Appendix 4E
Clean TeQ Water Limited

Results for Announcement to the Market

Preliminary Final Report for the period 15 February 2021 to 30 June 2022

Provided below are the results for announcement to the market in accordance with Australian Securities Exchange (ASX) Listing Rule 4.2A and Appendix 4E for the consolidated entity consisting of Clean TeQ Water Limited (Company) and its controlled entities for the financial period 15 February 2021 to 30 June 2022 (financial year).

All currencies shown in this report are Australian dollars unless otherwise indicated.

Revenue from ordinary activities (continuing operations)	$11,353,582
Loss from ordinary activities after tax attributable to members (continuing operations)	$11,063,871
Net total comprehensive loss for the period attributable to members	$11,076,301
Net tangible assets per ordinary security ($)	0.20

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

Commentary

No comparative period statutory results are available given the Company was incorporated on 15 February 2021. Clean TeQ Water has been granted relief by the Australian Securities and Investments Commission (ASIC) from the requirements to comply with section 323D(5) of the *Corporations Act 2001* (Cth) (Corporations Act) for Clean TeQ Water's first financial year.

Further commentary on the consolidated results and outlook are set out in the Review of Operation section of the Directors' Report.

The Company's 2022 Corporate Governance Statement was released to the ASX on 31 August 2022 and is available at www.cleanteqwater.com.

Independent auditor's report

The Consolidated Financial Statements, upon which this Appendix 4E is based, have been audited.

This announcement is authorised for release to the market by the Board of Directors of Clean TeQ Water Limited.

For more information, please contact:

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About Clean TeQ Water Limited (ASX: CNQ)

Based in Melbourne, Australia, Clean TeQ Water provides innovative metals recovery and water treatment solutions for governments and companies. Our sectors of focus include municipal wastewater, surface water, industrial wastewater and mining wastewater. Clean TeQ Water has offices in Melbourne, Perth, Beijing and Tianjin, and partners in Africa and Latin America. We provide turnkey metals recovery and water treatment plants everywhere in the world.

CLEANTEQ WATER

Innovative solutions for the world's water needs

Financial Report

Contents

Clean TeQ Water Limited Directors' Report

For the period from 15 February 2021 to 30 June 2022

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'), for the period from 15 February 2021 (date of incorporation) to 30 June 2022 ('financial period'), 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:

Peter Voigt (Executive Chairman and CTO appointed 15 February 2021)

Ian Knight (Independent Non-Executive Director – appointed 28 April 2021)

Sam Riggall (Non-Executive Director – appointed 15 February 2021)

Robyn McLeod (Independent Non-Executive Director – appointed 8 October 2021)

Stefanie Loader (Lead Independent Non-Executive Director – appointed 28 April 2021, resigned 10 March 2022)

Benjamin Stockdale (Executive Director – appointed 15 February 2021, resigned 7 May 2021)

Board of Directors

Directors' Profiles

Peter Voigt

BAppSc & MAppSc
Executive Chair

Appointed to the Board on 15 February 2021 Mr Voigt is also the Company's 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 licenced 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 retained 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 rebranded 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

Former listed company directorships in the last three years

None

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

Ian Knight

BBus, FCA, AFIML, MAICD
Lead Independent Non-Executive Director

Appointed on 28 April 2021, 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.

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

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.

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)

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Robyn McLeod

GAICD, 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 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 Graduate 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

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 7+ 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.

Ms Melanie Leydin was company secretary from 15 February 2021 up until 31 March 2021.

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 2022 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 2022 Corporate Governance Statement.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

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 P Voigt	1,030,445	Nil	480,168
Mr S Riggall	1,346,572	Nil	Nil
Mr I Knight	55,921	Nil	Nil
Ms R McLeod	Nil	Nil	Nil

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 period ended 30 June 2022, and the number of meetings attended by each director are tabled below:

Director	Board		Audit and Risk Committee		Nomination and Remuneration	
	Held	Attended	Held	Attended	Held	Attended
Total meetings	11		5		4	
Peter Voigt*	11	11	–	–	–	–
Sam Riggall	11	10	5	4	4	4
Ian Knight	11	11	4	4	4	4
Stef Loader	9	9	1	1	2	2
Robyn McLeod	6	6	4	4	2	2

* Peter Voigt attends all Committee meetings by invitation. He is not a member of these Committees.

Chair Member

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

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

Principal Activities

During the financial year the principal activities of the Consolidated Entity consisted of 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.

Clean TeQ Water Limited
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Reporting Period

Clean TeQ Water has been granted relief by the Australian Securities and Investments Commission (ASIC) from the requirements to comply with section 323D(5) of the *Corporations Act 2001* (Cth) (Corporations Act) for Clean TeQ Water's first financial period. Section 323D(5) of the Corporations Act requires, for reporting purposes, that the first year for a company is the first twelve months since incorporation, which in Clean TeQ Water 's case was twelve months from 15 February 2021. The ASIC relief, which was granted on 16 April 2021, allowed Clean TeQ Water to align its reporting requirements and release a full year report as if the period 15 February 2021 to 30 June 2022 was the first financial year of Clean TeQ Water. A copy of the ASIC instrument (ASIC Instrument 21-0277) was attached to Clean TeQ Water's ASX announcement dated 1 July 2021 and is available at www.asx.com.au.

Review of Operations

During the period covered by this Financial Report (15 February 2021 to 30 June 2022), Clean TeQ Water and its controlled entities were demerged from their former parent company, Sunrise Energy Metals Limited (Sunrise).

- Pre-demerger Period – Represents the period where Clean TeQ Water Limited was a wholly owned subsidiary of Sunrise Energy Metals Limited, prior to demerger on 1 July 2021.
- Post-demerger Period – Represents the period from which Clean TeQ Water became listed on the ASX and ceased to be controlled by Sunrise Energy Metals Limited.

During the financial year ended 30 June 2022, the loss after tax for the Consolidated Entity's continuing operations amounted to $11,076,301.

The Consolidated Entity's revenue and other income from continuing operations amounted to $11,967,193.

The Consolidated Entity has no bank debt. As at 30 June 2022 the Consolidated Entity had a cash and deposits position of $5,903,148. Working capital, being current assets less current liabilities, amounted to a surplus of $6,390,808.

The Consolidated Entity's business strategy is to build long term shareholder value through the development and provision of innovative, cost effective and environmentally sustainable solutions to water treatment, water recycling, and recovery of valuable metals from underutilized mineral resources.

During the financial period ended 30 June 2022, the focus was on the first deployment of the Consolidated Entity's water technologies at scale, the continued investment in the development of NematiQ's membranes and in the metal recovery business unit. In order to enter new water marketplaces in which the Consolidated Entity had no pre-existing track record, some water projects were tendered at highly competitive rates which reduced profitability. This combined with COVID-19 related cost increases and time delays resulted in minimal contribution from some projects and an overall Consolidated Entity loss.

These first deployments have confirmed the performance of Clean TeQ Water's technologies at scale and provided the practical experience for future design standardisation. Such standardisation will ensure the realisation of appropriate margins in the future while the Consolidated Entity's successful track record will improve buyer confidence. Progress results from Clean TeQ Water's most recent projects indicate the Company is on track for delivering planned margins. The Company is also confident that the investments made in NematiQ and the metal recovery business unit will add to shareholder value in the near term.

During the period covered by this Financial Report, the Consolidated Entity listed successfully on the Australian Stock Exchange (ASX).

Key events for the period covered by this Financial Report include:

- On 15 February 2021 a new company, Clean TeQ Water Limited (Clean TeQ Water), was incorporated. For the period between 15 February 2021 to 11 May 2021 the Company was dormant with no revenues or expenses attributable to the entity or Group.
- On 11 May 2021 Clean TeQ Water acquired 100% of Clean TeQ Technology Pty Ltd and Lixir Functional Foods Pty Ltd from Sunrise Energy Metals Limited (Sunrise) for $1 each (See Note 18).

Clean TeQ Water Limited
Directors' Report continued
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- On 11 May 2021 Clean TeQ Water acquired 100% of Clean TeQ Water Operations Pty Ltd and its subsidiaries from Sunrise for consideration of $1 (See Note 18).
- On 11 May 202, Clean TeQ Water acquired 100% of Associated Water Pty Ltd and an 83.24% controlling interest in NematiQ Pty Ltd (NematiQ) from Sunrise for a consideration of $1 (See Note 18).
- On 12 May 2021 Clean TeQ Water acquired the non-controlling interest of 16.76% in NematiQ Pty Ltd. NematiQ has licensed patented technology from Monash University for water treatment using graphene membranes.
- On 1 July 2021 Clean TeQ Water and its controlled entities demerged from Sunrise Energy Metals.
- On 2 July 2021 Clean TeQ Water was listed on the Australian Stock Exchange under the code CNQ.

The outcome of the demerger process was to create Clean TeQ Water, an independent ASX listed company with a unique portfolio of water treatment technologies. These technologies can assist in addressing major global freshwater recycling, desalination and environmental challenges and will assist in the delivery of a number of UN Sustainable Development Goals (SDG) goals around the world. Clean TeQ Water aims to become a leading supplier of solutions that address the world's major freshwater treatment challenges. Clean TeQ Water's technologies offer benefits that include increased water recycling, reduced energy and GHG emissions, economic removal of micropollutants and elimination of secondary waste.

During the financial period, the Consolidated Entity was focused on implementing water treatment projects built around the Clean TeQ Water technologies in Australia, the Middle East and China, as well as business development to support ongoing revenue growth. Investment was also applied to the continued development of its solutions portfolio, and in particular, Graphene Membrane commercialisation through the Consolidated Entity's subsidiary NematiQ.

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.

The treatment plant is the first to be delivered as part of the Northern Territory Government's $28 million program to improve water quality and supply infrastructure to prioritised areas of critical need. The Consolidated Entity is using ion exchange technology to remove the specific pollutants from bore water. Clean TeQ Water's Ion Exchange process is designed to operate with a minimum of by-product. Remote monitoring will ensure continued operations and minimum disruption to water supply.

During the reporting period the initial stages of design were completed, most of the large supplier contracts were in place and long lead time items were ordered. Civil works have also commenced on site, with the installation of a new rising main and earthworks for the compound.

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 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.

The manufacturing of all major components has now been completed and most equipment has arrived on site where civil construction has been completed. Assembly of the plant is planned to start in FY23.

Clean TeQ Water Limited
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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 was $2.1 million.

Altered and expanded scope along with COVID-19 and supply chain bottleneck issues will see the final commissioning phase and targeting handover in the first quarter of FY23.

The treatment of ground water to produce potable water is a key market for Clean TeQ Water, especially in areas where water quality is poor, and where limitations exist on the disposal of brines. The Consolidated Entity's technologies provide solutions that can maximize water recovery while minimising brine volumes and related brine management challenges. Similar advantages have assisted the Consolidated Entity in securing other contracts.

