneration policies and practices through benchmarking, rewards and training, including promoting diversity, with the aim of being a competitive and attractive employer. Clean TeQ Water encourages time for graduates, interns and product engineers to focus on fostering innovation. Clean TeQ Water utilises multiple recruitment channels to attract the right employee and where appropriate uses staff augmentation services to enhance and expand capabilities at short notice.
- **Liquidity, Interest Rate, and Credit** – The Consolidated Entity's activities expose it to a variety of financial risks such as interest rates, credit, and liquidity. This risk includes examples such as the ability to collect trade receivables from customers, increases in interest rates and the ability to meet its financial obligations including its debt obligations, among other examples. These risks can adversely affect the Company's ability to operate profitably or as a going concern. The Company's overall Risk Management Framework focuses on each of these risks and seeks to minimise potential adverse effects on the financial performance of the Company. The Company uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of cash flow forecasts, interest rates, pricing risks and accounts receivable aging analysis for credit risk. Risk management assessment is carried out by the management team under policies approved by the ARC and the Board. The finance department reports to the Board on a monthly basis.
- **Environmental (including climate change)** – Clean TeQ Water is aware of the potential risk climate change could present to the Company and its customers across Australia and the rest of the world. With the continued impact of climate change, it is expected that we will see an increase in weather extremes and resource variability in the future. Clean TeQ Water's portfolio of solutions are specifically developed to resolve some of today's most pressing environmental issues. The Company continues to monitor and review future impacts as new information and data becomes available. This informs the Consolidated Entity's approach as it develops its water asset portfolio. We expect the water market to continue to adjust as market participants consider these impacts and position for future change. The Board is conscious of its approach in seeking to build a sustainable business and monitors these evolving risks and challenges through its risk assessment framework.
- **Community/Social** – The Consolidated Entity is exposed to social risks as a result of the many stakeholders who are involved in its operations, including but not limited to employees, contractors, local community members residing in areas where the Consolidated Entity operates, governments and government agencies (local, state and federal) as well as customers and suppliers. The Consolidated Entity is subject to reputational damage as well as potential claims for damages as a result of any harm or loss sustained by any stakeholder as a result of the operations of the Consolidated Entity and its representatives. The Consolidated Entity seeks to manage and minimise social risks through understanding and establishing a chain of command that respects the Company's core values, engaging with the different stakeholders, including employees and cultivating a culture that fosters dialogue. Additionally, the Consolidated Entity identifies emerging issues and trends which may pose risk to the Company and develop alternative strategies to manage uncertainty and change.

- **Project Execution & Delivery** – Clean TeQ Water regularly enters into contracts with customers that exceed $1 million. Successful execution of such contracts is imperative for the continued success of the Consolidated Entity. Project delivery to budget and timeline are a major risk for the business especially in recent times with pandemic and associated factors. Some of the key risks associated with these material contracts include executing on time and on budget, cash flow, contract management, performance and quality of the equipment being delivered and reputation. The risks are mitigated by ensuring legal counsel reviews are conducted on all customer contracts. Counterparty risk reviews are also conducted on all material contracts both for customers and suppliers. Clean TeQ Water also establishes well defined project definitions, adequate optimisation and resourcing of workflows, effective monitoring to identify issues early, automation of controls, collaboration and project validation. Additionally, Clean TeQ Water engages in negotiations to secure favourable payment terms and evaluates the credit risk of counterparties to efficiently manage cash flow.
- **Design, Engineering & Quality of Equipment** – Clean TeQ Water designs and engineers water and wastewater treatment equipment and systems for the global market. This presents the risk of delivering equipment that does not meet customer specifications or regulatory compliance standards. A core strength of the Company is that it employs a large staff of highly specialised engineers that have significant experience in designing and installing water treatment equipment and systems in various jurisdictions. Many of the Company's senior engineering and technical employees have been with the Company for a number of years and have significant experience with Clean TeQ Water's products and technologies. Clean TeQ Water also provides a standard 1-year warranty and the Company and its service staff will address deficiencies after installation and commissioning. The Consolidated Entity maintains insurance coverage that is sufficient to cover the risks associated with delivering water treatment equipment and services.
- **Cost Controls, Inflation, & Supply Chain Constraints** – Rising input costs and supply chain constraints experienced over the past few years have the potential to reduce profit margins where those costs cannot be recovered from customers and project delays. Significant input costs include labour, components and materials, and freight. Clean TeQ Water has the ability to recover costs through price increases incorporated into project bids, which usually have a limited time to be accepted before the Company has the right to increase costs. The Company sources components and equipment from multiple suppliers and vendors, allowing us to get the most competitive pricing on various input components. Service contracts such as Operations and Maintenance contracts have annual escalators typically linked to inflation.
- **Political, Regulatory and Compliance** – Clean TeQ Water has a global footprint and operates in numerous countries around the world. The Company is an ASX listed entity and must comply with a range of governance requirements which are conditions of its listing requirements. New or evolving regulations and international standards are outside the Company's control and are often complex and difficult to predict. The potential development of international opportunities can be jeopardised by changes to fiscal or regulatory regimes, adverse changes to tax laws, difficulties in interpreting or complying with local laws, material differences in sustainability standards and practices, or changes to existing political, judicial or administrative policies and changing community expectations. The Consolidated Entity and its Board keeps abreast with the changes in the regulatory landscape to ensure early identification of changes which may impact the business or operations.
- **Bribery and Corruption** – Clean TeQ Water's business activities and operations are located in jurisdictions with varying degrees of political and judicial stability, including some countries with a relatively high inherent risk with regards to bribery and corruption. This exposes Clean TeQ Water to the risk of unauthorised payments or offers of payments to or by employees, agents or distributors that could be in violation of applicable anti-corruption laws. Clean TeQ Water has a clear Anti-bribery and Corruption Policy which is reviewed and approved by the Board, and internal controls and procedures to protect against such risks. Although there is no assurance that such controls, policies, procedures or programmes will protect Clean TeQ Water from potentially improper or criminal acts, the Company takes any breach to its policies seriously, which may result in disciplinary action, including immediate termination of employment or engagement with the Company.
- **Information Technology and Cyber Security risk** – Clean TeQ Water is exposed to the risk of loss arising from the failure of the information technology. Clean TeQ Water has engaged third party outsourced expertise to protect its information technology systems and data from cyber security threats and general operational outages. Additional mandatory staff awareness and training module and periodic risk reviews of our risk register has been undertaken on sound cyber security practices. The Consolidated Entity holds a Cyber Insurance Policy that provides coverage in the event of a cyber attack/breach.
- **Loss making and future capital requirements** – Clean TeQ Water reported a loss from continuing operations of $5.5m for the year ended 30 June 2023. Clean TeQ Water's continued ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds for future growth opportunities. Clean TeQ Water may require further financing in the future to progress other projects and existing operations of the Group. Any additional equity financing will likely be dilutive to shareholders, may be undertaken at lower prices than the current market price or may involve restrictive covenants which limit the Consolidated Entity's operations and business strategy.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191 (Rounding in Financial/Director's Reports), 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 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 45 and forms part of the Directors' Report for the financial year ended 30 June 2023.

Auditor

Grant Thornton Audit Pty Ltd 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

Ian Knight

Ian Knight
Chairman

21 September 2023
Melbourne

Remuneration Report (Audited)

For the year ended 30 June 2023

This Remuneration Report for the financial year ended 30 June 2023 outlines the remuneration arrangements of the Consolidated Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3c) of the Act.

The report is presented under the following sections:

1. Remuneration Report Overview
2. Key Management Personnel
3. Executive Remuneration Governance and Arrangements
   - 3.1 Fixed Remuneration
   - 3.2 Performance-linked Remuneration
     - 3.2.1 Short-term Incentive (STI)
     - 3.2.2 Long-term Incentive (LTI)
4. Performance and Executive Remuneration Outcomes
   - 4.1 LTI Performance Outcomes
   - 4.2 STI Performance Outcomes
5. Key Management Personnel Agreements
6. Non-Executive Director Remuneration
7. Statutory Remuneration Disclosures
8. Additional Disclosures Relating to Options, Rights and Shares

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1. Remuneration report overview

The Directors of Clean TeQ Water Limited present this Remuneration Report, which has been audited, for the financial year ended 30 June 2023.

The Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001*.

2. Key Management personnel

The Remuneration Report provides information about the remuneration arrangements for the Key Management Personnel (KMPs) who are those persons having authority for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any Director (whether executive of otherwise) of the Company.

Key Management Personnel		
Non-executive Directors		
Ian Knight[1]	Chairman	Full year
Sam Riggall	Non-executive Director	Full year
Robyn McLeod	Independent Non-executive Director	Full year
Executives		
Peter Voigt	Interim Chief Executive Officer	Full year
Willem Vriesendorp[2]	Chief Executive Officer	To 30 April 2023
Magda Klapakis	Chief Financial Officer	Full year

1. Ian Knight appointed Chairman on 1 May 2023. Mr Knight held the position of lead Independent Director until that time.
2. Willem Vriesendorp resigned as Chief Executive Officer effective 1 May 2023.

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

3. Executive Remuneration Governance and Arrangements

The Board of Directors is responsible for approving the compensation arrangements for the Directors and KMP following recommendations received from the Nomination and Remuneration Committee (NRC). The Board, in conjunction with the NRC, 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 NRC has access to independent advice on the appropriateness of compensation packages given trends in comparative companies and the objectives of the compensation strategy.

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 a KMP;
- a KMP's ability to control the relevant business unit's performance;
- prevailing market compensation standards;
- 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 achievement of 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 KMP 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 KMP and contributes to post-employment superannuation plans on their behalf.

3.1 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 NRC to ensure they remain competitive in the market for which the Consolidated Entity seeks executives. In setting the TFR, the Board has regard for the size and complexity of the position, the skills and experience required for success and individual qualifications.

3.2 Performance-linked remuneration

Clean TeQ Water'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, shares, 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'. The applicable annual EIP metrics, which were implemented with affect from 1 July 2021, are detailed below.

Percentage of TFR	Level 1 (CEO)	Level 2	Level 3	Level 4	Level 5
STI – bonus	50%	30%	20%	15%	10%
LTI – Performance Rights	75%	65%	30%	20%	15%
Total at risk	**56%**	**49%**	**33%**	**26%**	**20%**

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.

Remuneration Report (Audited) continued

For the year ended 30 June 2023

3.2.1 Short-term Incentive (STI)

The STI has been adopted to link employee remuneration to key business outcomes which drive shareholder value creation in the short to medium term and by doing so, aligns the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and Key Performance Indicators ('KPI's') being achieved.

Each year all employees within level 2 – 5 had 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 NRC. The CEO approves the individual KPI's for the KMP with endorsement from the NRC. The individual performance objectives are designed to focus employees on goals and objectives specific to their roles. Each employee has KPI's set that are of a stretch nature, consisting of goals which were typically outside of their roles and responsibilities with a on target score being an advantage to the business.

Company 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 growth and financial performance of the Consolidated Entity.

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 NRC. The NRC 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	100%	75%	50%	25%	25%
Individual KPI's	0%	25%	50%	75%	75%

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.

3.2.2 Long-term Incentive (LTI)

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 1 July 2021.

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 a VWAP of 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 the S&P/ASX 300 (XKO) Index Group of companies. S&P/ASX 300 (ASX: XKO) Index is selected on the basis that it presents the best fit for Clean TeQ Water over the coming years and is an established and 'live' index.

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.

The elements and terms of the LTI are set out in the table below.

LTI plan	
Purpose	To align employee accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained performance.
KMP Participants	CEO Executive Chairman* and CFO
Date of grant	Tranche 1: 28 July 2022 Tranche 2: 29 March 2023
Equity vehicle	Performance Rights which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of pre-determined market performance requirements within defined time restrictions.
Maximum opportunity	75% of TFR for the CEO 65% of TFR for the Executive Chairman & the CFO Performance Rights are allocated at face value using the volume-weighted average price (VWAP) of Clean TeQ Water shares for the month of June 2022 ($0.48) for Tranche 1 and the volume-weighted average price (VWAP) of Clean TeQ Water shares for the month of December 2022 ($0.38) for Tranche 2.
Performance period	Tranche 1: 1 July 2022 to 30 June 2025. Tranche 2: 1 January 2023 to 31 December 2025.
Performance measurement date	Tranche 1: 30 June 2025 Tranche 2: 31 December 2025
Vesting of Performance Rights	As soon as practicable after testing at the end of the performance period.
Performance conditions	Performance conditions linked to: • Clean TeQ Water's absolute total shareholder returns (TSR)** performance over the three-year performance period (50%). • Clean TeQ Water's TSR outperforms the S&P/ASX 300 Index, over the three-year performance period, with a positive hurdle (50%). • Continuous service from grant date to Vesting date. Further details are set out below in 4.1.1
Acquisition of Performance Rights and shares	Performance Rights are issued by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro-rata, consistent with ASX adjustment factors for any capital restructure. Shares to satisfy the exercise of vested PRs may be issued by the Company or acquired on-market.
Treatment of voting rights	Performance Rights do not have voting rights or dividend rights.
Treatment on termination	Some or all of the incentives may remain on foot unless an executive resigns or is terminated by the Company for cause.
Change of control	Vesting is subject to board discretion, taking into account performance to the date of change in control.

* The board can approve an offer to the Executive Chairman which is then subject to shareholder approval at the next Annual General Meeting of the Company.

** TTSR is calculated as the change in share price for the year plus dividends paid per share for the year, divided by the opening share price, expressed as a percentage.

4. Performance and Executive Remuneration Outcomes

During the financial year ended 30 June 2023 the Consolidated Entity made good progress towards achieving some of its operational targets.

4.1 LTI Performance and Outcomes

During the financial year the grants of Performance Rights vesting 1 July 2022 and 1 January 2023 completed their three-year performance periods. Neither of those tranches of Performance Rights met any of the performance hurdles and so all of those instruments lapsed.

After the end of the financial year the grant of Performance Rights vesting 1 July 2023 completed their three-year performance periods. Some of those Performance Rights achieved partial vesting as a result of meeting one of the performance conditions while the remaining Performance Rights lapsed.