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

During the period, the Consolidated Entity was awarded the 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). BIONEX™ is highly effective for removal of nitrate from wastewater while minimizing costs of operation and waste by-products.

By the end of the reporting period the CIF® process was successfully and continuously treating influent, removing the nitrate, and meeting the regulatory limit of 1 part per million (ppm). The biological circuit is still under commissioning, awaiting installation of a carbon dosing circuit which has been delayed primarily due to COVID-19 restrictions. The biological process will allow the secondary brine to be recycled and enable the plant to achieve full zero liquid discharge. Final commissioning of the complete plant is planned for first quarter of FY23.

The 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™ includes nitrate removal from effluents at mines, from industry, and municipal water treatment facilities located in ecologically sensitive areas such as the Yellow River basin in Northern China, where this first project is located. BIONEX™ is also expected to have substantial application in other geographies including the removal of nitrate in ground water for drinking in the Americas.

Oman CIF® Plant Upgrade (Oman, Middle East)

In Oman, the Consolidated Entity was contracted to provide additional capacity for the previously installed CIF® technology which treats industrial wastewater from an antimony smelting plant. In this application, the CIF® technology treats a highly polluted and concentrated wastewater to maximize water recovery for reuse in the smelting plant.

The construction of the plant on site commenced in October 2021 and was completed and handed over before the end of the reporting period.

The use of CIF® instead of membrane treatment for complex wastewaters is a major opportunity for the Consolidated Entity as it provides a more robust and non-fouling solution and is better able to react to changes in feed water quality.

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 and 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 a unique humidification – dehumidification process to evaporate water from a highly concentrated salty wastewater, reducing the overall wastewater volume and allowing both the concentrated brine and the recovered water to be re-used. The EVAPX® solution is a lower energy solution than alternative processes, substantially reducing the carbon footprint of the products produced. The EVAPX® technology is an efficient, low energy method to treat 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.

Manufacturing of most of the components was finalized during the reporting period and site construction has commenced. As with most of the other projects, progress has been somewhat slower due to supply chain bottlenecks and local labour shortages, but the impact has been managed and final commissioning is planned for the first half of FY23.

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NEMATIQ

NematiQ (100% owned subsidiary of Clean TeQ Water) is focused on the development of graphene membranes for water treatment. Direct Graphene Membrane nanofiltration technology is a giant leap forward in producing pure and affordable water, while the low energy operations and high water recovery reduces its environmental footprint.

While graphene membranes have long been recognised for their potential to provide a step change in performance, the absence of mass production methods has limited their use to small scale applications. 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. High-quality graphene nanofiltration membranes and cartridges can then be produced at scale.

In the Graphene Membrane, filtration occurs through stacked layers of graphene oxide, which has been specifically tuned for a molecular weight cut-off (MWCO) of approximately 800 Daltons. At this cut-off, water and salts to pass through the membrane as clean water, while rejecting micropollutants, organics, bacteria, and viruses. The MWCO of the membrane can be tuned to provide a range of Graphene Membrane products for specified purposes.

In FY22, test work on NematiQ's Graphene Membranes has verified the permeance and MWCO of the manufactured flat sheets and household size 1812 cartridges. Over FY21, work was undertaken to formulate improved robustness and chemical resistance into the Graphene Membrane allowing it to withstand acid and alkaline pH and high chlorine concentrations, parameters which allow the membrane to be used in a wide range of applications.

The 1812 cartridges were deployed in the treatment of typical surface waters used for drinking purposes. These waters are typically treated using chemical addition and clarification but sometime struggle to meet regulation in respect of organic removal. The tests using Graphene Membrane have shown the membrane's ability to remove dissolved organics (DOC) to meet the drinking water standard.

The next phase of the development was to transfer the production process from the pilot scale coater at our Notting Hill laboratories to a commercial scale coater located overseas. In the second half of FY22, we successfully produced the required quantity of the graphene ink to coat and produced over 1,000m at 1,00mm width of Graphene Membranes. The commercially produced Graphene Membrane met the quality specifications and was then used in the production of Graphene Membrane cartridges. The Graphene Membrane cartridges were produced in 1812, 4040 and 8040 sizes for use in demonstration plants planned for FY23.

The applications targeted for the demonstration plant include water treatment for drinking purposes, tertiary wastewater treatment, pre-treatment of seawater prior to desalination and industrial separations. In-house testing of these applications has been conducted using our laboratory demonstrator system and the results are very encouraging. The marketplace for the technology is global with all continents having an immediate need for environmentally sound solutions for water recycling.

NematiQ is confident that the benefits of the unique Graphene Membrane nanofiltration technology will disrupt the global membrane filtration market.

Board changes

There were three changes to the Company's board during the financial period. Mr Ben Stockdale and Ms Stefanie Loader resigned from the Clean TeQ Water Board effective 17 May 2021 and 10 March 2022 respectively. Ms Robyn McLeod was appointed to the Clean TeQ Water Board as a Non-Executive Director on 8 October 2021.

COVID-19

The COVID-19 crisis has affected multiple areas of the business but has also led to improvements in work practices. The Consolidated Entity has implemented COVID-19-safe work plans across the business as we continue to manage the impacts of COVID-19 on supply chains, logistics, travel, project delivery and labour needs. Remote working systems and technologies were successfully adopted to ensure that office-based workflows were not materially disrupted during periods when significant numbers of staff have been required to work from home. Field and laboratory staff adopted control measures based on medical advice and have continued to work largely uninterrupted.

Clean TeQ Water Limited
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During the financial period the Consolidated Entity's ongoing operations were primarily affected through project delays as a result of the COVID-19 pandemic and related supply chain bottlenecks. Shipping and inspections for some of our packages manufactured in China experienced delays of up to two months due to hard lockdowns. COVID-19 and post-COVID-19 logistics challenges have also contributed to strains in the supply chain which have affected projects under implementation. Commodity and component costs have increased, site construction and installation has been delayed due to the availability of staff and contractors and there have been shipping container shortages.

By the end of FY22, the impact of COVID-19 and supply chain bottlenecks seem to have abated somewhat and we look forward to a less constrained FY23. For new projects the validity time for quotes has been shortened and we are ensuring close alignment with suppliers to minimize exposure to rising prices post contract signing.

These actual and potential impacts of COVID-19 have been considered by the board in making critical judgements required for the preparation of the financial statements for the financial year ended 30 June 2022.

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 July 2022, the Company announced that it had received an order from its civil construction partner for delivery of a 15 megalitre per day Recycled Water Treatment Facility at the Cleveland Bay Purification Plant for Townsville City Council. The value of the order is around $10 million and the negotiation of the underlying contract is planned to complete by the end of September 2022. The Consolidated Entity will be responsible for the process design, delivery, installation and commissioning of the equipment, which will allow treatment of the water to Class A standard for reuse in industry and irrigation. The current design also includes certain provisions for a second phase of the project to make the effluent suitable for a wider range of industrial uses. The underlying contract for this order is under negotiation, however design work and supplier engagement have commenced.

On 9 August 2022 the Company announced it had signed an exclusive global technology licence agreement with Soane Labs LLC ('Soane Labs') for its Accelerated Dewatering Technology, known as ATA™. The agreement provides Clean TeQ Water with an exclusive global licence to exploit the ATA™ technology, with an option to purchase the technology, at Clean TeQ Water's discretion and at a pre-agreed value, within 18 months of signing.

No other matter or circumstance has arisen since 30 June 2022 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 will continue to pursue its objectives of international growth in key segments of the global water treatment market driven through its unique technology portfolio.

The Consolidated Entity considers it is well placed to grow earnings and cash in the year ahead through:

- Continued momentum in the underlying business segments as evidenced by the recent substantial contract for Power and Water Corporation and the Townsville order received subsequent to the end of the financial year;
- Increasing ability to access larger sized projects, and for follow-up projects with existing customers;
- Final commissioning of large scale demonstration projects in key growth segments including the oil and gas sector in the Middle East and nutrient removal in China. These projects are expected to unlock potential demand in those regions and support global commercialization of the technologies used in these projects;
- Ongoing increase of consumable sales for projects already delivered;
- Increasing ability to standardize design across our technology portfolio for repeat sales, thereby reducing delivery times and risk.

Other than the business activities described in the annual report and, in particular, those matters discussed in the Review of Operations, 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 2022 Corporate Governance Statement was released to the ASX on 31 August 2022 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 23 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 23 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and,
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

Officers of the Company who are former partners of KPMG

Mr Ian Knight, appointed as a Non-Executive Director on 28 April 2021, 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

Clean TeQ Water's approach to managing risk is documented in a Board approved Risk Management Framework and Risk Appetite Statement. The overall approach seeks to ensure that risk management is embedded throughout the business and managed in a structured and systematic manner. The Risk Management Framework is reviewed annually and will be updated as the Company's asset portfolio and business environment evolve and the underlying risks change.

The Audit and Risk Committee assists in discharging the Board's responsibility to manage the organisation's risks, and monitors Management's actions to ensure they are in line with Group policy.

The following is a summary of the key continuing significant operational risks facing the business and the way in which Clean TeQ Water manages these risks.

- **Corporate** – risks such as safety, recruitment and retention of high-calibre employees, inadequate innovation and new product development, customer credit risk, climate risk, interest rate risk, foreign exchange risk and inappropriate raw material purchases, risk of lower than anticipated return on capital invested and risk of lower underlying earnings are all managed through the Consolidated Entity's Risk Management framework, which includes review and monitoring by the executive lead team.
- **Environmental risks (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 issues. The Company continues to monitor and review future impacts as new information and data becomes available. This informs the Company'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 risks** – 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. There is a risk that the Consolidated Entity may not be able to achieve the financial performance or outcomes disclosed herein if it incurs reputational damage or claims for damages. The Consolidated Entity seeks to manage and minimise this risk through its existing risk management framework, including Board approved policies on stakeholder management and through established stakeholder consultation processes.
- **Project Execution & Delivery** – Project delivery to budget and timeline are a major risk for the business especially in recent times with pandemic and associated factors. The risks are mitigated by ensuring well defined project definitions, adequate optimisation and resourcing of workflows, effective monitoring to identify issues early, automation of controls, collaboration and project validation.
- **Commercialising NematiQ** – NematiQ is still in pre-commercialisation phase and is dependent on further funding for successful commercialisation. Risk mitigation strategies are in place and are being actively managed by Clean TeQ Water; however, there are significant risks with any start-up business, some of which are beyond Clean TeQ Water's control and could further delay commercialisation.

- **Regulatory and Compliance risk** – the Consolidated Entity must comply with a range of governance requirements which are conditions of its listing on ASX. 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 seeks to manage and minimise this risk through its existing risk management framework including Board approved governance policies which are subject to regular review.
- **Anti-Bribery and Corruption risk** – 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, and internal controls and procedures to protect against such risks. However, there is no assurance that such controls, policies, procedures or programmes will protect Clean TeQ Water from potentially improper or criminal acts.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest 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 31 and forms part of the Directors' Report for the financial year ended 30 June 2022.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors

Peter Voigt
Executive Chairman

31 August 2022
Melbourne

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

Remuneration Report (Audited)

This Remuneration Report for the period 15 February 2021 to 30 June 2022 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 Total Fixed Remuneration
    3.2 Performance-linked Remuneration
        3.2.1 Short Term Incentive (STI)
        3.2.2 Long Term Incentive (LTI)
4. 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

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 2022.

The Remuneration Report has been prepared in accordance with the requirements of the *Corporations Act 2001* and contains the following sections:

2. Key Management personnel

The Remuneration Report details 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 Company, directly or indirectly, including any Director (whether executive of otherwise) of the company.

While the Company was demerged from Sunrise Energy Metals Limited on 1 July 2021, the actual date of appointment to the position with the Company for each KMP is shown in the Table below. For the purposes of this Report, the term "Executive" includes a Senior Executive of the Company.

Key Management Personnel		
Non-executive Directors		
Sam Riggall	Non-executive Director	15 February 2021
Ian Knight	Independent Non-executive Director	28 April 2021
Robyn McLeod	Independent Non-executive Director	8 October 2021
Stefanie Loader[1]	Independent Non-executive Director	15 February 2021
Executive Directors		
Peter Voigt	Executive Chairman and Chief Technology Officer	15 February 2021
Ben Stockdale[2]	Executive Director	15 February 2021
Executives		
Willem Vriesendorp	Chief Executive Officer	30 April 2021
Magda Klapakis	Chief Executive Officer	1 July 2021

1 Stefanie Loader resigned as a Non-Executive Director effective 10 March 2022.

2 Ben Stockdale resigned as an Executive Director effective 7 May 2021.

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. The Board, in conjunction with the Nomination and Remuneration Committee, regularly assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Compensation levels are set to attract and retain appropriately qualified and experienced directors and executives. As and when required the Nomination and Remuneration Committee 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;
- 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 Total Fixed remuneration (TFR)

TFR comprises cash salary, employer contributions to superannuation and salary sacrifice benefits.

Compensation levels are reviewed at least annually by the Nomination and Remuneration Committee to ensure they remain competitive in the market for which the Company 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 Company'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 incentive plan metrics 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.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

Consequences of performance on shareholder wealth

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 period ending 30 June 2022 are summarised below:

	2022 $'000
Loss after income tax	(11,064)
Share price at financial period end ($)	0.41

The Company determined that no payments would be made in respect of the post demerger period 1 July 2021 to 30 June 2022 pursuant to the STI Plan to the KMP.

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.

For the year ended 30 June 2022, employees within level 3-5 have individual key performance indicators ('KPI's') agreed with their manager. 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 Nomination and Remuneration Committee. The Nomination and Remuneration Committee approves the assessments of the individual KPI's for the KMP based on the recommendation of the CEO.

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

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

* For the FY 2022 year all KMP's had 100% of their KPI score weighted to the Company KPIs.

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.

3.2.1.1 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.

3.2.2 Long Term Incentive (LTI)

For this initial year, the Board implemented a LTI tied equally to the company's share price performance over a three year period and the S&P/ASX 300 Index Group of companies.

The Board made a 'one-off' Initial Equity Grant (IEG) of options to the Chief Executive Officer in February 2022 following completion of his probation period.

In addition, there are replacement awards set out in section 4 below.

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: 7 September 2021 Tranche 2: 9 March 2022
Equity vehicle	Performance Rights (PRs) 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 July 2022 ($0.70) for Tranche 1 and the volume-weighted average price (VWAP) of Clean TeQ Water shares for the month of December 2022 ($0.68) for Tranche 2.
Performance period	Tranche 1: 30 July 2021 to 30 June 2024 Tranche 2: 1 January 2022 to 31 December 2024
Performance measurement date	Tranche 1: 30 June 2024 Tranche 2: 31 December 2024
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.

Clean TeQ Water Limited
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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.

** Total Shareholder Returns (**TSR**) 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. Executive Remuneration Outcomes

4.1 LTI Performance and Outcomes

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 Index Group of companies.

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.

During the financial year the CEO and the CFO were granted 128,788 and 75,833 new Performance Rights respectively which vest on 1 June 2024 and 167,245 and 98,478 Performance Rights which vest on 1 January 2025. All new Performance Rights vest subject to defined performance criteria (see below for further details of the performance criteria).

Clean TeQ Water Limited
Directors' Report continued
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4.1.1 Performance Criteria for Performance Rights

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

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% & <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.

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 Nomination & 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.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

4.1.2 Post-demerger Equity Grants

This section describes the once-off equity grants that were made post-demerger:

- Table 1 describes the Initial Equity Grant (IEG) for the Chief Executive Officer;
- Tables 2 & 3 describe the 2019 Replacement Awards for the Executive Chairman & Chief Executive Officer;
- Table 4 & 5 describes the 2020 Replacement Awards for the Executive Chairman & Chief Executive Officer; and
- Table 6 describes the 2021 Replacement Award for the Executive Chairman & Chief Executive Officer.

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. The grant is subject to performance conditions as indicated in Table 1.

Table 1: Initial Equity Grant (IEG)

Feature	Approach
Purpose	As presented in the Demerger Booklet (Clean TeQ Water Limited), published by Sunrise Energy Metals Limited on 17 May 2021 page 36, Willem Vriesendorp was granted 1,500,000 options which were subject to completing his probation period (subject to the Company being listed on ASX).
Participant	CEO
Date of grant	30 April 2021*
Equity vehicle	Options which are rights to acquire ordinary shares in the Company for nil consideration. The options only involve service conditions.
Maximum opportunity	The options have a strike price of $0.83 which is equivalent to a 10% premium to the 20 day volume weighted average price of Clean TeQ Water on ASX up to and including the last day of the Probationary Period.
Key Features	Options are divided into two equal tranches: • Tranche 1: 50% of the Options will vest after two years of grant date (30 April 2023); and • Tranche 2: 50% of the Options will vest after four years of grant date (30 April 2025).

* Grant date determined based on the date Willem Vriesendorp accepted the offer of the options.

Replacement Awards for Executive Chairman and the Chief Executive Officer

In recognition of the demerger and the Executive Chairman and the Chief Executive Officer's loss of Sunrise Energy Metals Limited equity awards on joining Clean TeQ Water, the Executive Chairman and CEO were granted replacement awards. These take 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.

Clean TeQ Water Limited
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For the period from 15 February 2021 to 30 June 2022

2019 Replacement Awards

Table 2: Tranche 1: Replacement Awards for Executive Chairman & Chief Executive Officer

Feature	Approach
Purpose	To replace the Executive Chairman's 14,944 and the CEO's 15,162 foregone rights from their previous employer, Sunrise Energy Metals.
Date of grant	31 August 2021
Equity vehicle	Performance Rights which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions carried through from Sunrise Energy Metals. within defined time restrictions.
Number of rights granted	1 right in Clean TeQ Water (CNQ) was granted for every 2 Sunrise Energy Metals (SRL) right foregone. The demerger class ruling metrics were confirmed by the ATO that included 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 Clean TeQ Water. The Executive Chairman was granted 41,100 rights and the CEO was granted 41,700 rights.
Performance conditions	Performance conditions linked to: • Sunrise Energy Metal's absolute TSR performance over a three-year performance period from VWAP 1 January 2019 to VWAP 31 December 2021 (50%). • Sunrise Energy Metal's TSR outperforms a comparator group of 17 ASX-listed companies over a three year period from VWAP 1 January 2019 to VWAP 31 December 2021 (50%). • Continuous service from Grant date to Vesting Date.

Table 3: Tranche 2: Replacement Awards for Executive Chairman & Chief Executive Officer

Feature	Approach
Purpose	To replace the Executive Chairman's 16,889 and the CEO's 17,136 foregone rights from their previous employer, Sunrise Energy Metals.
Date of grant	31 August 2021
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions carried through from Sunrise Energy Metals.
Number of rights granted	1 right in Clean TeQ Water (CNQ) was granted for every 2 Sunrise Energy Metals (SRL) right foregone. The demerger class ruling metrics were confirmed by the ATO that included 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 Clean TeQ Water. The Executive Chairman was granted 46,449 rights and the CEO was granted 47,129 rights.
Performance conditions	Performance conditions linked to: • Sunrise Energy Metal's absolute TSR performance over a three-year performance period from VWAP 1 July 2019 to VWAP 30 June 2022 (50%). • Sunrise Energy Metal's TSR outperforms a comparator group of 14 ASX-listed companies over a three year period from VWAP 1 July 2019 to VWAP 30 June 2022 (50%). • Continuous service from Grant date to Vesting Date.

Clean TeQ Water Limited
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For the period from 15 February 2021 to 30 June 2022

2020 Replacement Awards

Table 4: Tranche 1: Replacement Awards for Executive Chairman & Chief Executive Officer	
Feature	Approach
Purpose	To replace the Executive Chairman's 27,790 and the CEO's 28,195 foregone rights from their previous employer, Sunrise Energy Metals.
Date of grant	31 August 2021
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions carried through from Sunrise Energy Metals.
Number of rights granted	1 right in Clean TeQ Water (CNQ) was granted for every 2 Sunrise Energy Metals (SRL) right foregone. The demerger class ruling metrics were confirmed by the ATO that included 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 Clean TeQ Water. The Executive Chairman was granted 76,430 rights and the CEO was granted 77,544 rights.
Performance conditions	Performance conditions linked to: • Sunrise Energy Metal's absolute TSR performance over a three-year performance period from VWAP 1 January 2020 to VWAP 31 December 2022 (50%). • Sunrise Energy Metal's TSR outperforms a comparator group of 14 ASX-listed companies over a three-year period from VWAP 1 January 2020 to VWAP 31 December 2022 (50%). • Continuous service from Grant date to Vesting Date.

Table 5: Tranche 2: Replacement Awards for Executive Chairman & Chief Executive Officer	
Feature	Approach
Purpose	To replace the Executive Chairman's 89,936 and the CEO's 91,248 foregone rights from their previous employer, Sunrise Energy Metals.
Date of grant	31 August 2021
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions carried through from Sunrise Energy Metals.
Number of rights granted	1 right in Clean TeQ Water (CNQ) was granted for every 2 Sunrise Energy Metals (SRL) right foregone. The demerger class ruling metrics were confirmed by the ATO that included 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 Clean TeQ Water. The Executive Chairman was granted 247,349 rights and the CEO was granted 250,957 rights.
Performance conditions	Performance conditions linked to: • Sunrise Energy Metal's absolute TSR performance over a three-year performance period from VWAP 1 July 2020 to VWAP 30 June 2023 (50%). • Sunrise Energy Metal's TSR outperforms a comparator group of 12 ASX-listed companies over a three year period from VWAP 1 July 2020 to VWAP 30 June 2023 (50%). • Continuous service from Grant date to Vesting Date.