4.1.1 Performance Criteria for Performance Rights

During the financial year the interim CEO was granted 99,496 new Performance Rights which vest on 1 July 2024, 129,207 new Performance Rights which vest on 1 January 2025 and 217,636 new Performance Rights which vest on 1 July 2025. These grants were contingent upon obtaining shareholder approval, which was successfully obtained at the Company's 2022 Annual General Meeting. The CFO was granted 165,840 new Performance Rights which vest on 1 July 2025 and 83,458 new Performance Rights which vest on 1 January 2026.

The performance criteria are based on the total TSR applicable to the ordinary shares of the Company over the vesting period. The performance criteria for the tranches of new Performance Rights granted to KMP during the financial year are detailed below. The performance criteria for the tranches of new Performance Rights granted to KMP during the financial year are consistent with the performance criteria for Performance Rights granted to KMP in the comparative year.

Performance Criteria 1: 50% Performance Rights vesting conditional on Clean TeQ Water'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 Water's TSR performance compared to the S&P/ASX 300 Index (ASX:XKO) ('Index')

Performance Level	CNQ performance relative to Index over measurement period	Percentage of Performance Rights vesting^^
Stretch	> Index movement +15%	100%
Between Target & Stretch	> Index movement + 5% & <15%	Pro-rata
Target	**Index movement +5%**	**50%**
Between Threshold & Target	> Index movement & <5%	Pro-rata
Threshold	= Index movement	25%
Below Threshold	< Index movement	0%

^^ Provided that zero Performance Rights will vest if the CNQ TSR is negative over the measurement period.

The Index Group is selected on the basis that it presents the best fit for Clean TeQ Water over the coming years and is an established and 'live' index. The index 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 index group as appropriate.

Any Performance Rights which fail to vest on the Vesting Date will immediately lapse unless the NRC or the Board decides exceptional circumstances justify the reduction or waiver in whole or in part of the Vesting Conditions. There is no ability to re-test whether or not the Vesting Conditions have been satisfied after the Vesting Period has ended.

4.1.2 Post-demerger Equity Grants

Initial equity grant

The Board made the Initial Equity Grant to the Chief Executive Officer upon the listing of Clean TeQ Water Limited on the ASX. Willem Vriesendorp was granted 1,500,000 options which were subject to completing his probation period (subject to the Company being listed on ASX). Options which are rights to acquire ordinary shares in the Company for nil consideration. The options only involved service conditions. Mr Vriesendorp resigned 1 May 2023 and all the 1,500,000 options granted lapsed following cessation of employment on 30 June 2023.

Replacement Awards for Executive Chairman and the Chief Executive Officer

In recognition of the demerger and Mr Voigt and Mr Vriesendorp's loss of Sunrise Energy Metals Limited equity awards on joining Clean TeQ Water, Mr Voigt and Mr Vriesendorp were granted replacement awards. These took the form of five separate awards, for FY19, FY20 and FY21 opportunities foregone. Equity awarded under the Employee Incentive Plan serve as replacement for instruments issued to employees under the relevant Sunrise Energy Metals Limited (SRL) Employee Plan. The number of Performance Rights awarded were determined on the number of Performance Rights previously awarded in Sunrise under the scheme. In line with the ATO/ASIC/ASX approved plans detailed in the Demerger Booklet (section 4.6), SRL Performance Rights were cancelled and replacement Clean TeQ Water (CNQ) Performance Rights issued. The ATO confirmed the demerger class ruling metrics including the SRL/CNQ cost base allocation ratio at 81.82%/18.18% based on the relative market capitalisations of the separate companies in the first five days of trading of the Consolidated Entity.

During the financial year the grant for the replacement Performance Rights vesting 1 July 2022 and 1 January 2023 and completed their three-year performance period. These tranches of Performance Rights did not meet any of the performance hurdles therefore all of those instruments lapsed. Mr Vriesendorp resigned 1 May 2023 and ceased his advisory role on 30 June 2023. All his remaining Performance Rights lapsed on 30 June 2023.

After the end of the financial year the grant of Performance Rights vesting 1 July 2023 completed their three-year performance periods. Some of those Performance Rights achieved partial vesting as a result of meeting one of the performance conditions while the remaining Performance Rights lapsed.

4.2 STI Performance and Remuneration outcomes

In considering the Consolidated Entity's performance, the Board also has due regard to profit or loss after tax in the current financial year, along with the market capitalisation and movement in the share price.

The earnings of the Consolidated Entity for the two years to 30 June 2023 are summarised below:

	2023 $'000	2022 $'000
Loss after income tax	**(5,507)**	(11,064)
Share price at financial year end ($)	**0.24**	0.41

The Company determined that no payments would be made in respect of the reporting period 1 July 2022 to 30 June 2023 pursuant to the STI Plan to the KMP.

The Consolidated Entity KPI targets are intentionally challenging, and stretch targets are defined to deliver enhanced remuneration outcomes up to 120% grading for outstanding performance. As such, STI bonus payments are capped at an absolute maximum of 120% of TFR.

Effective 1 July 2023 the Board approved an increase in total fixed remuneration to all employees, of 3.5% inclusive of the 0.5% increase to the statutory superannuation guarantee rate in line with CPI.

4.2.1 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 Water's corporate objectives and values.

No disqualifying events occurred during the financial year.

Remuneration Report (Audited) continued

For the year ended 30 June 2023

5. KMP Employment Agreements

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

Executive KMP	Peter Voigt	Magda Klapakis
Role	Interim CEO*	CFO
Terms of Agreement	Permanent employment contract	Permanent employment contract
Notice Period	3 months	3 months
Termination benefit	3 months in lieu of notice	3 months in lieu of notice
Total Fixed Remuneration (TFR)	$319,750	$325,000
Short term incentive (STI)	30% bonus of TFR subject to satisfactory completion of agreed KPIs.	30% bonus of TFR, subject to satisfactory completion of agreed KPIs.
Long-term incentive (LTI)	Employee Incentive plan	Employee Incentive plan

* Peter Voigt was appointed as Interim CEO from 1 May 2023 following the resignation of Willem Vriesendorp. He held the position of Executive Chairman up until 30 April 2023. The terms of his contract remain unaffected by this change.

The service contracts outline the components of compensation paid to the KMP. The service contracts of the KMP 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.

6. 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 $500,000 per annum (as approved by shareholders on 1 July 2021) 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.

Non-Executive Director Base Fees	
Lead Independent Non-Executive Director	63,300
Board Member	52,750
Board Subcommittee Fees	
Audi and Risk Committee Chair	13,188
Audit and Risk Committee Member	5,275
Nomination and Remuneration Committee Chair	13,188
Nomination and Remuneration Committee Member	5,275

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.

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7. 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.

2023	Cash Salary[1] and Fees $	Cash Bonus[2] $	Other short-term benefits $	Post-employment benefits $	Other long-term benefits $	Share Based Payments[3] $	Total $	Proportion of total risk related remuneration %
Non-Executive Directors								
Sam Riggall	57,285	–	–	6,015	–	–	63,300	–
Ian Knight	89,285	–	–	–	–	–	89,285	–
Robyn McLeod	57,285	–	–	6,015	–	–	63,300	–
KMP								
Peter Voigt[4]	292,250	–	14,071[7]	27,500	–	47,897	381,718	13
Willem Vriesendorp[5]	355,361	–	–	–	–	–	355,361	–
Magda Klapakis	246,167	–	15,938[7]	24,239	1,511	25,124	312,979	8
Total	1,097,633	–	30,009[7]	63,769	1,511	73,021	1,265,943	

1. Includes director fees and salary paid.
2. Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments.
3. Amounts relate to the fair value of grants options and Performance Rights made pursuant to the LTI Plan attributable to the financial year measured in accordance with AASB 2 Share based Payments.
4. Peter Voigt was appointed as Interim CEO from 1 May 2023 following the resignation of Willem Vriesendorp. He held the position of Executive Chairman up until 30 April 2023.
5. Willem Vriesendorp resigned as Chief Executive Officer effective 1 May 2023.
6. There were no termination payments incurred in the period.
7. Net leave entitlements (utilised)/charged during the period.

Remuneration Report (Audited) continued

For the year ended 30 June 2023

2022	Cash Salary[7] and Fees $	Cash Bonus[2] $	Other short-term benefits $	Post-employment benefits $	Other long-term benefits $	Share Based Payments[3] $	Total $	Proportion of total risk related remuneration %
Non-Executive Directors								
Sam Riggall	54,546	–	–	5,454	–	–	60,000	–
Ian Knight	85,000	–	–	–	–	–	85,000	–
Robyn McLeod[4]	38,856	–	–	3,886	–	–	42,742	–
Stefanie Loader[5]	38,500	–	–	–	–	–	38,500	–
Executive Directors								
Peter Voigt[6]	377,088	18,000	(26,728)[7]	36,875	–	23,017[9]	428,252	10
Ben Stockdale[8]	–	–	–	–	–	–	–	–
KMP								
Willem Vriesendorp[11]	380,064	18,000	–	–	–	247,717[10]	645,781	8
Magda Klapakis	210,000	–	13,019	21,000	342	6,913	251,274	3
Total	**1,184,054**	**36,000**	**(13,709)**	**67,215**	**342**	**277,647**	**1,551,549**	

1. Includes director fees and salary paid from 15 February 2021.
2. Bonus payments are presented on an accruals basis and do not reflect the actual timing of payments. The bonus payments paid related to the pre-demerger period.
3. Amounts relate to the fair value of grants options and Performance Rights made pursuant to the LTI Plan attributable to the financial year measured in accordance with AASB 2 Share based Payments.
4. Robyn McLeod was appointed Non-Executive Director effective 8 October 2021.
5. Stefanie Loader resigned as a Non-Executive Director effective 10 March 2022.
6. Peter Voigt was appointed as Chairman of Clean TeQ Water Limited on the 4 May 2021. From the period 15 February 2021 to 31 March 2021 Peter Voigt was remunerated by the related entity SRL Holding Company Pty Ltd for the amount of $36,961. From 1 April 2021 his contract and entitlements transferred to Clean TeQ Water Operations Pty Ltd and his remuneration by Clean TeQ Water Operations Pty Ltd prior to its acquisition by the group on 11 May 2021 was $32,589. The balance of $362,413 cash based remuneration was paid by Clean Teq Water Operations Pty Ltd following its acquisition by Clean Teq Water Limited.
7. Net leave entitlements (utilised)/charged during the period. Upon transfer of Peter Voigt's contract from SRL Holding Company Pty Ltd to Clean TeQ Water Operations Pty Ltd on 1 April 2021 all his annual leave and long service leave entitlements carried over prior to its assumption to the Clean TeQ Water Limited group on 11 May 2021 (Note 27). The resulting liability of $228,456 assumed by Clean TeQ Water Operations Pty Ltd was offset against amounts owed to the Sunrise Energy Metals Limited group which were ultimately forgiven prior to the demerger (Note 20).
8. Ben Stockdale resigned as an Executive Director effective 7 May 2021. Ben did not receive remuneration for his role as Director of Clean TeQ Water Limited or its subsidiaries by Clean TeQ Water Limited or related entities in the Sunrise Energy Metals group.
9. All relate to Performance Rights awarded to replace foregone rights from Sunrise Energy Metals as a result of the demerger.
10. $18,756 relates to Performance Rights awarded to replace foregone rights from Sunrise Energy Metals as a result of the demerger.
11. Willem Vriesendorp was appointed as Chief Executive Officer of Clean TeQ Water Limited on 30 April 2021. From the period 30 April 2021 to 11 May 2021, Willem Vriesendorp was contracted with the related entity CLQW HK Limited prior to its acquisition by the group and remunerated for the amount of $7,828. Non share based payments remuneration paid by wholly-owned subsidiaries for the period following the business combinations that occurred on 11 May 2021 up to 30 June 2022 were $390,236.
12. There were no termination payments incurred in the period.

The following tables sets out the proportion of fixed and 'at risk' performance-based remuneration for directors and KMP for the financial reporting period:

2023	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as LTI
Non-Executive Directors			
Ian Knight	100%	–	–
Sam Riggall	100%	–	–
Robyn McLeod	100%	–	–
KMP			
Peter Voigt[1]	87%	0%	13%
Willem Vriesendorp[2]	100%	0%	0%
Magda Klapakis	92%	0%	8%

1. Peter Voigt was appointed as Interim CEO from 1 May 2023 following the resignation of Willem Vriesendorp. He held the position of Executive Chairman up until 30 April 2023.
2. Willem Vriesendorp resigned as CEO 1 May 2023.

2022	Proportion of remuneration that is fixed	Proportion of remuneration at risk as cash settled STI	Proportion of remuneration at risk as LTI
Non-Executive Directors			
Ian Knight	100%	–	–
Sam Riggall	100%	–	–
Robyn McLeod	100%	–	–
Stefanie Loader[1]	100%	–	–
Executive Directors			
Peter Voigt[2]	91%	4%	5%
Ben Stockdale[3]	–	–	–
KMP			
Willem Vriesendorp[2]	92%	3%	5%
Magda Klapakis	97%	0%	3%

1. Stefanie Loader resigned as a Non-Executive Director effective 10 March 2022.
2. Includes performance grants that were awarded to replace foregone rights from Sunrise Energy Metals as a result of the demerger.
3. Ben Stockdale resigned as an Executive Director effective 7 May 2021.

8. Additional Disclosures Relating to Options, Rights and Shares

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP in the financial year ended 30 June 2023 are as follows:

Grantee	Options Granted	Vesting and exercisable date	Grant date	Expiry date	Exercise Price	Fair value per option at grant date
Willem Vriesendorp	750,000*	30-Apr-23	30-Apr-21	30-Apr-27	$0.83	$0.32
Willem Vriesendorp	750,000*	30-Apr-25	30-Apr-21	30-Apr-27	$0.83	$0.34

* Willem Vriesendorp ceased employment effective 30 June 2023 (1 May 2023 as CEO). All the 1,500,000 options granted lapsed upon cessation of employment.

Options carry no dividend or voting rights.

No options over ordinary shares were granted to KMP as part of compensation during the financial year ended 30 June 2023.