Clean TeQ Water Limited

Directors' Report continued

For the period from 15 February 2021 to 30 June 2022

2021 Replacement Awards

Table 6: Tranche 1: Replacement Awards for Executive Chairman & Chief Executive Officer

Feature	Approach
Purpose	To replace the Executive Chairman's 56,863 and the CEO's 57,692 foregone rights from their previous employer, Sunrise Energy Metals.
Date of grant	31 August 2021
Equity vehicle	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of performance conditions carried through from Sunrise Energy Metals.
Number of rights granted	1 right in Clean TeQ Water was granted for every 2 Sunrise Energy Metals right foregone. A gross up factor of 18.18% was then applied based on the relative market capitalisation of Sunrise Energy Metals and Clean TeQ Water in the first 5 days of trading of Clean TeQ Water on the ASX.* The Executive Chairman was granted 156,389 rights and the CEO was granted 158,669 rights.
Performance conditions	Performance conditions linked to: • Sunrise Energy Metal's absolute TSR performance over a three-year performance period from VWAP 1 January 2021 to VWAP 31 December 2023 (50%). • Sunrise Energy Metal's TSR outperforms a comparator group of 17 ASX-listed companies over a three-year period from VWAP 1 January 2021 to VWAP 31 December 2023 (50%). • Continuous service from Grant date to Vesting Date.

* 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 CNQ.

During the financial period the grant for the replacement Performance Rights vesting 1 January 2022 completed their three-year performance period. This tranche of Performance Rights did not meet any of the performance hurdles therefore all of those instruments lapsed.

After the end of the financial year the grant of Performance Rights vesting 1 July 2022 completed their three-year performance periods. Those Performance Rights did not meet any of the performance hurdles therefore all those instruments lapsed.

4.2 STI Performance and Remuneration outcomes for 2022

Notwithstanding the Consolidated Entity's good progress towards achieving some of its operational targets, the Company determined that no payments would be made to KMP in respect of the post demerger period pursuant to the STI Plan. As such, the actual amount of STI awarded to KMP pursuant to the STI Plan is 0% of the theoretical maximum.

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.

Relating to the pre demerger period, the Directors awarded Mr Voigt and Mr Vriesendorp a bonus of $18,000 each, which was paid in the current period in recognition of performance before the demerger and whilst employed by Sunrise Energy Metals. Incentive payments which were paid to eligible staff for the aforementioned period were capped at $18,000 each. A total of $320,391 was paid to employees that related to the pre demerger period.

Effective 1 July 2022 the Board approved an increase in total fixed remuneration to all employees, including KMP, of 5.5% inclusive of the 0.5% increase to the statutory superannuation guarantee rate in line with CPI.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

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	Willem Vriesendorp	Magda Klapakis
Role	Executive Chair & Chief Technology Officer	CEO	CFO
Terms of Agreement	Permanent employment contract	Ongoing service agreement reviewed annually by the Company	Permanent employment contract
Notice Period	3 months	3 months	3 months
Termination benefit	3 months in lieu of notice	3 months in lieu of notice	3 months in lieu of notice
Total Fixed Remuneration (TFR)	$303,081	$340,000	$231,000
Short term incentive (STI)	30% bonus of TFR subject to satisfactory completion of agreed KPIs	50% 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	Employee Incentive plan

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	$60,000
Board Member	$50,000
Board Subcommittee Fees	
Audit and Risk Committee Chair	$12,500
Audit and Risk Committee Member	$5,000
Nomination and Remuneration Committee Chair	$12,500
Nomination and Remuneration Committee Member	$5,000

Non-Executive Directors are entitled to be paid travelling and other expenses properly incurred by them in attending Directors' or general meetings of the Company or otherwise in connection with the business of the Consolidated Entity. No retirement benefits are to be paid to Non-Executive Directors, however, Director remuneration figures quoted herein are inclusive of superannuation where applicable. The Company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for Directors by resolution.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

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.

2022	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 remuner-ation %
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	9
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 25). 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 18).

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 $7,829. 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.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

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

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%	–	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 period ended 30 June 2022 are as follows:

Grantee	Options	Vesting and exercisable date	Grant	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

* In accordance with AASB 2 being the date of the acceptance of the offer of the options to Willem Vriesendorp in the employment contract document.

Options carry no dividend or voting rights.

The number of options over ordinary shares granted to KMP as part of compensation during the financial year ended 30 June 2022 is set out below:

	Number of options granted during the period 2022	Number of options vested during the period 2022
Executive Director:		
Peter Voigt	–	–
KMP:		
Willem Vriesendorp	1,500,000	–
Magda Klapakis	–	–

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

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 2022 are set out below:

	Value of options granted during the period $	Value of options exercised during the period $	Value of options lapsed during the period $
Executive Director:			
Peter Voigt	–	–	–
KMP:			
Willem Vriesendorp	492,000	–	–
Magda Klapakis	–	–	–

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 2022 are as follows:

Grantee	Rights	Grant Date	Vesting and expiry date	Exercise Price	Fair value per perfor-mance right at grant	% Rights Vested	% Rights lapsed
Peter Voigt	41,100*	21-Aug-21	01-Jan-22	Nil	$0.000	–	100
Peter Voigt	46,449*	21-Aug-21	01-Jul-22	Nil	$0.015	–	N/A
Peter Voigt	76,430*	21-Aug-21	01-Jan-23	Nil	$0.093	–	N/A
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
Willem Vriesendorp	41,700*	21-Aug-21	01-Jan-22	Nil	$0.000	–	100
Willem Vriesendorp	47,129*	21-Aug-21	01-Jul-22	Nil	$0.015	–	N/A
Willem Vriesendorp	77,544*	21-Aug-21	01-Jan-23	Nil	$0.093	–	N/A
Willem Vriesendorp	250,957*	21-Aug-21	01-Jul-23	Nil	$0.179	–	N/A
Willem Vriesendorp	158,669*	21-Aug-21	01-Jan-24	Nil	$0.142	–	N/A
Willem Vriesendorp	128,788	07-Sept-21	01-Jul-24	Nil	$0.424	–	N/A
Willem Vriesendorp	167,245	09-Mar-22	01-Jan-25	Nil	$0.422	–	N/A
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

* 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.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

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 period 2022	Number of rights vested during the period 2022
Peter Voigt	567,717	–
Willem Vriesendorp	872,032	–
Magda Klapakis	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 period 2022	$ Value of rights vesting during the period 2022
Peter Voigt	50,685	–
Willem Vriesendorp	149,279	–
Magda Klapakis	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 period ended 30 June 2022 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[4]	Balance at end of the period
Non-Executive Directors:					
Ian Knight	55,921	–	–	–	55,921
Sam Riggall	1,346,572	–	–	–	1,346,572
Robyn McLeod	–	–	–	–	–
Stefanie Loader[2]	11,000	–	–	(11,000)	–
Executive Director:					
Peter Voigt	1,030,445	–	–	–	1,030,445
Ben Stockdale[3]	–	–	–	–	–
KMP:					
Willem Vriesendorp	1,920	–	–	–	1,920
Magda Klapakis	–	–	–	–	
	2,445,858	–	–	(11,000)	2,434,858

1 No shares were held by KMPs prior to demerger date (1 July 2021).
2 Resigned as director effective 10 March 2022. Final balance as per date of resignation.
3 Resigned as director effective 17 May 2021. Final balance as per date of resignation.
4 On resignation of KMPs other movement shows the shares held at the date of resignation.

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

Movement in options held

The number of options over ordinary shares in the Company held during the financial period 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 period	Granted as part of remuneration	Exercised	Expired/ forfeited/ other	Balance at end of the period
KMP:					
Willem Vriesendorp	–	1,500,000	–	–	1,500,000
	–	1,500,000	–	–	1,500,000

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:

	Replacement Rights granted to replace the performance rights cancelled following the Demerger[1]	Granted as part of remuneration	Vested	Expired/ forfeited/ other	Balance at end of the period
Peter Voigt	567,717	–	–	(87,549)	480,168
Willem Vriesendorp	575,999	296,033	–	(88,829)	783,203
Magda Klapakis	–	174,311	–	–	174,311
	1,143,716	470,344	–	(176,378)	1,437,682

1 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 CNQ Rights are now being issued to them following the implementation of the Demerger.

Shares under option

Unissued ordinary shares of the Company under option as at 30 June 2022 are as follows:

Grant Date	Expiry Date	Exercise Price	Number under Option
30-Apr-21	30-Apr-27	$0.32	750,000
30-Apr-21	30-Apr-27	$0.34	750,000
			1,500,000

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

Clean TeQ Water Limited
Directors' Report continued
For the period from 15 February 2021 to 30 June 2022

Shares subject to performance rights

Unissued ordinary shares of the Company subject to performance rights as at 30 June 2022 are as follows:

Grant Date	Vest Date	Exercise Price	Number
31-Aug-21	1-Jul-22	Nil	201,690
31-Aug-21	1-Jan-23	Nil	360,219
31-Aug-21	1-Jul-23	Nil	785,749
31-Aug-21	1-Jan-24	Nil	498,015
7-Sept-21	1-Jul-24	Nil	593,490
30-Sept-21	1-Jul-24	Nil	161,616
9-Mar-22	1-Jan-25	Nil	870,316
			3,471,095

Shares issued on the exercise of options or performance rights

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

Clean TeQ Water Limited
Auditor's Independence Declaration

For the period from 15 February 2021 to 30 June 2022

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Clean TeQ Water Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Clean TeQ Water Limited for the period from 15 February 2021 to 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Tony Batsakis
Partner

Melbourne

31 August 2022

Clean TeQ Water Limited
Consolidated Statement of Profit or Loss & Other Comprehensive Income

For the period from 15 February 2021 to 30 June 2022

	Note	Consolidated 2022 $
Continuing Operations		
Revenue	6	11,353,582
Other income	6	613,611
Other gains and losses	6	112,697
Expenses		
Raw materials and other direct costs	7	(11,013,546)
Employee benefits expenses	7	(7,399,096)
Legal and professional expenses		(915,495)
Occupancy expenses		(529,763)
Travel & Entertainment Expenses		(569,722)
Marketing expenses	7	(499,904)
Research & development expenses		(922,286)
Depreciation & amortisation expenses		(706,179)
Other expenses	7	(595,162)
Impairment loss on trade and other receivables, including contract assets		–
Operating loss before net finance income		**(11,071,263)**
Net finance income	6	7,392
Loss before income tax benefit		**(11,063,871)**
Income tax benefit	8	–
Loss after income tax benefit for the year attributable to the owners of Clean TeQ Water Limited		**(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		(12,430)
Total comprehensive loss for the period attributable to the owners of Clean TeQ Water Limited		**(11,076,301)**
Loss per share attributable to the owners of Clean TeQ Water Limited		
Basic earnings per share	30	**(0.2477)**
Diluted earnings per share	30	**(0.2477)**