Remuneration Report (Audited) continued

For the year ended 30 June 2023

The value 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 2023 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 $
KMP			
Peter Voigt	–	–	–
Willem Vriesendorp	–	–	492,000
Magda Klapakis	–	–	–

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

Performance Rights

The terms and conditions of each grant of Performance Rights over ordinary shares affecting remuneration of KMP in the financial year ended 30 June 2023 are as follows:

Grantee	Rights Granted	Grant Date	Vesting and expiry date	Exercise Price	Fair value per performance right at grant	% Rights Vested	% Rights lapsed
Peter Voigt	46,449*	21-Aug-21	01-Jul-22	Nil	$0.015	–	100
Peter Voigt	76,430*	21-Aug-21	01-Jan-23	Nil	$0.093	–	100
Peter Voigt	247,349	21-Aug-21	01-Jul-23	Nil	$0.179	–	N/A
Peter Voigt	156,389	21-Aug-21	01-Jan-24	Nil	$0.142	–	N/A
Peter Voigt	99,496	14-Dec-22	01-Jul-24	Nil	$0.077	–	N/A
Peter Voigt	129,207	14-Dec-22	01-Jan-25	Nil	$0.149	–	N/A
Peter Voigt	217,636	14-Dec-22	01-Jul-25	Nil	$0.212	–	N/A
Willem Vriesendorp	47,129*	21-Aug-21	01-Jul-22	Nil	$0.015	–	100
Willem Vriesendorp	77,544*	21-Aug-21	01-Jan-23	Nil	$0.093	–	100
Willem Vriesendorp	250,957*	21-Aug-21	01-Jul-23	Nil	$0.179	–	100
Willem Vriesendorp	158,669*	21-Aug-21	01-Jan-24	Nil	$0.142	–	100
Willem Vriesendorp	128,788	07-Sept-21	01-Jul-24	Nil	$0.424	–	100
Willem Vriesendorp	167,245	09-Mar-22	01-Jan-25	Nil	$0.422	–	100
Willem Vriesendorp	280,373	28-Jul-22	01-Jul-25	Nil	$0.349	–	100
Willem Vriesendorp	141,096	29-Mar-23	01-Jan-26	Nil	$0.218	–	100
Magda Klapakis	75,833	07-Sep-21	01-Jul-24	Nil	$0.424	–	N/A
Magda Klapakis	98,478	09-Mar-22	01-Jan-25	Nil	$0.422	–	N/A
Magda Klapakis	165,840	28-Jul-22	01-Jul-25	Nil	$0.349	–	N/A
Magda Klapakis	83,458	29-Mar-23	01-Jan-26	Nil	$0.218	–	N/A

* Pursuant to section 4.6 of the Demerger Booklet dated 17 May 2021, Clean TeQ Water officers and employees who held SRL Performance Rights had their Performance Rights cancelled and Clean TeQ Water Rights were issued to them following the implementation of the Demerger.

Note: A portion of the Performance Rights an expiry date of 1 July 2023 experienced partial vesting as one of the performance conditions was met. The remaining amount lapsed.

Performance Rights carry no dividend or voting rights.

The number of Performance Rights over ordinary shares granted to each KMP as part of remuneration is set out below:

	Number of rights granted during the year 2023	Number of rights granted during the year 2022	Number of rights vested during the year 2023	Number of rights vested during the year 2022
Peter Voigt	**446,339**	567,717	**–**	–
Willem Vriesendorp	**421,469**	872,032	**–**	–
Magda Klapakis	**249,298**	174,311	**–**	–

The value of Performance Rights over ordinary shares (as at date of grant) granted to each KMP as part of compensation are set out below:

Name	$ Value of rights granted during the year 2023	$ Value of rights granted during the year 2022	$ Value of rights vesting during the year 2023	$ Value of rights vesting during the year 2022
Peter Voigt	**61,937**	50,685	**–**	–
Willem Vriesendorp	**128,609**	149,279	**–**	–
Magda Klapakis	**76,072**	57,620	**–**	–

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 ended 30 June 2023 by each director and KMP of the Consolidated Entity, including their related parties, is set out below:

	Balance at demerger date[1]	Received as part of remuneration	Additions	Disposals/ other[3]	Balance at end of the year
Non-Executive Directors					
Ian Knight	55,921	–	50,000	–	105,921
Sam Riggall	1,346,572	–	78,947	–	1,425,519
Robyn McLeod	–	–	13,158	–	13,158
KMP					
Peter Voigt[1]	1,030,445	–	165,519	–	1,195,964
Willem Vriesendorp[2]	1,920	–	50,000	(51,920)	–
Magda Klapakis	–	–	–	–	–
	2,434,858	**–**	**357,624**	**(51,920)**	**2,740,562**

1. Appointed Interim CEO effective 1 May 2023. Held the position of Executive Chairman prior.
2. Resigned as CEO effective 1 May 2023. Final balance as per date of resignation.
3. On resignation of KMPs other movement shows the shares held at the 30 June 2023.

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 ('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	Exercised	Expired/ forfeited/other	Balance at end of the year
KMP					
Willem Vriesendorp[1]	1,500,000	–	–	1,500,000	–
	1,500,000	**–**	**–**	**1,500,000**	**–**

1. Resigned as CEO effective 1 May 2023. Final balance as per 30 June 2023.

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
Peter Voigt	480,168	446,339	–	(76,430)	850,077
Willem Vriesendorp	783,203	421,469	–	(1,204,672)	–
Magda Klapakis	174,311	249,298	–	–	423,609
	1,437,682	**1,117,106**	**–**	**(1,281,102)**	**1,273,686**

Remuneration Report (Audited) continued

For the year ended 30 June 2023

Shares under option

No options over ordinary shares were granted to KMP as part of compensation during the financial year ended 30 June 2023 (2022: 1,500,000).

On 30 June 2023, 1,500,000 options previously issued to CEO Mr Vriesendorp were forfeited.

Shares subject to Performance Rights

Unissued ordinary shares of the Company subject to Performance Rights as at 30 June 2023 are as follows:

Grant Date	Vest Date	Exercise Price	Number
31-Aug-21	1-Jul-23	Nil	528,120
31-Aug-21	1-Jan-24	Nil	335,127
7-Sept-21	1-Jul-24	Nil	448,952
30-Sept-21	1-Jul-24	Nil	161,616
9-Mar-22	1-Jan-25	Nil	656,488
28-Jul-22	1-Jul-25	Nil	1,182,276
14-Dec-22	1-Jul-24	Nil	99,496
14-Dec-22	1-Jan-25	Nil	129,207
14-Dec-22	1-Jul-25	Nil	217,636
29-Mar-23	1-Jan26	Nil	744,197
			4,503,115

Shares issued on the exercise of options or Performance Rights

During the financial reporting year, the Company did not issue any shares as a result of option holders exercising their options or vesting of Performance Rights.

Since the end of the financial year up to the date of this report the Company has issued 86,572 (2022: nil) shares upon partial vesting Performance Rights to KMP.

Voting and comments made at the Company's 2022 Annual General Meeting

The Company received 19,925,546 votes 'for' (98.75% of votes cast) and 252,678 votes 'against' (1.25% of votes cast) the remuneration report for the period ended 30 June 2022.

This concludes the Remuneration Report which has been audited.

Auditor's Independence Declaration

For the year ended 30 June 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Clean TeQ Water Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Clean TeQ Water Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 21 September 2023

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ACN-130 913 594

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022[1] $
Continuing operations			
Revenue	6	**12,338,221**	11,353,582
Other income	6	**1,233,596**	613,611
Other gains and losses	6	**(11,639)**	112,697
Expenses			
Raw materials and other direct costs	7	**(7,972,071)**	(11,013,546)
Employee benefits expenses	7	**(7,131,487)**	(7,399,096)
Legal and professional expenses		**(695,076)**	(915,495)
Occupancy expenses		**(654,689)**	(529,763)
Travel and entertainment expenses		**(396,505)**	(569,722)
Marketing expenses	7	**(214,474)**	(499,904)
Research and development expenses		**(817,550)**	(922,286)
Depreciation and amortisation expenses		**(471,670)**	(706,179)
Other expenses	7	**(758,479)**	(595,162)
Operating loss before net finance income		**(5,551,823)**	**(11,071,263)**
Net finance income	6	**66,037**	7,392
Loss before income tax benefit		**(5,485,786)**	**(11,063,871)**
Income tax benefit	8	**–**	–
Loss after income tax benefit for the year attributable to the owners of Clean TeQ Water Limited		**(5,485,786)**	**(11,063,871)**
Other comprehensive income for the period, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**(21,007)**	(12,430)
Total comprehensive loss for the period attributable to the owners of Clean TeQ Water Limited		**(5,506,793)**	**(11,076,301)**
Loss per share attributable to the owners of Clean TeQ Water Limited			
Basic earnings per share	32	**(0.0951)**	(0.2477)
Diluted earnings per share	32	**(0.0951)**	(0.2477)

1. Comparisons to the prior year are made to the non-standard period of 15 February 2021 to 30 June 2022.

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Current assets			
Cash and cash equivalents	9	4,631,686	5,570,746
Restricted cash and other financial assets	9	216,201	332,402
Receivables and prepayments	10	1,279,194	813,580
Contract assets	6	2,189,840	2,185,952
Inventories	11	297,641	17,160
Research and development incentive receivable	10	725,245	608,845
Total current assets		9,339,807	**9,528,685**
Non-current assets			
Contract assets	6	246,695	-
Property, plant and equipment	12	653,556	557,666
Right-of-use assets	13	58,202	24,218
Intangibles	15	2,228,346	2,480,280
Total non-current assets		3,186,799	**3,062,164**
Total assets		12,526,606	**12,590,849**
Current liabilities			
Trade and other payables	16	2,424,997	1,943,870
Contract liabilities	6	200,652	579,252
Employee benefits	17	588,958	529,826
Provisions	18	59,952	59,952
Lease liabilities	13	88,428	24,976
Loans and borrowings	14	239,729	–
Total current liabilities		3,602,716	**3,137,876**
Non-current liabilities			
Employee benefits	17	84,099	49,201
Provisions	18	835,339	665,252
Lease liabilities	13	14,992	–
Total non-current liabilities		934,430	**714,453**
Total liabilities		4,537,146	**3,852,329**
Net assets		7,989,460	**8,738,520**
Equity			
Issued capital	19	4,704,759	1
Reserves	20	19,834,358	19,802,390
Accumulated losses	21	(16,549,657)	(11,063,871)
Total equity		7,989,460	**8,738,520**

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

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Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Non-controlling interests $	Total equity $
Balance at 15 February 2021	**–**	**–**	**–**	**–**	**–**
Loss after income tax benefit for the financial year	–	(11,063,871)	–	–	(11,063,871)
Other comprehensive income	–	–	(12,430)	–	(12,430)
Total comprehensive loss for the financial year	–	(11,063,871)	(12,430)	–	(11,076,301)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares on incorporation	1	–	–	–	1
Common control business combinations (Note 20)	–	–	(2,643,149)	(222,130)	(2,865,279)
Common control loan forgiveness (Note 20)	–	–	24,073,315	–	24,073,315
Share-based payments (Note 33)	–	–	383,451	–	383,451
Changes in ownership interests:					
Acquisition of non-controlling interest	–	–	(1,998,797)	222,130	(1,776,667)
Balance at 30 June 2022	**1**	**(11,063,871)**	**19,802,390**	**–**	**8,738,520**
Balance at 1 July 2022	**1**	**(11,063,871)**	**19,802,390**	**–**	**8,738,520**
Loss after income tax benefit for the year	**–**	**(5,485,786)**	**–**	**–**	**(5,485,786)**
Other comprehensive income	**–**	**–**	**(21,007)**	**–**	**(21,007)**
Total comprehensive loss for the year	**–**	**(5,485,786)**	**(21,007)**	**–**	**(5,506,793)**
Transactions with owners in their capacity as owners					
Issue of ordinary shares	**4,956,767**	**–**	**–**	**–**	**4,956,767**
Transaction costs relating to issue of ordinary shares	**(252,009)**	**–**	**–**	**–**	**(252,009)**
Share-based payments	**–**	**–**	**52,975**	**–**	**52,975**
Balance at 30 June 2023	**4,704,759**	**(16,549,657)**	**19,834,358**	**–**	**7,989,460**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**12,597,446**	10,318,397
Payments to suppliers and employees (inclusive of GST)		**(19,127,061)**	(21,203,497)
Cash used in operating activities		**(6,529,615)**	(10,885,100)
Refund of/(payments for) security deposits		**116,201**	(332,402)
Net interest received		**81,156**	14,113
Research and development tax incentive received		**767,643**	762,099
Net cash used in operating activities	31	**(5,564,615)**	(10,441,290)
Cash flows from investing activities			
Payments for property, plant and equipment		**(224,914)**	(184,558)
Acquisition of subsidiaries, net of cash acquired		**–**	16,463,292
Net cash used in investing activities		**(224,914)**	16,278,734
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**4,956,767**	1
Transaction costs relating to issue of ordinary shares		**(252,009)**	–
Proceeds from borrowings		**316,130**	–
Repayment of borrowings and interest		**(81,993)**	–
Repayment of lease liabilities and interest		**(73,213)**	(268,822)
Net cash used in financing activities		**4,865,682**	(268,821)
Net increase in cash and cash equivalents		**(923,847)**	5,568,623
Cash and cash equivalents at the start of the financial period		**5,570,746**	–
Effects of exchange rate changes on cash and cash equivalents		**(15,213)**	2,123
Cash and cash equivalents at the end of the financial period	9	**4,631,686**	5,570,746

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

Index of Notes

To and forming part of the Financial Report

Note 1. General information

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

On 1 July 2021, Clean TeQ Water and its controlled entities demerged from Sunrise Energy Metals and was listed on the Australian Securities Exchange under the code CNQ.

Clean TeQ Water Limited is a for-profit ASX 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, 3168
Australia

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 September 2023. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant changes in the current reporting period

There were no significant changes in the current reporting period.

In the previous reporting period the Company was demerged from Sunrise Energy Metals Limited ('Sunrise') pursuant to the implementation of the Sunrise shareholder and court-approved demerger scheme effective 1 July 2021.

The Group's statutory financial information for the previous financial period was for 15 February 2021 to 30 June 2022.

Note 3. 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 $5,485,786 (30 June 2022: loss of $11,063,871), incurred negative operating cash flows of $6,529,615 (30 June 2022: $10,885,100) and the Consolidated Entity's position as at 30 June 2023 was as follows:

- the Consolidated Entity had cash reserves inclusive of restrictive security deposits of $4,847,887 (30 June 2022: $5,903,148); and
- the Consolidated Entity had net assets of $7,989,460 (30 June 2022: $8,738,520).

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

- The Consolidated Entity has attributable available cash on hand as at 30 June 2023 of $4,847,886 (30 June 2022: $5,903,148);
- The Consolidated Entity earned $12,338,221 (30 June 2022: $11,353,582) in sales revenue during the financial year;
- The Consolidated Entity expects to receive cash rebates from the Australian Taxation Office for eligible research and development expenditure incurred during the tax period 1 July 2022 to 30 June 2023. The Consolidated Entity has recognised a $725,245 receivable for an estimated refund due to it for some of its research and development expenditure incurred during the tax period.
- The Consolidated Entity has successfully completed a number of contracts to design, procure and construct water purification plants, which have generated positive cashflows over recent years. The Consolidated Entity is confident, as a result of the successful completion of these contracts, that it will continue to be awarded additional water treatment contracts in the future.
- The recent award of paid pilot projects in South America (June 23) and Europe (July 23), the final step before the customer decides on project award.

Note 3. Significant accounting policies continued

- On 11 September 2023, the Company announced that it had signed an agreement between GL2 Greenview Resources Inc (G2L), a fully owned subsidiary of Go2Lithium Inc, and LithiumBank Resources Corp under which G2L will license its continuous direct lithium extraction technology (cDLE®) to support development of LithiumBank's North American lithium brine assets. In consideration for the license, LithiumBank has agreed to issue LithiumBank shares to G2L on satisfaction of certain milestones, which if fully vested, would constitute G2L as LithiumBank's largest shareholder.
- 4 million common shares being approximately 8.63% of the issued shared in the capital of LithiumBank Resources Corp have now been issued. The approximate value was at CAD$1.32 per share representing CAD $5.4 million (AUD$6.2 million). Additionally, G2L retains the right to be issued up to an additional 10 million common shares in tranches, subject to achievement of certain technical and study milestones. The 14 million shares, if fully issued, represent as of the date of this release approximately 25% of LithiumBank's current issued and outstanding shares (on a post-issue basis).
- 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 2024.

The Consolidated Entity will continue working towards securing contracts in the near future and anticipates earning substantial revenues in the future.

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.

The Directors note there are a number of prevailing global factors which are beyond the control of the Consolidated Entity including the ongoing measures implemented to mitigate the impacts of COVID-19, the general inflationary environment, rising interest rates, war in Ukraine, political and trade disputes and disruption to supply chains. None of these factors has materially impacted on the ability of the Consolidated Entity to undertake its activities. Although there is a risk that these factors, or other new unforeseeable factors, may impact on the Consolidated Entity's performance and ability to operate in the future, the Directors are not currently aware of any factor that they believe will materially impact on the Consolidated Entity's performance and ability to operate in the future.

While the Directors are confident in the Consolidated Entity's ability to continue as a going concern, in the event the cash flow forecasts are adversely impacted and commercial opportunities described above do not eventuate as planned, there is a material uncertainty as to whether the Consolidated Entity will be able to generate sufficient net operating cash inflows or execute alternative funding arrangements to enable it to continue as a going concern beyond the 12 months from the date the Directors approve the annual Financial Report.

Consequently, a material uncertainty exists as to whether the Consolidated Entity will continue as a going concern and it may therefore be required to realise assets at amounts different to their carrying amounts in the consolidated statement of financial position, extinguish liabilities at amounts different to those recorded in the consolidated financial position and settle liabilities other than in the ordinary course of business.

(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 ('IFRS') 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 4.

(c) Demerger accounting – common control restructure

The entities that held the business assets and liabilities of the Water Business unit of Sunrise Energy Metals Limited (Sunrise), being the former parent entity of Clean TeQ Water Limited, were transferred to Clean TeQ Water Limited on 11 May 2021. The Group elected the book value common control business combination accounting method. The individual entity book values of the assets and liabilities were transferred for nominal consideration paid by Clean TeQ Water Limited and consequently the transfer resulted in the contribution to equity recorded in the Business Combination reserve as set out in Note 20.

Demerger from Sunrise Energy Metals Ltd

On 18 June 2021, the shareholders of Sunrise approved a resolution to demerge the Water Business unit of Sunrise, which was undertaken as a capital return by way of an in-specie distribution of a one for two basis of Clean TeQ Water shares to Sunrise shares on 1 July 2021 as set out in Note 2.

(d) 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 28.

(e) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Water Limited as at 30 June 2023 and the results of all subsidiaries for the period then ended. Clean TeQ Water 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.

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 not under common control 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 Entity.

(f) 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 Executive Committee and Board of Directors, which are responsible for the allocation of resources to operating segments and assessing their performance.

(g) Revenue recognition

Project contracts

The Consolidated Entity builds treatment plants for customers based on design and implementation of the Consolidated Entity's innovative water solution and resource recovery technology. Projects are billed in accordance with the milestones of the contract and its length depends on the complexity of the design. The duration of these projects is usually between 12-18 months. Revenue is recognised over time using a cost incurred input method to measure the progress towards satisfying contractual performance obligations. The related costs are recognised in profit or loss when they are incurred.

Typically, project contract performance obligations are highly inter-related and therefore accounted for as a single performance obligation. Contract variations arise in the form of agreed customer variations and are included in the transaction price on the basis that it is highly probable that significant reversal of revenue will not occur.

A provision for loss making contacts is recorded for the difference in the expected costs of fulfilling the contracts and the expected remaining economic benefits to be received where the forecast remaining costs exceed the forecast remaining benefits. Provisions for loss making contracts and advances received are included in contract liabilities.

Test work and pilot plants

Invoices for test work and pilot plant services are issued based on the achievement of milestones and are usually payable within 30 days. Revenue is recognised based on the completion of milestones outlined in the customer contract which is representative of the Consolidated Entity's measurement of progress towards complete satisfaction of the performance obligations.

Note 3. Significant accounting policies continued

Product sales

Customers obtain control of product sales when the goods are delivered in accordance with the applicable shipping terms which is usually Ex-works. Invoices are generated and revenue is recognised when the goods are delivered in accordance with the shipping terms, which is at a point in time.

Aftermarket spares and services

Aftermarket spares and services occur following the completion of all active obligations in project contract, are ancillary to the main contract and can relate to orders for additional maintenance and/or the provision of critical spares. Revenue is recognised once the services have been rendered, control of the goods have transferred to the customer and entitlement is expected, which is at a point in time.

Rendering of services

Invoices for services provided to customers are issued on a monthly basis and usually payable within 30 days. Revenue is recognised over time as the services are provided which is measured based on costs incurred. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Consolidated Entity sells the services in separate transactions.

(h) Government grants

Grants that compensate the Consolidated Entity for expenses incurred (including research and development tax incentive rebates) are recognised as income in the profit or loss or other income before tax on a systematic basis in the same periods in which the expenses are recognised only when there is reasonable assurance that the conditions attaching to them have been complied with and the grants will be received.

(i) 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 amounts 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 Water Limited (the 'Head Entity') and its wholly-owned Australian subsidiaries were members of the Sunrise Energy Metals Limited income tax consolidated group under the tax consolidation regime up until the 30 June 2021, prior to demerging. Following demerger, the Consolidated Group ceased to be eligible members of the Sunrise Energy Metals Limited tax consolidated group. During the financial year ended 30 June 2023 and prior to lodgement of the 30 June 2022 tax returns, Clean TeQ Water Limited formed a tax consolidated group under the ATO tax consolidation regime, effective from the beginning of the income tax year ended 30 June 2022.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and 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.

(l) 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.

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.

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

(m) Inventories

Raw materials, work in progress and finished goods of inventory 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.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to be incurred in marketing, selling and distribution.

Project contracts – assets and liabilities

The gross amount of project construction work in progress consists of costs attributable to work performed, including recoverable pre-contract and contract bidding costs and emerging profit after providing for any foreseeable losses. In applying the accounting policies on providing for these losses, accounting judgement is required. Project contract assets are presented as contract assets for all contracts in which revenue recognised (costs incurred plus recognised profits) exceed progress billings. If progress billings and/or recognised contract losses exceed revenue recognised, then the difference is presented as a contract liability.

Notes to the Consolidated Financial Statements continued

For the year ended 30 June 2023

Note 3. Significant accounting policies continued

(n) 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:

Plant and equipment	3 to 10 years (straight line)
Office furniture and equipment	3 to 10 years (straight line)
Leasehold improvements	3 to 7 years (straight line)
Motor vehicles	5 years (straight line)

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.

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.

(o) Restricted cash and other financial assets

Cash on deposit used as security for bank guarantees maturing within 12 months of each reporting period is disclosed as a current other financial asset. Those deposits that mature in excess of 12 months are disclosed as non-current other financial assets.

(p) 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; or 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.

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.

(q) Impairment of non-financial assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its non-financial assets (other than inventories, contract assets 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.

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.

(r) Leases

Except for short-term and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. The right-of-use asset is depreciated over the asset's useful life and the lease term on a straight-line basis, while the lease liability is reduced by an allocation of each lease payment.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Consolidated Entity has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Consolidated Entity recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset at the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Consolidated Entity by the end of the lease term or the cost of the right-of-use asset reflects that the Consolidated Entity will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Consolidated Entity's incremental borrowing rate. Generally, the Consolidated Entity uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Consolidated Entity is reasonably certain to exercise, lease payments in an optional renewal period if the Consolidated Entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Consolidated Entity is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if:

- there is a change in the Consolidated Entity's estimate of the amount expected to be payable under a residual value guarantee;
- the Consolidated Entity changes its assessment of whether it will exercise a purchase, extension or termination option; or
- if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

For personal use only

Note 3. Significant accounting policies continued

(ii) As a lessor

The Consolidated Entity has no material contractual arrangements where it is the lessor of an operating or finance lease.

(iii) Short-term leases and lease of low-vale assets

The Consolidated Entity has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Consolidated Entity recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(s) 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.

(t) Finance income and costs

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

- interest income;
- interest expense;
- dividend income;
- 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.

(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. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

Other long-term employee benefits

The liabilities 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.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

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.

The fair value of options is independently determined using the Binomial 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.

The fair value of Performance Rights is determined by an independent third party using a Brownian Model and a Monte Carlo simulation that takes into account the term of the Performance Rights, the underlying share price and benchmark share price values at grant date, the expected volatility of the underlying share and benchmark shares, the expected dividend yield of the underlying share and benchmark shares and the risk-free interest rate for the term of the performance right, together with an estimation of the number of Performance Rights expected to lapse due to failure of employees to remain in employment.

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.

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.

(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 principal 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.

Note 3. Significant accounting policies continued

(w) Issued capital

Ordinary shares are classified as equity.

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

(x) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of 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.

(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(Rounding in Financial/Director's Reports), 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 dollar.

(aa) New standards and interpretations not yet adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board' ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following new and amended standards that have been issued but are not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

- Annual Improvements to AASB Standards 2018-2020
- Property, plant and equipment: proceeds before intended used (amendments to AASB 116)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to AASB 12)
- Classification of liabilities as current or non-current (amendments to AASB 101)
- AASB 17 *Insurance Contracts* and amendments to AASB 17 *Insurance Contracts*
- Definition of accounting estimates (amendments to AASB 108)

Note 4. 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.

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. A key assumption considered in the fair value calculation includes the probability of vesting given the share-based payment plans were only implemented in the current period for the first time. 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 carrying value of patents and trademarks acquired is based on the cost of registering the patents and trademarks, less any impairment.

Provisions: warranties and contract claims

Provisions for warranties and other contract claims are based on best estimates having regard to previous claims experience.

Where technology installed is the first instance or is part of a pilot or demonstration plant and reference cannot be made to previous claims experience, judgement is required in determining appropriate expected future expenditure during the defects liability period.

Research and Development costs and tax provisions

The Consolidated Entity adopts the AASB 120 government grant approach for Research and Development Tax Incentive ('RDTI') income, recognising a credit in the income statement against profit before tax.

RDTI income is recognised once it is probable with reasonable assurance that the terms of the incentive program are complied with and the amount will be received, the credit being recognised over the periods necessary to match the income with the project costs for which it was intended to compensate.

In determining whether the Group has reasonable assurance of the recoverability of RDTI income, the Group considers whether projects have successfully been claimed previously and meet the ATO's latest published guidelines on project and cost eligibility.

Where reference cannot be made to previous claims experience and the probability of the recovery of an RDTI claim is not assured, RDTI income is not recognised until a point in time where determination of eligibility can be made with reasonable assurance by relevant experts or a claim is approved by the delegated ATO authority.

Revenue earned on project contracts

Revenue earned on project contracts is determined using a cost incurred input method to measure the progress towards satisfying contractual performance obligations, which is based on actual costs incurred as a proportion of total estimated project costs. Actual costs may vary compared to estimated amounts and consequently the proportion of project contract revenue recorded for individual projects may change in future reporting periods based on revisions to estimated amounts. Also refer to Notes 3(g) and 3(l).

Note 5. Operating segments

AASB 8 requires operating segments to be identified on the basis of the components of internal reports of the Consolidated Entity that are regularly reviewed by the Directors in order to allocate resources to the segment and to assess its performance. Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Consolidated Entity's accounting policies. The following tables are an analysis of the Consolidated Entity's revenue and results by reportable segment provided to the Directors. The profit or loss of the operating segments remains as a key financial indicator and metric monitored by the Directors. Assets and liabilities are reviewed at the consolidated level.

Geographical segments

The Consolidated Entity operates internationally from Australia, and China and is organised into two geographic operating segments, Australia and International ("Australia"), and China, offering water treatment solutions ("Water"), and metal resource recovery solutions ("Metals") and also undertakes significant research and development in technologies applicable to both aforementioned solutions and emerging technology in graphene membrane production ("Tech"). The Consolidated Entity is domiciled in Australia and provides shared services to all other operating segments ("Group").

Operating segment information

For the financial year ended 30 June 2023

Geographic location:		Australia		China		
Division:	Water $	Metals $	Tech $	Water $	Group $	Total $
External revenue and other income*						
Project revenue	11,152,763	–	–	4,176	–	11,156,939
Test work and pilot plants	96,476	257,351	–	–	–	353,827
Aftermarket spares and services	614,692	–	–	–	–	614,692
Product sales revenue	–	–	53,540	–	–	53,540
Service fee income	–	157,223	2,000	–	–	159,223
R&D tax incentive income	–	–	884,040	–	–	884,040
Other income	(1,584)	350,000	–	1,140	–	349,556
Total revenue and other income	11,862,347	764,574	939,580	5,316	–	13,571,817
EBITDA	772,902	(285,498)	(1,191,564)	(1,507,559)	(2,868,433)	(5,080,152)
Depreciation expenses						(219,737)
Amortisation expenses						(251,934)
Net finance income						66,037
Loss after income tax expense						(5,485,786)

Major customers

Revenue from two customers of the Consolidated Entity's Australian Water segments represented approximately $4.8m and $4.6m each of the total revenue.