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

Clean TeQ Water Limited
Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Consolidated 2022 $
Current assets		
Cash and cash equivalents	9	5,570,746
Restricted cash & other financial assets	9	332,402
Receivables and prepayments	10	830,740
Contract assets	6	2,185,952
Research and development incentive receivable	10	608,845
Total current assets		9,528,685
Non-current assets		
Property, plant and equipment	11	557,666
Right-of-use assets	12	24,218
Intangibles	13	2,480,280
Total non-current assets		3,062,164
Total assets		12,590,849
Current liabilities		
Trade and other payables	14	1,943,870
Contract liabilities	6	579,252
Employee benefits	15	529,826
Provisions	16	59,952
Lease liabilities	12	24,976
Total current liabilities		3,137,876
Non-current liabilities		
Employee benefits	15	49,201
Provisions	16	665,252
Total non-current liabilities		714,453
Total liabilities		3,852,329
Net assets		8,738,520
Equity		
Issued capital	17	1
Reserves	18	19,802,390
Accumulated losses	19	(11,063,871)
Total equity		8,738,520

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

Clean TeQ Water Limited
Consolidated Statement of Changes in Equity

For the period from 15 February 2021 to 30 June 2022

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 18)	–	–	(2,643,149)	(222,130)	(2,865,279)
Common control loan forgiveness (Note 18)	–	–	24,073,315	–	24,073,315
Share-based payments (Note 31)	–	–	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

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

Clean TeQ Water Limited
Consolidated Cash Flow Statement

For the period from 15 February to 30 June 2022

	Note	Consolidated 2022 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		10,318,397
Payments to suppliers and employees (inclusive of GST)		(21,203,497)
Cash used in operating activities		(10,885,100)
Payments for security deposits		(332,402)
Interest received		14,113
Research and development tax incentive received		762,099
Net cash used in operating activities	29	(10,441,290)
Cash flows from investing activities		
Payments for property, plant and equipment		(184,558)
Acquisition of subsidiaries, net of cash acquired		16,463,292
Net cash from investing activities		16,278,734
Cash flows from financing activities		
Proceeds from issue of shares		1
Repayment of lease liabilities and interest		(268,822)
Net cash used in financing activities		(268,821)
Net increase in cash and cash equivalents		5,568,623
Cash and cash equivalents at the start of the financial period		–
Effects of exchange rate changes on cash and cash equivalents		2,123
Cash and cash equivalents at the end of the financial period	9	5,570,746

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

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements

For the period from 15 February to 30 June 2022

Index of Notes

To and Forming Part of the Financial Report

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

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 Stock 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 31 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant changes in the current reporting period

On 1 July 2021, the company was demerged from Sunrise Energy Metals Limited ('Sunrise') pursuant to the implementation of the Sunrise shareholder and court approved demerger scheme. As a result of the demerger scheme, the following has occurred:

- Clean TeQ Water received $16.5 million of cash and cash equivalents upon assuming control of the net assets and liabilities of companies transferred from Sunrise on 11 May 2021.
- The capital structure of Clean TeQ Water was restructured by way of an equal sub-division of shares such that Clean TeQ Water now has 44,666,174 shares on issue.
- Sunrise shareholders received shares in Clean TeQ Water on the basis of 1 Clean TeQ Water share for every 2 Sunrise shares held at Record Date.
- Clean TeQ Water has demerged from Sunrise and is no longer a subsidiary of Sunrise.
- Relevant assets and leases relating to Sunrise's Water Operations were transferred or novated from Sunrise to Clean TeQ Water. Any resulting obligations or liabilities between Clean TeQ Water and Sunrise were waived/forgiven.
- Clean TeQ Water employed staff including former employees and Key Management Personnel ('KMP') of Sunrise. Employees' terms of service and existing entitlements with Sunrise were recognised and carried across to Clean TeQ Water.
- Clean TeQ Water ceased to be a member of the Sunrise Energy Metals Limited tax consolidated group and therefore also ceased to be a party to the tax funding arrangement and tax sharing agreements. Accordingly, all tax losses incurred by Clean TeQ Water up to the date of demerger remain with Sunrise, and all tax gains or losses incurred by Clean TeQ Water from the date of demerger will remain with Clean TeQ Water.

Prior to the transfer of control of the operating entities on 11 May 2021, the Company had no employees and did not have a complete corporate and administration support structure in place. Administration expenses were either incurred initially by Sunrise and transferred to Clean TeQ Water; or incurred directly by Clean TeQ Water and cash funded by Sunrise.

The Group's statutory financial information for the financial period 15 February 2021 to 30 June 2022 presents the Group's performance in compliance with statutory reporting obligations for that financial period.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February 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 period of $11,063,871, incurred negative operating cashflows of $10,885,100 and the Consolidated Entity's position as at 30 June 2022 was as follows:

- The Consolidated entity had cash reserves inclusive of restrictive security deposits of $5,903,148; and
- The Consolidated entity had net assets of $8,738,520.

During the financial period 15 February 2021 to 30 June 2022 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 and deposits as at 30 June 2022 of $5,903,148;
- The Consolidated Entity earned $11,353,582 in sales revenue during the financial period;
- The Consolidated Entity expects to receive cash rebates from the Australian Tax Office for eligible research and development expenditure incurred during the tax period 1 July 2021 to 30 June 2022. The Consolidated Entity has recognised a $608,848 receivable for an estimated refund due to it for some of its Research & 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 and letter of intent in respect of two new contracts to a total value of $16,003,322; and
- Forecast cash flows indicate the Group will continue to incur operating losses and maintain a positive cash position for at least the period of 12 months to August 2023, without any significant changes to the current overhead structure.

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

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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 3. Significant accounting policies continued

(b) Basis of preparation

These general-purpose financial statements for the financial reporting period from 15 February 2021 to 30 June 2022 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').

The Group has not presented comparatives as a result of the demerger described in Note 2, given this is the first annual financial report prepared following the incorporation of the entity. Corresponding figures are not be presented for the period prior to 15 February 2021.

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 has 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 18.

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 26.

(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 2022 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.

Note 3. Significant accounting policies continued

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.

(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, who 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 based on the cost to cost method. 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 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 include 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.

After market spares

Customers obtain control of after market spares when the goods are delivered in accordance with the applicable shipping terms which is usually Ex-works. Invoices are generated at a point in time and payable within 30 days.

Revenue is recognised when the goods are delivered in accordance with the shipping terms, 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.

Clean TeQ Water Limited

Notes to the Consolidated Financial Statements continued

For the period from 15 February to 30 June 2022

Note 3. Significant accounting policies continued

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.

(h) Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss except to the extent that it relates to business combinations, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The Consolidated Entity makes this assessment at each reporting date. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Clean TeQ 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. Clean TeQ Water Limited is assessing its tax structure currently and may choose to group under the tax consolidation regime and expects to have concluded this prior to the lodgement of 30 June 2022 tax returns.

(i) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 3. Significant accounting policies continued

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model. The expected credit loss model requires the Consolidated Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

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.

(l) 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.

Clean TeQ Water Limited

Notes to the Consolidated Financial Statements continued

For the period from 15 February to 30 June 2022

Note 3. Significant accounting policies continued

(m) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Consolidated Entity. Ongoing repairs and maintenance are expensed as incurred. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Consolidated Entity will obtain ownership by the end of the lease term. The estimated useful lives of property, plant and equipment are as follows for the current and preceding financial year:

Plant & 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.

(n) Restricted cash & other financial assets

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

(o) Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

The method of determining useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 3. Significant accounting policies continued

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.

(p) Impairment of non-financial assets

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

(q) 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 at 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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 3. Significant accounting policies continued

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.

(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.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition. The Consolidated Entity derecognises the liability when its contractual obligations are discharged, cancelled or expired.

(s) 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;

Note 3. Significant accounting policies continued

- 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.

(t) 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 twelve 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 period.

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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
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Note 3. Significant accounting policies continued

The fair value of options are 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.

(u) 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

(v) 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.

(w) 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 period, adjusted for bonus elements in ordinary shares issued during the financial period.

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.

(x) 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.

(y) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Legislative Instrument to the nearest dollar.

(z) 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*; and
- 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.

The recoverable value of development intangible assets is based on discounted cash flows expected to be derived from the use or eventual sale of the assets.

Impairment

In-accordance with the impairment policy, the directors considered whether or not any indicator of impairment existed as at report date of any of its non-current and non-monetary assets. In assessing whether or not any trigger existed, the directors specifically considered the following:

(a) Each of its cash-generating units, which are identified at a level no higher than those geographic areas set out in the segment note, continue to operate according to their projected plans;

(b) Financial performance of cash generating units which may represent an impairment indicator; and

(c) The overall market capitalisation of the Group is in-excess of the Group's net assets as at report date.

Judgement was applied in assessing for impairment indicators and key assumptions were considered in the value in use calculations in determining the recoverable amount of CGUs. Refer to Note 13 for details of these assumptions.

Note 4. Critical accounting judgements, estimates and assumptions continued

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.

Estimated Research and Development costs and tax provisions

As at the date of adoption of these financial statements, the total cost of projects eligible to claim the Research and Development Tax Incentive (RDTI) and the tax provisions are estimates only. The actual RDTI claimable cost and income tax return are finalised in the first half of the ensuing financial year in order to facilitate respective lodgements within the required deadlines.

Revenue earned on project contracts

Revenue earned on project contracts is determined using the cost to cost method, which is based on actual costs incurred as a proportion of 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 geographically within Australia and China offering water treatment solutions ("Water"), 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").