For the Period from 15 February 2021 to 30 June 2022

Geographic location:		Australia		China		
Division:	Water $	Metals $	Tech $	Water $	Group $	Total $
External revenue and other income*						
Project revenue	8,737,071	–	–	1,674,217	–	10,411,288
Test work and pilot plants	135,664	166,623	–	–	–	302,287
Aftermarket spares and services	247,328	–	–	–	–	247,328
Service fee income	–	392,679	–	–	–	392,679
R&D tax incentive income	–	–	608,848	–	–	608,848
Other income	1,584	–	–	3,179	–	4,763
Total revenue and other income	**9,121,647**	**559,302**	**608,848**	**1,677,396**	**–**	**11,967,193**
EBITDA	**(3,146,526)**	**(500,849)**	**(1,307,970)**	**(2,644,431)**	**(2,765,308)**	**(10,365,084)**
Depreciation expenses						(454,254)
Amortisation expenses						(251,925)
Net finance income						7,392
Loss after income tax expense						**(11,063,871)**

* There is no inter-segment revenue for the period.

Major customer

Revenue from one customer of the Consolidated Entity's Australian Water segments represented approximately $2.9m of the total revenue.

Note 6. Revenue and other income

	Consolidated 2023 $	Consolidated 2022 $
Revenue		
Over time		
Project revenue	11,156,939	10,411,288
Service fee income	159,223	392,679
Point in time		
Test work and pilot plants	353,827	302,287
Aftermarket spares and services	614,692	247,328
Product sales revenue	53,540	–
Total revenue	**12,338,221**	**11,353,582**
Other income		
R&D tax incentive income – government grants	884,040	608,848
Other income(i)	349,556	4,763
Total other income	**1,233,596**	**613,611**
Other gains and losses		
Net foreign exchange (loss)/gain	(11,639)	119,737
Loss on disposal of property, plant and equipment	–	(7,040)
Total other gains and losses	**(11,639)**	**112,697**
Net finance income		
Finance income	82,389	14,114
Finance costs	(16,352)	(6,722)
Total net finance income	**66,037**	**7,392**

(i) Included in other income for the financial year ended 30 June 2023 is a $350,000 once off receipt from a customer for components of a pilot plant not returned or replaced.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Consolidated 2023 $	Consolidated 2022 $
Receivables, which are included in 'receivables and prepayments' (Note 10)	822,233	539,884
Contract assets	2,189,840	2,185,952
Contract liabilities	200,652	579,252
Non current contract balances		
Contract assets	246,695	–

The contract assets primarily relate to the Group's application of percentage of completion for revenue recognition where the estimated stage of completion exceeds amounts billed at the reporting date on project revenue. Project revenue consists of equipment supply contracts, with or without installation and design and construct contracts. In the financial period ended 30 June 2022, $454,662 of contract assets were initially acquired as a result of common control business combinations (Note 20). Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to where amounts billed at the reporting date exceeds the estimated stage of completion at the reporting date on project revenue contracts or other obligations arising from contracts with customers. Contract liabilities were unaffected by common control business combinations in the period. Contract liabilities are released when the stage of completion matches or exceeds amounts billed or when obligations arising from contracts are met or discharged.

Disaggregation of revenue from contracts with customers

Revenue from contracts with customers is disaggregated by geographical market and primary solution business units of the Group. This disaggregation is in line with operating segments identified in Note 5.

Note 7. Expenses

	Consolidated 2023 $	Consolidated 2022 $
Raw materials and other direct costs		
Raw materials	(4,749,854)	(8,585,697)
Subcontractors	(2,527,234)	(1,348,190)
Other direct costs	(694,983)	(1,079,659)
Total raw materials and other direct costs	(7,972,071)	**(11,013,546)**
Marketing expenses		
Marketing expenses	(138,544)	(266,627)
Corporate promotion	(75,930)	(233,277)
Total marketing expenses	(214,474)	**(499,904)**
Other expenses		
Insurance expense	(243,138)	(108,222)
Other expenses (IT, subscriptions, office expenses)	(515,341)	(486,940)
Total other expenses	(758,479)	**(595,162)**
Employee benefits expenses		
Wages and salaries	(4,738,402)	(4,582,044)
Employee entitlements	(454,530)	(372,686)
Superannuation	(545,306)	(456,135)
Equity settled share-based payments	(52,974)	(383,451)
Contractors and consultants	(687,674)	(609,800)
Other costs (short-term Incentives, payroll taxes, workers' compensation)	(652,601)	(994,980)
Total employee benefits expenses	(7,131,487)	**(7,399,096)**

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Note 8. Income tax benefit

	Consolidated 2023 $	Consolidated 2022 $
Loss before income tax (expense)/benefit attributable to the owners of Clean TeQ Water Limited	**(5,485,786)**	**(11,063,871)**
Tax at the statutory tax rate of 25%	**(1,371,447)**	(2,765,968)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	**13,244**	65,488
Other non-deductible expenses	**472,036**	272,708
Expenditure subject to research and development tax incentives	**412,932**	349,913
Other assessable income	**20,000**	144,813
Non-assessable research and development tax incentive income[(iii)]	**(191,911)**	(193,310)
Other income not included in assessable income	**(649,524)**	–
Deduction for decline in value of depreciating assets[(iv)]	**(2,671)**	(4,911)
Other deductible expenses	**(355,035)**	(140,122)
Deferred tax asset on Group losses not booked	**1,296,820**	1,367,249
Deferred tax asset on overseas losses not booked	**356,347**	620,234
Tax rate differential on overseas losses (8.5% to 25.8%)	**(791)**	4,148
Losses attributable to pre-demerger consolidated tax group[(i) (ii)]	**–**	279,758
Income tax expense/(benefit)	**–**	–
Tax losses for which no deferred tax asset has been recognised:		
Unused Australian tax losses[(v)]	**10,490,988**	5,303,708
Potential tax benefit @ 25%	**2,622,747**	1,325,927
Unused overseas tax losses		
Peoples Republic of China, expiring within 1 year	**1,325,269**	494,861
Peoples Republic of China, expiring within 2-5 years	**7,559,143**	6,821,093
Hong Kong Special Administrative Region	**–**	–
Netherlands	**–**	–
Temporary differences not brought to account	**565,953**	154,622

(i) Clean Teq Water Limited and its Australian wholly owned subsidiaries were members of the Sunrise Energy Metals Limited tax consolidated group until the date of the demerger on 1 July 2021. Carried forward tax losses and tax losses incurred during the reporting period from the 15 February 2021 to 1 July 2021 are attributable to the Sunrise Energy Metals Limited tax consolidated group.

(ii) For the period preceding the acquisition of non-controlling interests in Nematiq Pty Ltd on the 12 May 2021, this entity was not an eligible member of the Sunrise Energy Metals Limited tax consolidated group and had carry forward tax losses of $599,716. Upon the acquisition of the non-controlling interest, the entity was assumed into the Sunrise Energy Metals Limited tax consolidated group. All rights to carried forward tax losses at the date of entry and incurred during the intermediate period from 12 May 2021 to 1 July 2021 remain with Sunrise Energy Metals Limited.

(iii) Non-assessable research and development tax incentive income relates to ATO tax incentives received by NematiQ Pty Ltd.

(iv) Prior to lodgement of the 30 June 2022 tax returns, Clean TeQ Water Limited formed a tax consolidated group under the ATO tax consolidation regime, effective from the beginning of the income tax year ended 30 June 2022.

(v) Tax benefits for tax losses not recognised in the statement of financial position, which can be carried forward indefinitely, can only be utilised in the future if the Consolidated Entity generates taxable profits and if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 9. Cash and cash equivalents

	Consolidated 2023 $	Consolidated 2022 $
Cash at bank and on hand	4,631,686	3,570,746
Bank short-term deposits[i]	–	2,000,000
Total cash assets	4,631,686	**5,570,746**

(i) Short-term deposits

The average interest rate on short-term bank deposits is credited at prevailing market rates. The weighted average interest rate at reporting date was 3.1% (2022:1.37%). These deposits have a maximum maturity of three months from origination. Any balances with maturities exceeding this have been disclosed as other financial assets.

(i) Financing arrangements

Security bonds of $216,201 (2022: $332,402) were provided on Bank Guarantees secured against amounts held within a restricted Cash Deposit Account issued in accordance with contractual performance obligations. $40,000 relates to security deposits on right-of-use assets and leases; $176,201 is for ensuring the proper performance of major works contracts.

Note 10. Receivables and prepayments

	Consolidated 2023 $	Consolidated 2022 $
Trade receivables	822,233	539,884
Prepayments	369,199	159,677
GST receivable	66,048	112,353
Other receivables	21,714	1,666
Receivables and prepayments	1,279,194	**813,580**
Research and development incentive receivable	725,245	**608,845**

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

The Consolidated Entity's policy is to write off debts when there is no longer a reasonable expectation of recovery, including, but not limited to, customer bankruptcy, contractual default, failed negotiations or arbitration. Debts that are written off are still subject to enforcement activity. Any write-off of debt is presented to and approved by the Clean TeQ Water Audit and Risk Committee.

Ageing analysis

At 30 June 2023, the age profile of trade receivables that were past due amounted to $338,748 (2022: $220,690) as shown in the following table.

	Consolidated 2023 $	Consolidated 2022 $
The ageing analysis of trade receivables is shown as follows:		
Past due by 1–30 days	212,346	46,180
Past due by 31–60 days	38,236	–
Past due by 61–90 days	27,830	–
Past due by greater than 90 days	60,336	174,510
	338,748	**220,690**

The ageing analysis of trade receivables as shown is based on the Consolidated Entity's standard terms with the relevant customers; however, the complex nature of individual contracts with variable performance obligations and milestone negotiations can result in a protracted ageing profile.

Subsequent to year end 73% of the Trade Receivables balance and 58% of the amounts aged above have been collected. Correspondence with counterparties for the balance of the amounts owing has not identified any specific additional credit risk and the Company is expecting all amounts to be collected in full.

Note 11. Inventories

	Consolidated 2023 $	Consolidated 2022 $
At lower of cost or net realisable value		
Raw materials	16,315	17,160
Finished goods	281,326	–
Inventories	297,641	**17,160**

Note 12. Property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Plant and equipment – at cost	800,424	691,842
Less: Accumulated depreciation	(626,370)	(597,302)
	174,054	94,540
Office equipment and furniture – at cost	445,131	438,392
Less: Accumulated depreciation	(83,791)	(111,378)
	361,340	327,014
Motor vehicles – at cost	42,763	42,763
Less: Accumulated depreciation	(10,622)	(5,277)
	32,141	37,486
Leasehold improvements – at cost	365,844	377,792
Less: Accumulated depreciation	(333,817)	(306,982)
	32,027	70,810
Assets under construction – at cost	53,994	27,816
Total property, plant and equipment	653,556	**557,666**

Reconciliations of carrying amount

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

Consolidated	Plant & equipment $	Office equipment & furniture $	Leasehold improvements $	Motor vehicles $	Assets under construction $	Total $
Balance as at 15 February 2021	–	–	–	–	–	–
Acquired from common control combinations (Note 20)	74,882	263,250	105,120	–	54,275	497,527
Transferred from related parties (Note 27)	–	1,931	7,941	41,000	–	50,872
Additions	48,360	35,183	71,437	1,763	27,816	184,559
Transfer between asset classes	–	54,275	–	–	(54,275)	–
Disposals	(7,040)	–	–	–	–	(7,040)
Net foreign exchange movement	6,471	22,354	7,922	–	–	36,747
Depreciation expense	(28,133)	(49,979)	(121,610)	(5,277)	–	(204,999)
Balance as at 30 June 2022	**94,540**	**327,014**	**70,810**	**37,486**	**27,816**	**557,666**
Additions	115,916	61,557	–	–	47,441	224,914
Transfer between asset classes		21,246			(21,246)	–
Disposals	–	–	–	–	–	–
Net foreign exchange movement	(4,070)	(12,449)	(1,171)	–	(17)	(17,707)
Depreciation expense	(32,332)	(36,028)	(37,612)	(5,345)	–	(111,317)
Balance as at 30 June 2023	**174,054**	**361,340**	**32,027**	**32,141**	**53,994**	**653,556**

Note 13. Leases

The Group as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group as a lessee will assess whether a contract is, or contains, a lease under AASB 16. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If the contract is assessed to be, or contains, a lease, the Consolidated Entity will recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

Depreciation is based on the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability, offset by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised

Lease liabilities are recognised under AASB 16 on rental of the corporate and lab facilities leased by the Consolidated Entity. There are no indicators of impairment of lease assets as at 30 June 2023.

	Consolidated 2023 $	Consolidated 2022 $
Right-of-use assets		
Cost	139,685	853,827
Accumulated depreciation	(81,483)	(829,609)
Net book amount	**58,202**	**24,218**

Right-of-use assets relate to premises rented over terms between 1 and 5 years.
Lease obligations were assumed by the group upon the acquisition of subsidiaries during the previous financial period (Notes 20 and 27).

	Consolidated 2023 $	Consolidated 2022 $
Lease liabilities		
Maturity analysis		
Within one year	(90,672)	(25,125)
Later than one year and not later than three years	(15,112)	–
Less unearned interest	2,364	149
Total lease liability	**(103,420)**	**(24,976)**
Current	(88,428)	(24,976)
Non-current	(14,992)	–
Total lease liability	**(103,420)**	**(24,976)**
Amounts recognised in the consolidated statement of comprehensive income		
Depreciation expense on right-of-use assets	108,420	254,174
Interest expense on lease liabilities	9,527	5,811
The total cash outflow for leases in the period was:	**(73,213)**	**268,822**

Some property leases contain extension options exercisable by the Group up to six months before the expiry of the initial lease term. The Group assesses at the commencement of the initial lease term, or whenever there is a significant event or change in circumstances relating to a lease, the likelihood of it exercising its option to extend the lease.

The Group considers the potential future lease payments associated with the exercise of any lease term extension options to be immaterial or uncertain.

Note 14. Loans and borrowings

	Consolidated 2023 $	Consolidated 2022 $
Loans and Borrowings		
Current		
Secured liabilities		
Premium financing[i]	(239,729)	–

(i) Premium financing

The key terms of the premium financing arrangements entered into in the reporting period are;

- the financing has a fixed interest rate of 9.044%; and
- the finance is secured against rights, claim proceeds or refund proceeds of funded policies

Non-derivative loans and borrowings 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.

Refer Note 23 for further information on financial instruments.

Note 15. Intangible assets

	Consolidated 2023 $	Consolidated 2022 $
Capitalised development costs – at cost	2,610,289	2,610,289
Less: Accumulated amortisation and impairments	(434,873)	(217,435)
	2,175,416	2,392,854
Patents and trademarks – at cost	101,916	101,916
Less: Accumulated amortisation and impairments	(68,986)	(34,490)
	32,930	67,426
Licence rights – at cost	20,000	20,000
Less: Impairments	–	–
	20,000	20,000
Total intangible assets	**2,228,346**	**2,480,280**

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Reconciliation of carrying amount

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

Consolidated	Capitalised development costs $	Licence rights $	Patents and trademarks $	Total $
Carrying amount at 15 February 2021	–	–	–	–
Acquired from common control business combinations (Note 20)	–	20,000	–	20,000
Transferred from related party (Note 27)	2,610,289	–	101,916	2,712,205
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation expense	(217,435)	–	(34,490)	(251,925)
Carrying amount at 30 June 2022	**2,392,854**	**20,000**	**67,426**	**2,480,280**
Carrying amount at 1 July 2022	**2,392,854**	**20,000**	**67,426**	**2,480,280**
Additions	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**–**	**–**
Amortisation expense	**(217,438)**	**–**	**(34,496)**	**(251,934)**
Carrying amount at 30 June 2023	**2,175,416**	**20,000**	**32,930**	**2,228,346**

Amortisation

The amortisation of development costs are allocated to expenses within the consolidated statement of profit or loss and other comprehensive income.

Impairment Test

The Group has identified that there are three Cash Generating Units (CGUs) which are aligned with the operating segments disclosed in Note 5 and against which capitalised research and development costs and other intangible assets with finite lives are allocated. Intangible assets have been allocated to each CGU as follows:

Allocation of intangible assets to cash generating units (CGUs)	Capitalised development costs $	Licence rights $	Patents and trademarks $	Total $
As at 30 June 2023:				
Water Treatment Solutions	1,037,303	-	14,351	1,051,654
Metal Resource Recovery Solutions	1,138,113	-	2,851	1,140,964
Graphene Membranes	-	20,000	5,227	25,227
Not allocated	-	-	10,501	10,501
	2,175,416	**20,000**	**32,930**	**2,228,346**
As at 30 June 2022:				
Water Treatment Solutions	1,151,278	–	44,694	1,195,972
Metal Resource Recovery Solutions	1,241,576	–	5,861	1,247,437
Graphene Membranes	–	20,000	6,370	26,370
Not allocated	–	–	10,501	10,501
	2,392,854	**20,000**	**67,426**	**2,480,280**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired by considering both internal and external sources information, described in paragraph 12 of AASB 136 Impairment of Assets. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

At the 30 June 2023 the Consolidated Entity considered the internal and external sources of information, as they relate to each of the CGUs, Water Treatment Solutions, Metal Resource Recovery Solutions and Graphene Membranes, and did not identify any indicators of impairment. No impairment loss was recognised (2022: $nil).

Note 16. Trade and other payables

	Consolidated 2023 $	Consolidated 2022 $
Trade payables	1,275,093	912,863
Payroll tax and other statutory liabilities	452,128	342,146
Accrued expenses	697,776	688,861
	2,424,997	1,943,870

Refer Note 23 for further information on financial instruments.

Note 17. Employee benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated 2023 $	Consolidated 2022 $
Annual leave provision – Current	368,658	295,828
Long service leave provision – Current	220,300	233,998
Long service leave provision – Non-current	84,099	49,201
	673,057	579,027
Current – Employee provision	588,958	529,826
Non-current – Employee provision	84,099	49,201
Total employee benefits	673,057	579,027

A reconciliation of movement for the year for all employee provisions is provided in the following table.

	Annual leave $	Long service leave $	Total $
Balance as at 15 February 2021	–	–	–
Acquired from common control business combinations (Note 20)	47,832	–	47,832
Transferred from related party (Note 27)	208,879	192,749	401,628
Provision utilised	(344,545)	–	(344,545)
Charges raised	383,662	90,450	474,112
Balance at 30 June 2022	**295,828**	**283,199**	**579,027**
Balance as at 1 July 2022	295,828	283,199	579,027
Provision utilised	(262,944)	(38,720)	(301,664)
Charges raised	335,774	59,920	395,694
Balance at 30 June 2023	368,658	304,399	673,057

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Note 18. Provisions

	Consolidated 2023 $	Consolidated 2022 $
Provisions – Current		
Leased premises provision for make good	59,952	59,952
Provisions – Non-current		
Provisions for rectification (i)	835,339	665,252
	895,291	725,204

These provisions for rectification relate to the delivery of new water treatment technologies with limited previous claims experience and as such have been calculated based on management's estimates for future rectification obligations. At a minimum, the provision for rectification has been calculated using the retention values defined in project contracts, adjusted for the probability of defect costs occurring based on project progress and development.

	Provision for make good $	Provisions for rectification $	Total $
Balance as at 15 February 2021	–	–	–
Acquired from common control business combinations (Note 20)	–	437,991	437,991
Transferred from related party (Note 27)	59,731	–	59,731
Provision made	221	665,252	665,473
Provision reversed	–	(437,991)	(437,991)
Provision utilised	–	–	–
Balance at 30 June 2022	**59,952**	**665,252**	**725,204**
Balance at 30 June 2022	59,952	665,252	725,204
Provision made	–	298,374	298,374
Provision reversed	–	(128,287)	(128,287)
Provision utilised	–	–	–
Balance at 30 June 2023	**59,952**	**835,339**	**895,291**

Note 19. Share capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares – fully paid	57,710,298	44,666,174	4,956,768	1

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Opening balance	1 July 2022	44,666,174		1
Share issue through placement – Tranche 1	3 Nov 2022	6,588,861	$0.38	2,503,767
Share issue through placement – Tranche 2	20 Dec 2022	6,455,263	$0.38	2,453,000
Transaction costs relating to placement[1]				(252,009)
Closing balance at 30 June 2023		**57,710,298**		**4,704,759**

1. Directly attributed costs incurred in raising capital presented as a reduction in equity.

Note 19. Share Capital continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. All ordinary shares rank equally with regard to the Consolidated Entity's residual assets. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

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

Capital risk management

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 20. Equity – reserves and non-controlling interests (NCI)

	Consolidated 2023 $	Consolidated 2022 $
Reserves		
Business combination reserve (i)	**19,802,390**	19,431,369
Translation reserve (ii)	**(21,007)**	(12,430)
Share-based payments reserve (iii)	**52,975**	383,451
Total reserves	**19,834,358**	19,802,390
Non-controlling interests (iv)	**–**	–
Total reserves	**19,834,358**	**19,802,390**

(i) The business combination reserve accounts for fair value adjustments of the assets and liabilities of entities resulting from common control business combinations not required to be accounted for under AASB 3 Business Combinations.
(ii) The translation reserve records exchange differences arising on translation of overseas subsidiaries.
(iii) The share-based payments reserve is used to recognise share-based payments made to employees under the Employee Share Scheme and Employee Incentive Plan.
(iv) The non-controlling interests reserve represents the share of equity not attributable to the owners of Clean TeQ Water Limited.

Movements in reserves and Non-controlling Interests

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

Consolidated	Business combination reserve $	Translation reserve $	Share-based payments $	Non-controlling interests $	Total $
Balance at 15 February 2021	–	–	–	–	–
Other comprehensive income (i)	–	(12,430)	–	–	(12,430)
Common control business combinations (ii)	(2,643,149)	–	–	(222,130)	(2,865,279)
Common control loan forgiveness(iii)	24,073,315	–	–	–	24,073,315
Share-based payments (Note 33)	–	–	383,451	–	383,451
Acquisition of non-controlling interests (iv)	(1,998,797)	–	–	222,130	(1,776,667)
Balance at 30 June 2022	**19,431,369**	**(12,430)**	**383,451**	**–**	**19,802,390**
Balance at 1 July 2022	19,431,369	(12,430)	383,451	–	19,802,390
Other comprehensive income (i)		(21,007)			(21,007)
Share Based payments (Note 33)			52,975		52,975
Balance at 30 June 2023	**19,431,369**	**(33,437)**	**436,426**	**–**	**19,834,358**

(i) Other comprehensive income

The assets and liabilities of foreign operations are translated into the functional and reporting currency using the prevailing exchange rates at the reporting date. Income and expense transactions are translated into the reporting currency at the date of the transactions. The resulting differences are recognised in Other comprehensive income and accumulated in the translation reserve.

(ii) Common control business combinations

On 11 May 2021, the Consolidated Group acquired 100% of the Water Business operating entities of Sunrise Energy Metals Limited (Sunrise), for $4 consideration. The summary of the assets and liabilities acquired are set out below:

	11 May 2021 $
Assets and liabilities	
Cash and cash equivalents	16,463,296
Trade and other receivables	1,442,798
Other current assets	762,099
Right-of-use assets	43,906
Property, plant and equipment	497,527
Intangible assets	20,000
Loans from related parties (iii)	(20,193,870)
Trade and other payables	(1,367,698)
Employee benefits liabilities	(47,832)
Lease liabilities	(47,514)
Provisions	(437,991)
Net liabilities acquired	**(2,865,279)**
Decrease in equity attributable to:	
Owners of the Company	(2,643,149)
Non-Controlling interests	(222,130)

(iii) Common control loan forgiveness

In June 2021, Sunrise forgave loans owing by the Group. These loans mainly relate to the business assets and liabilities transferred as set out in Note 20 (ii) above, including historical cash contributions made by Sunrise prior to the Group's demerger from Sunrise on 1 July 2021.

(iv) Acquisition of non-controlling interests

On 12 May 2021, the Group acquired an additional 16.76% interest in NematiQ Pty Ltd, increasing its ownership from 83.24% to 100%. The carrying amount of NematiQ Pty Ltd's net liabilities in the Group's consolidated financial statements on the date of acquisition was a deficiency of $1,325,413.

	$
Acquisition of NCI in NematiQ Pty Ltd	
Carrying amount of NCI acquired	(222,130)
Share exchange consideration	(2,000,000)
Net debt and equity securities waived as consideration	223,333
Decrease in equity attributable to owners of the Company	**(1,998,797)**

The decrease in equity attributable to owners of the Company was recognised within the Business combination reserve.

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Notes to the Consolidated Financial Statements continued

For the year ended 30 June 2023

Note 21. Equity – accumulated losses

	Consolidated 2023 $	Consolidated 2022 $
Accumulated losses at the beginning of the financial year	**(11,063,871)**	–
Net loss attributable to owners of the Company	**(5,485,786)**	(11,063,871)
	(16,549,657)	**(11,063,871)**

Note 22. Dividends

Dividends

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

Note 23. 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 and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program involves continuous identification, monitoring and management of risks to ensure both short-term and longer-term strategic and business objectives continue to be met. Methods the Consolidated Entity uses to measure different types of risk to which it is exposed include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis and credit rating exposure 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.

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

- market risk;
- credit risk; and
- liquidity risk.

Finance identifies, evaluates and manages financial risks within the Consolidated Entity's operating units and reports to the Board on a monthly basis details regarding prevailing interest rates on cash balances, banking institution credit exposure, customer ageing and contractual credit exposures and foreign currency exposure.

This note presents information about the Consolidated Entity's exposure to each of the above risks, its 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.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

At reporting date, the Group had the following exposures to foreign currency, converted to AUD:

2023	RMB	USD	HKD	EUR	ZAR
Bank accounts	–	826,163	21,714	–	–
Receivables	–	540,603	–	–	–
Payables	–	(25,599)	–	(13,542)	(2,749)
Gross balance sheet exposure	–	1,341,167	21,714	(13,542)	(2,749)

2022	RMB	USD	HKD	EUR	ZAR
Bank accounts	52,414	1,013,325	368,496	–	–
Receivables	–	187,886	–	–	–
Payables	–¬	(64,629)	–	–	(14,010)
Gross balance sheet exposure	**52,414**	**1,136,582**	**368,496**	**–**	**(14,010)**

The consolidated entity had net liabilities denominated in foreign functional currencies of $810,291 as at 30 June 2023 (2022: $765,053).

Based on this exposure, the following sensitivity analysis has been performed. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

A 10% strengthening or weakening of the Australian dollar applied against the gross balance sheet exposure in the above table in respect of the above currencies at the reporting dates would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity of 10% has been selected as this is considered reasonable taking into account the current level of exchange rates and the volatility observed both on a historical basis and on market expectations for future movements. There is no impact on equity.

2023	Equity		Profit and loss	
Exposure	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	–	–	(135,521)	133,954

2022	Equity		Profit and loss	
Exposure	Strengthening	Weakening	Strengthening	Weakening
Gross balance sheet exposure	–	–	(160,577)	160,577

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 and as such, has no material exposure to interest rate risk; a reasonably possible 100 basis points change in interest rates would not impact equity and profit or loss significantly.

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.

Credit risk is managed through the maintenance of procedures (such procedures include monitoring of exposures, payment cycles and monitoring of the financial stability of significant customers and counterparties) ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms differ between each key business but are generally 30 to 60 days from end of month.

Note 23. Financial instruments continued

Trade and other receivables and contract assets

	2023 $		2022 $	
	Australia	China	Australia	China
Trade receivables	740,659	81,574	335,600	204,284
Other receivables	7,614	14,100	1,666	–
Contract assets – current	2,189,840	94,155	2,090,328	95,624
Contract assets – non current	246,695	-	-	-
Gross balance sheet exposure	**3,184,808**	**189,829**	**2,427,594**	**299,908**

The Consolidated Entity's exposure to credit risk relating to trade and other receivables of $843,947 (2022: $541,550) and contract assets of $2,436,535 (2022: $2,185,952) is influenced mainly by the individual characteristics of each debtor. The nature of the Consolidated Entity's customer base, which commonly includes municipal entities and large industrial or mining entities, as well as the default risk of the industries and countries in which customers operate, has low credit risk. At the balance sheet date there were no credit impaired trade receivables or contract assets.