Clean TeQ Water Limited

Notes to the Consolidated Financial Statements continued

For the period from 15 February to 30 June 2022

Note 5. Operating segments continued

Operating segment information

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 & pilot plants	135,664	166,623	–	–	–	302,287
Aftermarket spares & 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)**	**(2,464,431)**	**(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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 6. Revenue and other income

	Consolidated 2022 $
Revenue	
Project revenue	10,411,288
Test work & pilot plants	302,287
Aftermarket spares & services	247,328
Service fee income	392,679
Total revenue	**11,353,582**
Other income	
R&D tax incentive income – government grants	608,848
Other income	4,763
Total other income	**613,611**
Other gains and losses	
Net foreign exchange gain	119,737
Loss on disposal of property, plant & equipment	(7,040)
Total other gains and losses	**112,697**
Net finance income	
Finance income	14,114
Finance costs	(6,722)
Total net finance income	**7,392**

Contract balances

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

	Consolidated 2022 $
Receivables, which are included in 'receivables and prepayments' (Note 10)	539,884
Contract assets	2,185,952
Contract liabilities	579,252

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. $454,662 of contract assets were initially acquired as a result of common control business combinations (Note 18). Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Note 6. Revenue and other income continued

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 2022 $
Raw materials and other direct costs	
Raw materials	(8,585,697)
Subcontractors	(1,348,190)
Other direct costs	(1,079,659)
Total raw materials and other direct costs	**(11,013,546)**
Marketing expenses	
Marketing expenses	(266,627)
Corporate promotion	(233,277)
Total marketing expenses	**(499,904)**
Other expenses	
Insurance expense	(108,222)
Other expenses (Patents, IT, subscriptions, office expenses)	(486,940)
Total other expenses	**(595,162)**
Employee benefits expenses	
Wages and salaries	(4,582,044)
Employee entitlements	(372,686)
Superannuation	(456,135)
Equity settled share-based payments	(383,451)
Contractors and consultants	(609,800)
Other costs (Short Term Incentives, payroll taxes, workers' compensation)	(994,980)
Total employee benefits expenses	**(7,399,096)**

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 8. Income tax benefit

	Consolidated 2021 $
Loss before income tax (expense)/benefit attributable to the owners of Clean TeQ Water Limited	**(11,063,871)**
Tax at the statutory tax rate of 25%	(2,765,968)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	
Share-based payments	65,488
Other non-deductible expenses	272,708
Expenditure subject to research and development tax incentive	349,913
Other assessable income	144,813
Non-assessable research and development tax incentive income[(iii)]	(193,310)
Deduction for decline in value of depreciating assets[(iv)]	(4,911)
Other deductible expenses	(140,122)
Deferred tax asset on group losses not booked	1,367,249
Deferred tax asset on overseas losses not booked[(v)]	620,234
Tax rate differential on overseas losses[(v)]	4,148
Losses attributable to pre-demerger consolidated tax group[(i)(ii)]	279,758
Income tax expense/(benefit)	–

	Consolidated 2022 $
Tax losses for which no deferred tax asset has been recognised:	
Unused overseas tax losses[(vi)]	1,367,249
Potential tax benefit @ 25%	341,812
Unused overseas tax losses, expiring within 1 year[(v)]	494,861
Unused overseas tax losses, expiring within 2-5 years[(v)]	6,821,093
Temporary differences not brought to account	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 the 1st 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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 8. Income tax benefit continued

(iv) Clean TeQ Water Limited is assessing its tax structure currently and may choose to group under the ATO tax consolidation regime and expects to have concluded this prior to the lodgement of 30 June 2022 tax returns. The decision to group is dependent on the assessment of any capital gain event that might arise as a result of the formation of a tax group. The formation of a tax group may also result in a step adjustment of assets acquired by the head entity, which would impact estimates such as allowable deductions for the decline in value of depreciating assets.

(v) Unused carried forward overseas tax losses are shown on an accruals basis at the financial statement date spot rate, the rights to which remain with the stand alone entities in their respective tax jurisdictions, unaffected by ATO tax consolidation changes. These losses are recoverable at varying tax rates of 8.5% to 25%.

(vi) 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 2022 $
Cash at bank and on hand	3,570,746
Bank short term deposits(i)	2,000,000
Total cash assets	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 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.

(ii) Financing arrangements

Security bonds of $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; $292,402 is for ensuring the proper performance of major works contracts.

Note 10. Receivables and prepayments

	Consolidated 2022 $
Trade receivables	539,884
Prepayments	176,837
GST Receivable	112,353
Other Receivables	1,666
Receivables and prepayments	830,740
Research and development incentive receivable	608,845

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 10. Receivables and prepayments continued

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 2022, the age profile of trade receivables that were past due amounted to $220,690 as shown in the following table.

	Consolidated 2022 $
The ageing analysis of trade receivables is shown as follows:	
Past due by 1–30 days	46,180
Past due by 31–60 days	–
Past due by 61–90 days	–
Past due by greater than 90 days	174,510
	220,690

Note 11. Property, plant and equipment

	Consolidated 2022 $
Plant & Equipment – at cost	691,842
Less: Accumulated depreciation	(597,302)
	94,540
Office equipment & furniture – at cost	438,392
Less: Accumulated depreciation	(111,378)
	327,014
Motor vehicles – at cost	42,763
Less: Accumulated depreciation	(5,277)
	37,486
Leasehold improvements – at cost	377,792
Less: Accumulated depreciation	(306,982)
	70,810
Assets under construction – at cost	27,816
Total property, plant and equipment	557,666

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 11. Property, plant and equipment continued

Reconciliations of carrying amount

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

Consolidated	Plant & equipment $	Office equipment & furniture $	Leasehold Improve-ments $	Motor Vehicles $	Assets under Const-ruction $	Total $
Balance as at 15 February 2021	–	–	–	–	–	–
Acquired from common control combinations (Note 18)	74,882	263,250	105,120		54,275	497,527
Transferred from related parties (Note 25)	–	1,931	7,941	41,000	–	50,872
Additions	48,360	35,183	71,437	1,763	27,816	184,559
Transfer	–	54,275	–	–	(54,275)	–
Disposals	(7,040)	–	–	–	–	(7,040)
Foreign Currency Translation Reserve	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

Note 12. 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 2022.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 12. Leases continued

	Consolidated 2022 $
Right of Use Assets	
Cost	853,827
Accumulated depreciation	(829,609)
Net book amount	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 period (Note 18 & 25).

Lease Liabilities	
Maturity analysis	
Within one year	(25,125)
Later than one year and not later than three years	–
Less unearned interest	149
Total lease liability	(24,976)
Current	(24,976)
Non-current	–
Total lease liability	(24,976)
Amounts recognised in the consolidated statement of comprehensive income	
Depreciation expense on right-of-use assets	254,174
Interest expense on lease liabilities	5,811
The total cash outflow for leases in the period was:	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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 13. Intangible assets

	Consolidated 2022 $
Capitalised development costs – at cost	2,610,289
Less: Accumulated amortisation and impairments	(217,435)
	2,392,854
Patents and trademarks – at cost	101,916
Less: Accumulated amortisation and impairments	(34,490)
	67,426
Licence rights – at cost	20,000
Less: Impairments	–
	20,000
Total intangible assets	2,480,280

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 18)	–	20,000	–	20,000
Transferred from related party (Note 25)	2,610,289	–	101,916	2,712,205
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation expense	(217,435)	–	(34,490)	(251,925)
Carrying amount	2,392,854	20,000	67,426	2,480,280

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 13. Intangible assets continued

Amortisation

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

Impairment testing for CGUs containing capitalised research and development costs

Allocation of Intangible Assets to Cash Generating Units (CGUs)	Capitalised Development Costs $	Licence Rights $	Patents and Trademarks $	Total $
As at 30 June 2022:				
Water Treatment Solutions(i)	1,151,278	–	44,694	1,195,972
Metal Resource Recovery Solutions(ii)	1,241,576	–	5,861	1,247,437
Graphene Membranes(iii)	–	20,000	6,370	26,370
Not allocated	–	–	10,501	10,501
	2,392,854	20,000	67,426	2,480,280

(i) Water treatment solutions ("Water")

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the CGU. The recoverable amount of the CGU was determined to be higher than its carrying amount of $2,033,797, which is inclusive of directly attributable capitalised development assets of $1,151,278 and allocated assets of $882,519. No impairment loss was recognised.

The key assumptions used in the estimation of value in use were as follows:

	2022 %
Discount rate	10
Terminal value growth rate	2
CPI (Average 5 year compound annual growth rate)	4.45
Revenue growth rate (Average 5 year compound annual growth rate)	20.9

The discount rate was a pre-tax measure based on a weighted average cost of capital incorporating corporate bond rates adjusted upwards based on Reserve Bank of Australia forward cash rate increases in response to inflationary pressure and the cost of equity, adjusted for a risk premium to reflect the inherent risk of the relatively new technologies utilised within the CGU.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate of 2% into perpetuity was determined as the lower of the nominal gross domestic product (GDP) rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Revenue growth was projected based on the average number of project wins and average contract values experienced over the past two years with a conservative non-linear upward trend over the five year period. The upward trend in revenue growth is anticipated as projects already delivered demonstrate the potential of the technology, resulting in increased market interest.

Based on the experience of the successive projects delivered over the last two years, it was assumed that gross margins would steadily improve over the five year forecast period as project scoping, design standardisation and project delivery continue to improve and margins reach those targeted by management.

Clean TeQ Water Limited

Notes to the Consolidated Financial Statements continued

For the period from 15 February to 30 June 2022

Note 13. Intangible assets continued

Fixed budgeted operating costs were set at a level expected for a business as usual operating model for the CGU adjusted over the 5 year period for any additional overhead required to facilitate the growth of the CGU, adjusted by inflation ('CPI').

Due to current macro economic conditions, CPI used was adjusted annually based on the published Reserve Bank of Australia forecast CPI over the five year period, reducing from a high of 6.1% to a target level of 2.9% in year 5.

(ii) Metals Resource Recovery Solutions ("Metals")

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the CGU. The recoverable amount of the CGU was determined to be higher than its carrying amount of $1,321,750, which is inclusive of directly attributable capitalised development assets of $1,241,576 and allocated assets of $80,174. No impairment loss was recognised.

The key assumptions used in the estimation of value in use were as follows;

	2022 %
Discount rate	10
Terminal value growth rate	2
CPI (Average 5 year compound annual growth rate)	4.45
Revenue growth rate (Average 5 year compound annual growth rate)	62.2

The discount rate was a pre-tax measure based on a weighted average cost of capital incorporating corporate bond rates adjusted upwards based on reserve bank forward cash rate increases in response to inflationary pressure and costs of equity, adjusted for a risk premium to reflect the inherent risk of the relatively new technologies utilised within the CGU.

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate of 2% into perpetuity was determined as the lower of the nominal gross domestic product (GDP) rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Revenue for the Metals CGU includes both research service fee income and future anticipated project revenue for the delivery of Clean-IX metals and water recovery solutions in the mining industry.

Research service fee income margins remain consistent in line with a cost plus model. Project revenue growth was projected based on current sales pipelines, with a non-linear upward trend over the five year period. An upward trend in revenue growth is anticipated as projects are delivered that demonstrate the potential of the technology, resulting in increased market interest. The non-linear nature of project revenue is due to staggered project award dates, the large value of the individual contracts and adjustments to cashflows relating to the prolonged delivery timeframe of the projects of 1-2 years and expected timing of contract milestones.

Fixed budgeted operating costs were set at a level expected for a business as usual operating model for the CGU adjusted over the 5 year period for any additional overhead required to facilitate the growth of the CGU, adjusted by inflation ('CPI').