The Consolidated Entity is exposed to credit risk in relation to contract assets of $2,436,535 (2022: $2,185,952) and project-related trade receivables. The Board has established a counterparty risk assessment policy under which each new significant customer is analysed individually for creditworthiness and other risks before the Consolidated Entity's standard payment and delivery terms and conditions are offered. Each new major 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 government or publicly owned 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.

At the year end, the majority of the Consolidated Entity's open projects are close to a stage of completion (within 6-18 months), for which no adverse financial indicators have been identified on the individual customers' ability to pay and minimal impact is expected based on the Group's view of economic conditions over the expected lives of the receivables and contract assets. At the reporting date the carrying amount of trade receivables and contract assets from the Group's most significant customer was $880,645 (2022: $1,385,875).

Expected credit loss assessment

The Consolidated Entity uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and nature of projects performed.

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 $4,631,686 as at 30 June 2023 (2022: $5,570,746). 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.

Consolidated	Carrying amount $	1 year or less $	Contractual cash flows Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total $
2023						
Non-derivatives						
Non-interest bearing						
Trade payables	**1,275,093**	**(1,275,093)**	**–**	**–**	**–**	**(1,275,093)**
Other payables	**697,776**	**(697,776)**	**–**	**–**	**–**	**(697,776)**
Contract liabilities	**200,652**	**(200,652)**	**–**	**–**	**–**	**(200,652)**
Lease liabilities	**103,420**	**(90,672)**	**(15,112)**	**–**	**–**	**(105,784)**
Interest bearing						
Loans and borrowings	**239,729**	**(247,355)**	**–**	**–**	**–**	**(247,355)**
Total non-derivatives	**2,516,670**	**(2,511,548)**	**(15,112)**	**–**	**–**	**(2,526,660)**
2022						
Non-derivatives						
Non-interest bearing						
Trade payables	912,863	(912,863)	–	–	–	(912,863)
Other payables	688,861	(688,861)	–	–	–	(688,861)
Contract liabilities	579,252	(579,252)	–	–	–	(579,252)
Lease liabilities	24,976	(25,125)	–	–	–	(25,125)
Total non-derivatives	**2,205,952**	**(2,206,101)**	**–**	**–**	**–**	**(2,206,101)**

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

Accounting classifications and fair values

Trade and other receivables, including cash and cash equivalents, 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. Financial assets and liabilities carrying amount approximates to fair value.

Note 24. Key management personnel disclosures

Directors

The following persons were Directors of Clean TeQ Water Limited during the financial year:

Ian Knight (Chairman form 1 May 2023; Lead Independent Non-Executive Director until 30 April 2023)

Sam Riggall (Non-Executive Director)

Robyn McLeod (Independent Non-Executive Director)

Other key management personnel

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

Peter Voigt (Interim CEO from 1 May 2023; Executive Chairman and CTO until 30 April 2023)

Willem Vriesendorp (Chief Executive Officer until 30 May 2023)

Magda Klapakis (Chief Financial Officer – appointed 1 July 2021)

Note 24. Key management personnel disclosures continued

Compensation

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

	Consolidated 2023 $	Consolidated 2022 $
Short term employee benefits	1,127,642	1,206,345
Post employment benefit	63,769	67,215
Other long-term benefits	1,511	342
Share-based payments	138,009	277,647
	1,330,931	**1,551,549**

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd the auditor of the Company and KPMG the auditor for the previous reporting period:

	Consolidated 2023 $	Consolidated 2022 $
Audit services		
Audit or review of the financial statements		
Auditors of the Company 2023 – Grant Thornton Audit Pty Ltd	78,141	–
Auditors of the Company 2022 – KPMG	–	113,000
	78,141	**113,000**
Other services		
Tax compliance and advisory services – Grant Thornton Audit Pty Ltd	21,000	–
Tax compliance and advisory services – KPMG	–	12,420
	21,000	**12,420**

Note 26. Contingent liabilities

There are no contingent liabilities outstanding at 30 June 2023.

Note 27. Related party disclosures

Parent Entity

Clean TeQ Water Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in Note 29.

Key management personnel

Disclosures relating to key management personnel are set out in Note 24.

Transactions with related parties

As disclosed on the ASX on 12 August 2021, the Consolidated Entity agreed with Sunrise Energy Metals Limited (ASX: SRL) on the continued provision of certain technical research and development services at the Sunrise Battery Materials Project in New South Wales. The technical services are being provided under the Services Agreement described in the demerger booklet associated with Clean TeQ Water's demerger from Sunrise Energy Metals (ref ASX release 17 May 2021). The scope of works covers a period of two years, which will be billed as incurred. Sunrise Energy Metals may terminate the agreement at any time with notice and shall own all intellectual property developed under the scope of works. All terms are commercial and at arm's length.

Sam Riggall is director of both Clean TeQ Water and Sunrise Energy Metals.

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.

As addressed in Note 2, the Group was owned by Sunrise Energy Metals Limited (Sunrise) up until 30 June 2021. Transactions between the Group and Sunrise, including its other commonly controlled entities, for the period between 15 February 2021 and 30 June 2021 are set out below:

- Acquisition of common control entities for $4 on 11 May 2021, refer Note 20 for details of assets and liabilities acquired.
- Leases novated from Sunrise to the Group:
  - Right-of-use assets net book value $32,597; and
  - Lease liabilities assumed $37,674.
- Motor vehicles transferred to the Group at cost $41,000.
- Other property, plant & equipment transferred to the Group at book value $9,872.
- Employee entitlements of employees transferred from commonly controlled entities to the Group $401,627.
- Other current liabilities transferred to the Group $63,568.
- Transfer of intangible assets to the Group, recognised at $2,712,205.
- Corporate services recharges from Sunrise to the Group $36,142 (Ex GST).
- On the 12 May 2021, consideration for the acquisition of non-controlling interests in NematiQ Pty Ltd (NematiQ) was made by way of a share and debt security exchange. Shares to the value of $2,000,000 in Sunrise (ASX: CLQ) were issued to the non-controlling party in exchange for 116,667 $1 ordinary shares in NematiQ and the forgiveness of $340,000 of debt securities (Note 20).
- Common control debt forgiveness $24,073,315 (Note 20).

Note 28. Parent Entity

As at 30 June 2023 and throughout the financial year ending on that date, the parent company of the Consolidated was Clean TeQ Water Limited.

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

Results of the Parent Entity

	Parent 2023 $	Parent 2022 $
Profit(loss) after income tax for the year	(50,981)	(383,448)
Total comprehensive income/(loss) for the year	**(50,981)**	**(383,448)**

Financial position of the Parent Entity at year end

	Parent 2023 $	Parent 2022 $
Current assets	20,684	–
Non-current assets	4,686,072	4
Total assets	**4,706,756**	**4**
Current liabilities	–	–
Non-current liabilities	–	–
Total liabilities	**–**	**–**
Issued capital	4,704,759	1
Share-based payment reserve	436,426	383,451
Accumulated losses	(434,429)	(383,448)
Total equity	**4,706,756**	**4**

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

The Parent Entity and the subsidiaries are not a party to a deed of gross guarantee.

Contingent liabilities

The Parent Entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022 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 3, 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 29. 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 3:

Name	Principal place of business/country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Clean TeQ Water Operations Pty Ltd	Australia	**100%**	100%
LiXiR Functional Foods 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%
NematiQ Pty Ltd	Australia	**100%**	100%
NematiQ Holding Pty Ltd	Australia	**100%**	100%
Clean TeQ Water B.V	Netherlands	**100%**	-
Go2Lithium Inc*	Canada	**50%**	-

* G2L Greenview resources Inc (G2L), a fully owned subsidiary of Go2Lithium Inc, was established in Canada 4 August 2023.

The ultimate Parent Entity within the Group is Clean TeQ Water Limited.

Note 30. Events after the reporting period

On 11 September 2023, the Company announced that it had signed an agreement between Go2Lithium Inc (G2L) and LithiumBank Resources Corp under which G2L will license its continuous direct lithium extraction technology (cDLE®) to support development of LithiumBank's North American lithium brine assets. In consideration for the license, LithiumBank has agreed to issue LithiumBank shares to G2L on satisfaction of certain milestones, which if fully vested, would constitute G2L as LithiumBank's largest shareholder.

In consideration for the license, G2L was issued 4 million common shares in LithiumBank upon receipt by LithiumBank of acceptance by the TXV Venture Exchange (the TSXV) of the license. Additionally, G2L retains the right to be issued up to an additional 10 million common shares in tranches, subject to achievement of certain technical and study milestones.

The 4 million common shares being approximately 8.63% of the issued shared in the capital of LithiumBank Resources Corp have an approximate value was at CAD $1.32 per share representing CAD $5.4m (AUD$6.2m).

Additionally, G2L retains the right to be issued up to an additional 10 million common shares in tranches, subject to achievement of certain technical and study milestones. The 14 million shares, if fully issued, represent as of the date of this release approximately 25% of LithiumBank's current issued and outstanding shares (on a post-issue basis).

On 21 September 2023, the Company announced it had executed a Purchase Agreement to acquire ATA® accelerated dewatering technology as part of targeted expansion into the global mine tailings management industry. Soane Labs will be issued with 7,178,033 fully paid ordinary shares in the Company ("Consideration Shares"). The shares will be placed in voluntary escrow for 12 months.

No other matter or circumstance has arisen since 30 June 2023 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

	Consolidated 2023 $	Consolidated 2022 $
Loss after income tax expense for the year	**(5,485,786)**	(11,063,871)
Adjustments for:		
Depreciation and amortisation	**471,671**	706,179
Net foreign exchange gain	**11,639**	(119,737)
Share-based payments	**52,974**	383,451
Loss on disposal of property, plant and equipment	**–**	7,040
Non-cash finance costs	**15,119**	6,722
Change in operating assets and liabilities adjusted for business combinations:		
Decrease/(increase) in security deposits	**116,201**	(332,402)
Decrease in receivables and prepayments	**(858,024)**	(333,220)
Decrease in contract assets	**(255,052)**	(1,204,089)
(Decrease)/increase in contract liabilities	**(378,601)**	579,252
Increase in provisions	**170,087**	227,481
Increase in trade and other payables	**481,127**	572,336
Increase in employee benefits	**94,030**	129,568
Net cash used in operating activities	**(5,564,615)**	**(10,441,290)**

Note 32. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for loss per share attributed to ordinary shareholders		
Loss after income tax attributable to the owners of Clean TeQ Water Limited	**(5,485,786)**	(11,063,871)

	2023 Number	2022 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**57,710,298**	44,666,174
Weighted average number of ordinary shares used in calculating diluted earnings per share	**57,570,298**	44,666,174

	2023 Dollars	2022 Dollars
Basic loss per share	**(0.0951)**	(0.2477)
Diluted loss per share	**(0.0951)**	(0.2477)

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. In the event the Consolidated Entity records future profits, the options may dilute basic earnings per share.

Note 33. Share-based payments

	2023 $	2022 $
Share-based payment expense		
Options (cancelled)/issued under the Employee Share Scheme	(212,625)	212,625
Performance Rights issued under the Employee Incentive Plan	265,600	170,826
Total share-based payment expense	**52,975**	**383,451**

On 21 April 2021, the Company established an Employee Incentive 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.

The Consolidated Entity provides benefits to employees (including key management personnel) of the Consolidated Entity in the form of share-based payments, whereby employees render services in exchange for options or rights over shares (equity-settled transactions).

The Group's approach to remuneration is to ensure that employee remuneration 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 granted pursuant to the Company's EIP Rules, which were approved by shareholders on 1 July 2021.

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. 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 S&P/ASX300 Index group of companies. The ASX 300 Index group of companies is selected on the basis that it presents the best fit for Clean TeQ Water over the coming years and is an established and 'live' index. The replacement Performance Rights were issued at the discretion of the Board and the performance hurdles involve an assessment of the Company's total shareholder returns in absolute terms relative to the comparator peer groups designated at the original time of issue.

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.

Note 33. Share-based payments continued

The share-based payment expense recognised in profit or loss of $52,974 results from several schemes summarised below:

Schemes	2023 $	2022 $
(i) Replacement awards (equity settled)		
2019 EIP Replacement Rights	–	3,120
2020 Tranche 1 EIP Replacement Rights	9,954	17,623
2020 Tranche 2 EIP Replacement Rights	29,815	45,882
2021 Tranche 1 EIP Replacement Rights	10,614	15,467
(ii) Initial Equity Grant Plan (Options)		
2022	(212,625)	212,625
(iii) Long-term Incentive (LTI) Award		
2021/22 Tranches*	125,561	88,734
2022/23 Tranches	72,036	–
Performance Rights issued via shareholder approval	17,619	–
Total share-based payment expense	**52,974**	**383,451**

* 2021/2022 tranches reported separately in prior period.

(a) Replacement awards (equity settled)

Equity awarded under the Employee Incentive Plan serve as replacement for instruments issued to employees under the relevant Sunrise Energy Metals Limited (SRL) Employee Plan. The number of restricted Performance Rights awarded were determined on the number of Performance Rights previously awarded in Sunrise under the scheme. In line with the ATO/ASIC/ASX approved plans detailed in the Demerger Booklet, SRL Performance Rights were cancelled and replacement Clean TeQ Water (CNQ) Performance Rights issued. The ATO confirmed the demerger class ruling metrics including the SRL/CNQ cost base allocation ratio at 81.82%/18.18% based on the relative market caps of the separate companies in the first five days of trading of the Consolidated Entity.