Due to current macro economic conditions, CPI used was adjusted annually based on the published Reserve Bank of Australia forecast CPI over the five year period, reducing from a high of 6.1% to a target level of 2.9% in year 5.

(iii) Graphene Membranes

The Graphene Membranes (Tech) operating segment is currently still in the scale up and commercialisation phase of the research and development cycle. Research and development expenditure has not been capitalised to date and as such management have not identified any assets attributable to this business unit requiring impairment testing. No impairment loss was recognised.

Reasonably possible changes and sensitivities in key assumptions do not result in an impairment.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 14. Trade and other payables

	Consolidated 2022 $
Trade payables	912,863
Payroll tax and other statutory liabilities	342,146
Accrued expenses	688,861
	1,943,870

Note 15. Employee Benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated 2022 $
Annual leave provision – Current	295,828
Long service leave provision – Current	233,998
Long service leave provision – Non-current	49,201
	579,027
Current – Employee provision	529,826
Non-current – Employee provision	49,201
Total employee benefits	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 18)	47,832	–	47,832
Transferred from related party (Note 25)	208,879	192,749	401,627
Provision utilised	(344,545)	–	(344,545)
Charges raised	383,662	90,450	474,113
Balance at the end of the period	**295,828**	**283,199**	**579,027**

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 16. Provisions

	Consolidated 2022 $
Provisions – current	
Leased premises provision for make good	59,952
Provisions – non-current	
Provisions for rectification[i]	665,252
	725,204

[i] 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 18)	–	437,991	437,991
Transferred from related party (Note 25)	59,731	–	59,731
Provision made	221	665,252	665,473
Provision reversed	–	(437,991)	(437,991)
Provision utilised	–	–	–
Balance at the end of the period	**59,952**	**665,252**	**725,204**

Note 17. Share Capital

	2022 Shares	2022 $
Ordinary shares – fully paid	44,666,174	1

Movements in ordinary share capital

Details	Date	Shares	$
Opening Balance at 15 February 2021	15 Feb 2021	1	1
Share split pursuant to a capital distribution from Sunrise Energy Metals Limited as part of demerger transaction	1 July 2021	44,295,803	–
Restricted shares issued	30 Sept 2021	370,370	–
Closing balance at 30 June 2022		44,666,174	1

The Company and its controlled entities were demerged from Sunrise Energy Metals Limited on 1 July 2021 via a capital distribution.

The Company granted 370,370 restricted shares on 30 September 2021 for the acquisition of NematiQ Pty Ltd were held in escrow until 30 September 2021.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 17. 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 18. Equity – reserves and non-controlling interests (NCI)

	Consolidated 2022 $
Reserves	
Business combination reserve	19,431,369
Translation reserve	(12,430)
Share based payments reserve	383,451
Total reserves	19,802,390
Non-controlling interests	–
Total reserves	19,802,390

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 31)	–	–	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

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 18. Equity – reserves and non-controlling interests (NCI) continued

(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 recognized 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 & cash equivalents	16,463,296
Trade & 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 & 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 18 (ii) above, including historical cash contributions made by Sunrise prior to the Group's demerger from Sunrise on 1 July 2021.

Note 18. Equity – reserves and non-controlling interests (NCI) continued

(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 recognized within the Business Combination Reserve.

Note 19. Equity – accumulated losses

	Consolidated 2022 $
Accumulated losses at 15 February 2021	–
Net loss attributable to owners of the company	(11,063,871)
	(11,063,871)

Note 20. Dividends

Dividends

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

Note 21. Financial instruments

Financial risk management objectives

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk 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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 21. Financial instruments continued

The Consolidated Entity has exposure to the following risks from their 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 aging and contractual credit exposures and foreign currency exposure.

This note presents information about the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring risk management policies.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Consolidated Entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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:

	RMB	USD	HKD	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 $765,053 as at 30 June 2022.

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 30 June 2022 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 in to 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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 21. Financial instruments continued

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 counter parties) ensuring to the extent possible, that customers and counter-parties 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.

Trade and other receivables

The Consolidated Entity's exposure to credit risk relating to trade and other receivables of $541,550 (Australia $337,266, China $204,284) and contract assets of $2,185,952 (Australia $2,090,328, China $95,624) 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 $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 balance date the carrying amount of trade receivables and contract assets from the Group's most significant customer was $1,385,875.

Expected credit loss assessment for individual customers

The Consolidated Entity uses an allowance matrix to measure the ECLs of trade receivables from individual customers. 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. At year end, the credit risk has been mitigated on the Consolidated Entity's receivables and contract assets given the majority of open projects are close to a stage of completion (within 6-18 months), no adverse financial indicators have been identified on the individual customer's ability to pay and minimal impact expected based on the Group's view of economic conditions over the expected lives of the receivables and contract assets.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 21. Financial instruments continued

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 $5,570,746 as at 30 June 2022. 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.

		Contractual cash flows				
Consolidated – 2022	**Carrying amount $**	**1 year or less $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5years $**	**Total $**
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 amounts approximate to fair value.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 22. Key management personnel disclosures

Directors

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

Peter Voigt (Executive Chairman and CTO)
Sam Riggall (Non-Executive Director)
Ian Knight (Lead Independent Non-Executive Director)
Robyn McLeod (Independent Non-Executive Director – appointed 8 October 2021)
Stefanie Loader (Independent Non-Executive Director– resigned 10 March 2022)
Ben Stockdale (Executive Director – resigned 7 May 2021)

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 period:

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

Compensation

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

	Consolidated 2022 $
Short term employee benefits	1,206,345
Post employment benefit	67,215
Other long-term benefits	342
Share-based payments	277,647
	1,551,549

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	Consolidated 2022 $
Audit services – KPMG	
Audit or review of the financial statements	113,000
Audit-related services	–
	113,000
Other services – KPMG	
Taxation services	12,420
	12,420
	125,420

Note 24. Contingent liabilities

There are no contingent liabilities outstanding at 30 June 2022.

Note 25. Related party disclosures

Parent Entity

Clean TeQ Water Limited is the Parent Entity.

Subsidiaries

Interests in subsidiaries are set out in Note 27.

Key management personnel

Disclosures relating to key management personnel are set out in Note 22.

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 reporting date.

Note 25. Related party disclosures continued

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 18 for details of assets and liabilities acquired;
- Leases novated from Sunrise to the Group:
  - Right of use assets net book value $32,597
  - 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 18); and
- Common control debt forgiveness $24,073,315 (Note 18).

Note 26. Parent entity

As at 30 June 2022 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.

Statement of profit or loss and other comprehensive income

	Parent 2022 $
Profit(loss) after income tax	(383,452)
Total comprehensive income/(loss)	(383,452)

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 26. Parent entity continued

Statement of financial position of the parent entity at year end

	Parent 2022 $
Current assets	–
Non-current assets	4
Total assets	4
Current liabilities	–
Non-current liabilities	–
Total liabilities	–
Issued capital	1
Share based payment reserve	383,455
Accumulated losses	(383,452)
Total equity	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 2022.

Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments for property, plant and equipment as at 30 June 2022 or since the end of the financial period.

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 27. 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 2022 %
Clean TeQ Water Operations Pty Ltd	Australia	100%
Associated Water Pty Ltd	Australia	100%
LiXiR Functional Foods Pty Ltd	Australia	100%
CLQW HK Limited	Hong Kong	100%
Clean TeQ Environmental Protection Technology (Beijing) co., Ltd	China	100%
Tianjin Clean TeQ Biology Co., Ltd	China	100%
NematiQ Pty Ltd	Australia	100%

The ultimate parent entity within the Group is Clean TeQ Water Limited.

Note 28. Events after the reporting period

On 11 July 2022, the Company announced that it had received an order from its civil construction partner for delivery of a 15 megalitre per day Recycled Water Treatment Facility at the Cleveland Bay Purification Plant for Townsville City Council. The value of the order is around $10 million and the negotiation on the underlying contract is planned to complete by the end of September 2022. The Company will be responsible for the process design, delivery, installation, and commissioning of the equipment, which will allow treatment of the water to Class A standard for reuse in industry and irrigation. The current design also includes certain provisions for a second phase of the project to make the effluent suitable for a wider range of industrial uses. The underlying contract for this order is under negotiation, however design work and supplier engagement have commenced.

On 9 August 2022 the Company announced it had signed an exclusive global technology licence agreement with Soane Labs LLC ('Soane Labs') for its Accelerated Dewatering Technology, known as ATA™. The agreement provides Clean TeQ Water with an exclusive global licence to exploit the ATA™ technology, with an option to purchase the technology, at Clean TeQ Water's discretion and at a pre-agreed value, within 18 months of signing.

No other matter or circumstance has arisen since 30 June 2022 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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 29. Reconciliation of cash used in operating activities

	Consolidated 2022 $
Loss after income tax expense for the year	(11,063,871)
Adjustments for:	
Depreciation and amortisation	706,179
Net foreign exchange gain	(119,737)
Share-based payments	383,451
Loss on disposal of property, plant and equipment	7,040
Non-cash finance costs	6,722
Payments for security deposits	(332,402)
Change in operating assets and liabilities adjusted for business combinations:	
Decrease/(increase) in receivables & prepayments	(333,220)
(Increase)/decrease in contract assets	(1,204,089)
Increase/(decrease) in contract liabilities	579,252
Increase/(decrease) in provisions	227,481
Increase/(decrease) in trade and other payables	572,336
Increase/(decrease) in employee benefits	129,568
Net cash used in operating activities	(10,441,290)

Note 30. Earnings per share

	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	(11,063,871)

	2022 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	44,666,174
Weighted average number of ordinary shares used in calculating diluted earnings per share	44,666,174

	2022 Dollars
Basic loss per share	(0.2477)
Diluted loss per share	(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 31. Share-based payments

	2022 $
Share-based payment expense	
Options issued under the Employee Share Scheme	212,625
Performance rights issued under the Employee Incentive Plan	170,826
Total share-based payment expense	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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
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Note 31. Share-based payments continued

The share-based payment expense recognised in profit or loss of $383,451 results from several schemes summarised below:

Schemes	2022 $
(i) Replacement awards (equity settled)	
2019 EIP Replacement Rights	3,120
2020 Tranche 1 EIP Replacement Rights	17,623
2020 Tranche 2 EIP Replacement Rights	45,882
2021 Tranche 1 EIP Replacement Rights	15,467
(ii) Initial Equity Grant Plan (Options)	
2022	212,625
(iii) Long Term Incentive (LTI) Award	68,193
2022 Tranche 1 LTI	
2022 Tranche 2 LTI	
Performance rights issued under the Clean TeQ Water Plan	20,541
Total share-based payment expense	**383,451**

(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

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 31. Share-based payments continued