The key terms and inputs for each issue are as follows:

Grant date	Expiry date	Share price at grant date	Volatility	Dividend yield	Vesting probability	Fair value at grant date
31-Aug-21	01-Jan-22	$0.72	n/a	–%	0%	–
31-Aug-21	01-Jul-22	$0.72	59.76%	–%	95%	$0.02
31-Aug-21	01-Jan-23	$0.72	79.81%	–%	80%	$0.09
31-Aug-21	01-Jul-23	$0.72	80.98%	–%	70%	$0.18
31-Aug-21	01-Jan-24	$0.72	81.23%	–%	60%	$0.14

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Vested	Expired/ forfeited/ other*	Balance at the end of the period
31-Aug-21	01-Jul-22	$0.00	201,690	0	0	(201,690)	0
31-Aug-21	01-Jan-23	$0.00	360,219	0	0	(360,219)	0
31-Aug-21	01-Jul-23	$0.00	785,749	0	0	(257,629)	528,120
31-Aug-21	01-Jan-24	$0.00	498,015	0	0	(162,889)	335,126
			1,845,673	**0**	**0**	**(982,427)**	**863,246**

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

The performance hurdles for the replacement Performance Rights expiring 1 July 2023 and 1 January 2024 are linked to the Company's absolute TSR performance and if the Company's TSR performance outperforms against a comparator peer group over a three-year period, and are summarised as follows:

Performance hurdle 1 – 50% vesting conditional on the Company's absolute TSR performance

TSR over measurement period:	Percentage of 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 hurdle 2: 50% vesting conditional on the Company's TSR performance compared to a comparator peer group of companies

Performance relative to Peer Group performance	Percentage of 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.

The comparator peer group companies for the replacement Performance Rights expiring 1 July 2023, and 1 January 2024 are tabled below:

Tranche expiry date	Comparator peer group
01-Jul-23	Altura Mining Limited (ASX:AJM), Australian Mines Limited (ASX:AUZ), Fluence Corporation (ASX:FLC), (Ioneer Ltd (ASX: INR), Jervois Mining Limited (ASX:JRV), Metals X Limited (ASX:MLX), Mincor Resources NL (ASX:MIN), New Century Resource (ASX:NCZ), Niocorp Developments Ltd (TSX:NB), Phoslock Environmental Technology Ltd (ASX:PET), Purifloh Limited (ASX:PO3), Pilbara Minerals Limited (ASX: PLS), Scandium International Mining Corp (TSX:SCY) and Syrah Resources Limited (ASX:SYR).
01-Jan-24	Arafura Resources Limited (ASX:ARU), Ardea Resources Limited (ASX:ARL), Australian Mines Limited (ASX:AUZ), Calix Limited (ASX:CXL), Cobalt Blue Holdings Limited (ASX:COB), Fluence Corporation (ASX:FLC), Greenland Minerals Limited (ASX:GGG), Hastings Technology Metals Limited (ASX:HAS), Highfield Resources Limited (ASX:HFR), Jervois Mining Limited (ASX:JRV), Magnis Energy Technologies Ltd (ASX:MNS), Metals X Limited (ASX:MLX), Niocorp Developments Ltd (TSX:NB), Poseidon Nickel Limited (ASX:POS), Purifloh Limited (ASX:PO3), Scandium International Mining Corp (TSX:SCY) and SciDev Ltd (ASX:SDV).

(b) Initial Equity Grant

Equity awarded under Initial Equity Grant was awarded to the Chief Executive Officer upon the listing of Clean TeQ Water Limited on the ASX.

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

Grant date	Expiry date	Exercise from date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Exercisable at the end of period
30-Apr-21	30-April-27	30-Apr-23	$0.83	–	750,000	–	–	–
30-Apr-21	30-Apr-27	30-Apr-25	$0.83	–	750,000	–	–	–
				–	1,500,000	–	–	–
Weighted average exercise price:	–	$0.83	–	–	–			

The weighted average number of years for share options issued under the Plan is 3 years. The options have no vesting or performance conditions other than the holder remaining an employee or being a 'good leaver' (as defined in the Employee Share Plan Rules), of the Consolidated Entity at the time of exercise.

Options carry no dividend or voting rights.

(c) Long-term incentive award

Equity awarded under the Group's Long-term incentive award was awarded based on the Group's Employee Incentive Plan.

Set out below are summaries of Performance Rights granted under the Plan:

Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted*	Vested	Expired/ forfeited/ other**	Balance at the end of the period
07-Sep-21	01-Jul-24	$0.00	593,490	0	0	(144,538)	448,952
30-Sep-21	01-Jul-24	$0.00	161,616	0	0	0	161,616
09-Mar-22	01-Jan-25	$0.00	870,316	0	0	(213,828)	656,488
28-Jul-22	01-Jul-25	$0.00	0	1,518,743	0	(336,467)	1,182,276
14-Dec-22***	01-Jul-24	$0.00	0	99,496	0	0	99,496
14-Dec-22***	01-Jan-25	$0.00	0	129,207	0	0	129,207
14-Dec-22***	01-Jul-25	$0.00	0	217,636	0	0	217,636
29-Mar-23	01-Jan-26	$0.00	0	895,865	0	(151,668)	744,197
			1,625,422	**2,860,947**	**0**	**(846,501)**	**3,639,868**

* New Performance Rights that were granted during the reporting period all have the same terms and conditions as the previous period under the Long-Term Incentive Plan and as outlined in the 30 June 2022 Annual Report. These were as follows:

- 2,414,608 were issued to staff.
- 446,339 were issued to Executive Chairman Peter Voigt. The terms and conditions were the same as those issued to staff and were set out in the notice of the Annual General meeting dated 14 November 2022.

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

*** Performance Rights granted to CEO Peter Voigt who held the role of Executive Chairman at the time of issue.

Note 33. Share-based payments continued

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
7 Sep-22	01-Jul-24	$0.70	77.00%	–%	50%	$0.44
20-Sep-22	01-Jul-24	$0.68	80.00%	–%	100%	$0.68
09-Mar-22	01-Jan-25	$0.65	70.30%	–%	50%	$0.42
28-Jul-22	01-Jul-25	$0.48	71.90%	–%	50%	$0.35
14-Dec-22	01-Jul-24	$0.38	70.60%	–%	100%	$0.08
14-Dec-22	01-Jan-25	$0.38	70.60%	–%	100%	$0.15
14-Dec-22	01-Jul-25	$0.38	70.60%	–%	100%	$0.21
29-Mar-23	01-Jan-26	$.033	70.20%	–%	100%	$0.22

The performance hurdles for the new Performance Rights issued under the Company's EIP expiring 1 July 2024, 1 January 2025, 1 July 2025 and 1 January 2026 are as follows:

Performance criteria 1: 50% Performance Rights vesting conditional on Clean TeQ Water'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 Water's TSR performance compared to the S&P/ASX 300 Index (ASX:XKO) ('Index')

Performance level	CNQ performance relative to Index over measurement period	Percentage of Performance Rights vesting^^
Stretch	> Index movement +15%	100%
Between target and stretch	> Index movement + 5% & <15%	Pro-rata
Target	**Index movement +5%**	**50%**
Between threshold and target	> Index movement + 5% & <15%	Pro-rata
Threshold	= Index movement	25%
Below threshold	< Index movement	0%

^^ Provided that zero Performance Rights will vest if the CNQ TSR is negative over the measurement period.

Each performance right, once vested, entitles the performance right holder to receive one fully paid ordinary share in the Company for zero consideration. The fair value of Performance Rights is determined by an independent third party using a Geometric Brownian Motion Model and a Monte Carlo simulation that takes into account the term of the Performance Rights, the underlying share price and benchmark share price values at grant date, the expected volatility of the underlying share and benchmark shares, the expected dividend yield of the underlying share and benchmark shares and the risk-free interest rate for the term of the performance right, together with an estimation of the number of Performance Rights expected to lapse due to failure of employees to remain in employment.

Any Performance Rights which fail to vest on the vesting date will immediately lapse unless the Nomination and Remuneration Committee or the Board decides exceptional circumstances justify the reduction or waiver in whole or in part of the vesting conditions. There is no ability to re-test whether or not the vesting conditions have been satisfied after the vesting period has ended.

Directors' Declaration

For the year ended 30 June 2023

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 3(b) to the financial statements;
- the attached consolidated financial statements and notes thereto and the Remuneration Report in the Directors' Report give a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Ian Knight
Interim Chairman

21 September 2023
Melbourne

GrantThornton

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Independent Auditor's Report

To the Members of Clean TeQ Water Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Clean TeQ Water Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 auditor independence requirements of 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 also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3(a) in the financial statements, which indicates that the Group incurred a net loss of $5,485,786 during the year ended 30 June 2023, and incurred negative operating cash flows of $6,529,615. As stated in Note 3(a), these events or conditions, along with other matters as set forth in Note 3(a), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. These matters were 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 these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of Project Contracts (Note 3(g), Note 6)	
Clean TeQ Water Limited recognised a large portion of their revenue using the percentage completion input method for fixed price solutions. As these projects may be ongoing at year end there is a significant estimation required when recognising the work in progress (Contract asset) or deferred revenue (Contract liability) and ensuring the appropriate amount of revenue has been recognised under *AASB 15 Revenue from Contracts with Customers.* The engagement team has identified this area as a significant risk due to the significant judgement involved in estimating the percentage completion method for fixed price projects. Due to the significant estimation involved and recognition under AASB 15, the engagement team has determined this as a key audit matter.	Our procedures included, amongst others: • Obtaining an understanding of the processes and controls used by the Company in evaluating project contracts under the five-step model of AASB 15; • Reviewing revenue recognition policies of the Company's recurring and non-recurring revenue streams to ensure compliance with AASB 15; • Select a sample of revenue transactions to verify that project contract revenue was being recognised in accordance with revenue recognition policies and in the correct period; • Agreeing a sample of contracts to ensure that revenue is recognised in line with the project contract terms specified; • Testing a sample of costs which are used in the calculation of the project contract revenue in the financial statements; • Reviewed project contract revenue performance post year end for material movements from expectation to ensure estimates of project contract revenue, deferred income and contract assets and receivables at 30 June 2023 were fairly stated; • Testing the accuracy of deferred & accrued income recorded by the Group during the year; • Analytically reviewed project contract revenues and investigated movements outside our expectations based on project and contract understanding, and • Assessed the accuracy of previous Group forecasts to inform our evaluation of current Period cost forecasts; and • Evaluating the disclosures in the financial statements for appropriateness and consistency with accounting standards.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

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Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 32 to 44 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Clean TeQ Water Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

B A Mackenzie
Partner – Audit & Assurance

Melbourne, 21 September 2023

Grant Thornton Audit Pty Ltd

Shareholder Information

The information below is current as at 14 August 2023.

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	3,412	1,083,386	1.87
1,001 to 5,000	1,196	2,945,467	5.09
5,001 to 10,000	289	2,176,273	3.76
10,001 to 100,000	371	11,284,347	19.50
100,001 and over	45	40,387,107	69.78
Total	**5,313**	**57,876,580**	**100.00**
Minimum $500 parcel at $0.34 per unit	3,672	1,403,138	2.42

There are no holders of unquoted options over ordinary shares.

The number of holders by size of holding of unquoted Performance Rights is:

Range	Total holders	Units	% Units
1 to 1,000	0	0	0.00
1,001 to 5,000	3	5,536	0.14
5,001 to 10,000	5	30,289	0.76
10,001 to 100,000	29	1,060,171	26.67
100,001 and over	14	2,878,999	72.43
Total	**51**	**3,974,995**	**100.00**

Equity security holders

Twenty largest quoted equity security holders

The names of the 20 largest security holders of fully paid ordinary shares as at 14 August 2023 are listed below:

Rank	Name of Shareholder	Number of shares held	% of total shares issued
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	11,918,506	20.59
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,711,454	11.60
3	PENGXIN INTERNATIONAL GROUP LIMITED	5,225,944	9.03
4	CITICORP NOMINEES PTY LIMITED	3,630,451	6.27
5	BNP PARIBAS NOMS PTY LTD <DRP>	1,047,892	1.81
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,029,203	1.78
7	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,013,348	1.75
8	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	1,009,470	1.75
9	SALITTER PTY LTD <SALITTER A/C>	783,170	1.35
10	ZZL PTY LTD <ZZL FAMILY A/C>	500,000	0.86
11	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	450,000	0.78
12	SACROSANCT PTY LTD <SACROSANCT SUPER FUND A/C>	400,000	0.69
13	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	399,247	0.69
14	APRICITY PTY LTD <THE JTM FOUNDATION A/C>	313,507	0.54
15	IONIC INDUSTRIES LIMITED	307,407	0.53
16	SUNLORA PTY LTD <THE THREE FISH SUPER A/C>	305,000	0.53
17	BOND STREET CUSTODIANS LIMITED <ZAGS – D68022 A/C>	280,000	0.48
18	MILLFENCE PTY LTD <HARLEY FAMILY S/F A/C>	275,522	0.48
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	270,976	0.47
20	MR DAVID LEROY BOYLES	250,000	0.43
Total Top 20 holders of ordinary fully paid shares		**36,121,097**	**62.41**
Total remaining holders		**21,755,483**	**37.59**
Total shares Issued		**57,876,580**	**100.00**

Shareholder Information continued

Substantial holders

The names of substantial shareholders and the number of shares to which each substantial shareholder and their associates have a relevant interest, as disclosed in substantial shareholding notices given to the Company, are set out below:

Name of Share Holder	Ordinary Shares Number held	Ordinary Shares % of total shares issued
Robert Martin Friedland	11,383,637	19.37
Pengxin International Group Limited (Pengxin International)	5,225,944	9.06
FMR LLC and related entities	3,525,351	6.88

Voting rights

The voting rights attached to ordinary shares are set out below. Other classes of equity securities (i.e. unquoted options and unquoted Performance Rights) 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.

Corporate Governance Statement

The Company's 2023 Corporate Governance Statement was released to the ASX on 21 September 2023 and is available at https://www.cleanteqwater.com/company/corporate-governance/.

Annual General Meeting

The 2023 Annual General Meeting will be held on Wednesday, 1 November 2023.

Corporate Directory

Directors

Ian Knight (Interim Chairman)

Peter Voigt (Executive Director)

Sam Riggall (Non-Executive Director)

Robyn McLeod (Non-Executive Director)

Company Secretary

Anita Addorisio

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Share Register

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Facsimile: +61 (03) 9473 2500

Auditors

Grant Thornton Audit Pty Ltd

Tower 5
Collins Square
727 Collins Street
Melbourne, Victoria 3008

Legal Advisors

Baker McKenzie

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Stock Exchange Listing

Clean TeQ Water Limited shares are listed on the Australian Securities Exchange (ASX: CNQ)

Website

www.cleanteqwater.com

CLEANTEQ WATER