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-Jan-22	$0.00	0	155,656	0	(155,656)	0
31-Aug-21	01-Jul-22	$0.00	0	211,525	0	(9,835)	201,690
31-Aug-21	01-Jan-23	$0.00	0	381,743	0	(21,524)	360,219
31-Aug-21	01-Jul-23	$0.00	0	806,535	0	(20,786)	785,749
31-Aug-21	01-Jan-24	$0.00	0	511,156	0	(13,141)	498,015
			0	2,066,615	0	(220,942)	1,845,673

* 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 2022, 1 January 2023, 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.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 31. Share-based payments continued

The Comparator Peer Group companies for the replacement performance rights expiring 1 July 2022, 1 January 2023, 1 July 2023 and 1 January 2024 are tabled below:

Tranche Expiry Date	Comparator Peer Group
01-Jul-22	Altura Mining Limited (ASX:AJM), Galaxy Resources Limited (ASX:GXY), Global Geoscience (ASX:GSC), Lynas Corporation Limited (ASX:LYC), Magnis Resources Limited (ASX:MNS), Metals X Limited (ASX:MLX), Mineral Resources Limited (ASX:MIN), New Century Resource (ASX:NCZ), Nickel Mines Ltd (ASX:NIC), Orocobre Limited (ASX:ORE), Pilbara Minerals Limited (ASX:PLS), Sandfire Resources (ASX:SFR), Syrah Resources Limited (ASX:SYR) and Western Areas Ltd (ASX:WSA).
01-Jan-23	Altura Mining Limited (ASX:AJM), Galaxy Resources Limited (ASX:GXY), Ioneer Ltd (ASX:INR), Lynas Corporation Limited (ASX:LYC), Magnis Resources Limited (ASX:MNS), Metals X Limited (ASX:MLX), Mineral Resources Limited (ASX:MIN), New Century Resource (ASX:NCZ), Nickel Mines Ltd (ASX:NIC), Orocobre Limited (ASX:ORE), Pilbara Minerals Limited (ASX:PLS), Sandfire Resources (ASX:SFR), Syrah Resources Limited (ASX:SYR) and Western Areas Ltd (ASX:WSA).
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.

	2021 IEG Offer
Grant date	30 April 2021*
Share price at Grant Date**	$0.60
Vesting dates	30 April 2023 and 2025
FV at Grant Date (avg)	$0.33
Number of options	1,500,000
Performance or Service conditions	Service
Expected Volatility	67.5%
Risk free interest rate	0.70%
Dividend Yield	0%

* In accordance with AASB 2 being the date of offer and acceptance of the options to Willem Vriesendorp in the employment contract document.

** As the Company was not listed on 30 April 2021 and only listed on 2 July 2021 following the demerger from Sunrise Energy Metals Limited, the closing share price of Clean TeQ Water on the first date of trading was utilised.

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 31. Share-based payments continued

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 the 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 options have a strike price equivalent to a 10% premium to the 20-day volume weighted average price of Clean TeQ Water on ASX up to and including the last day of the CEO's Probationary Period.

** As presented in the Demerger Booklet (Clean TeQ Water Limited), published by Sunrise Energy Metals Limited on 17 May 2021 page 36, Willem Vriesendorp was granted 1,500,000 options which were subject to completing his probation period (subject to the Company being listed on ASX). The probation period has been completed.

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	0	627,572	0	(34,082)	593,490
30-Sep-21	01-Jul-24	$0.00	0	161,616	0	0	161,616
09-Mar-22	01-Jan-25	$0.00	0	885,631	0	(15,315)	870,316
			0	1,674,819	0	(49,397)	1,625,422

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

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

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

Clean TeQ Water Limited
Notes to the Consolidated Financial Statements continued
For the period from 15 February to 30 June 2022

Note 31. Share-based payments continued

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% & <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 & 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.

Clean TeQ Water Limited Directors' Declaration

For the year ended 30 June 2022

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 2022 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

Peter Voigt
Executive Chairman

31 August 2022
Melbourne

Clean TeQ Water Limited Independent Auditor's Report to the Members of Clean TeQ Water Limited

KPMG

Independent Auditor's Report

To the shareholders 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).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2022 and of its financial performance for the ***Period*** ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the Period then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the Period end or from time to time during the financial Period.

The ***Period*** is the financial period from the date of incorporation, being 15 February 2021 to 30 June 2022.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Clean TeQ Water Limited

Independent Auditor's Report to the Members of Clean TeQ Water Limited continued

Material uncertainty related to going concern

We draw attention to Note 3(a), "Going Concern" in the financial report. The conditions disclosed in Note 3(a), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions in the Group's assessment of going concern. Our approach to this involved:

- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern in light of the recent history of loss making operations and forecast operating losses in the 2023 financial year;
- Evaluating the feasibility, quantum and timing of the Group's plans to manage its business performance and secure additional funding to address going concern;
- Determining the completeness of the Group's going concern disclosures for the principle matters giving rise to doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key Audit 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***:

- Project revenue recognition
- Recoverable amount of CGU intangible assets

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.

Clean TeQ Water Limited

Independent Auditor's Report to the Members of Clean TeQ Water Limited continued

KPMG

<table>
<tr><th colspan="2">Project revenue recognition ($10,411,288)</th></tr>
<tr><td colspan="2">Refer to Note 3(g) and Note 6 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Project revenue recognition is a key audit matter due to the significant value of project revenue to the Group's financial statements. The Group performs project construction contract works for customers. The Group contracts in a variety of ways. Each project has a different risk profile based on its individual contractual and delivery characteristics.

Currently, global market conditions are uncertain with disruption to supply chains and inflationary pressures. These conditions, combined with the ongoing impacts of the COVID-19 pandemic, continue to create a challenging operating environment impacting productivity, expected timing of completion and expected costs to complete the Group's construction projects. Other impacts include some delays in securing and commencement of new projects.

Judgement is required by us to assess the timing of project revenue recognition determined by the Group in accordance with accounting standard requirements. Revenue on construction contracts is earned over time, using costs incurred as a proportion of total forecast costs as the measure of progress (cost to cost method).

Estimating total forecast costs to complete during project life is complex and requires judgement by the Group. Cost estimates include labour, subcontractors, equipment, materials and project overheads. Changes to the estimations of total costs to complete could give rise to variances in the amount of revenue recognised, as the proportion of costs incurred to forecast costs to complete is revised.

The assessment of forecast costs to complete and consequently project revenue recognised by the Group was a focus of our audit due to the audit effort in assessing this across bespoke projects and contracting arrangements.</td>
<td>Our procedures included:
• Assessed the appropriateness of the Group's accounting policy related to project revenue recognition against the requirements of the accounting standards and our understanding of the business and industry practice.
• Evaluated the Group's key controls related to project revenue recognition, such as management's review and approval of revenue recognised by the Group and associated cost forecasting.
• For a sample of project revenue contracts during the Period, we:
  – Enquired with key project personnel to understand the project schedule, forecast costs and risks, including market conditions and challenges;
  – Read relevant contract terms and conditions to evaluate the inclusion of individual characteristics and project risks in the Group's estimates of costs to complete;
  – Checked the amount of total contract revenue for the duration of the project to relevant contract details;
  – Recalculated project revenue recognised by recalculating the costs incurred as a proportion of total forecast costs and then applying this to the contracted revenue amount. We compared this to the amount of revenue recognised by the Group;
  – Tested a sample of incurred costs used to determine revenue recognised by the Group, to supplier invoices or other underlying documentation and compared these costs to the amounts recorded in the financial statements;
  – Tested a sample of forecast costs for labour, subcontractors, equipment, materials and project overheads by comparing to the Group's actual incurred spend, committed future contracts and</td></tr>
</table>

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	current market quotes, with specific consideration of adequacy of contingency in projects in light of the stage of completion of each project. • Assessed the accuracy of previous Group forecasts to inform our evaluation of current Period cost forecasts. • Assessed the disclosures in the Group's financial report using our understanding obtained from our testing against the requirements of accounting standards.
Recoverable amount of CGU intangible assets ($2,443,409)	
Refer to Note 3(p) and Note 13 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's testing of intangible assets for impairment, triggered by the operating loss incurred by the Group during the Period. The greater risk of assets being impaired as a result of this, increased the scepticism applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their value in use (VIU) models for the Water Treatment Solutions CGU ("Water CGU") and Metals Resource Recovery Solutions CGU ("Metals CGU"), including: • discount rates – these are complex in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, and the models approach to incorporating risks into the cash flows or discount rates. • other key assumptions - our audit effort focused on the feasibility of these assumptions and consistency of application to the Group's strategy. These assumptions directly impact the forecast profitability of the CGUs: - revenue growth rate, gross margin, terminal growth rate and project contract values. - forecast cash outflows – in particular, direct project labour and overhead	Our procedures included: • considered the appropriateness of the value in use method applied by the Group to perform its impairment test of intangible assets against the requirements of the accounting standards. • assessed the integrity of the value in use models used, including the accuracy of the underlying calculation formulas. • challenged the significant forward-looking assumptions in the Group's models by performing a range of procedures including: - assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models; - assessing and challenging revenue growth rates and project revenues forecast against the Group's Board approved budget, strategic plan, projects secured by the Group, project pipeline amounts and our experience regarding the feasibility of these in the industry and economic environment in which they operate; - comparing terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations; - comparing forecast gross margins and individual project contract value to current Period actual amounts and as budgeted

Clean TeQ Water Limited

Independent Auditor's Report to the Members of Clean TeQ Water Limited continued

KPMG

costs attributable to the CGUs, the impact of CPI and corporate overhead allocations. - forecast cash inflows – influenced by prospects of new project contracts being executed and the average contract values where significant judgement is required by the Group. The VIU models use adjusted historical performance overlayed with forward looking information based on the Group's strategy, and a range of internal and external sources as inputs to the assumptions. Forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing the key audit matter.	by the Group for projects in progress; - checked project contract value against the results of our work as referred to in the Project revenue recognition KAM above; - In addition to testing a sample of forecast cash outflows related to project costs, such as direct labour, as outlined in the Project revenue recognition KAM above, we assessed other cash outflows, in particular overheads, to current Period actual amounts incurred and against the Group's Board approved budget and strategic plan. We assessed CPI used by the Group in their models to information published by government bodies; - applying increased scepticism to forecast areas where it differed to current Period actual amounts or industry and peer analysis trends in evaluating the feasibility of the assumptions. • assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the forecast cash flows contained in the value in use model, for consistency with our understanding of the business and the criteria in the accounting standards • considered the sensitivity of the Group's VIU models for the Water CGU and Metals CGU by varying key assumptions, such as discount rate, revenue growth rate, project contract values, gross margins and terminal growth within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment to focus our further procedures. • Working with our valuation specialists, we independently developed a range for the discount rate based on market data for comparable entities, adjusted by risk factors specific to the Group. We were particularly sensitive to the stages of commercialisation of the underlying businesses and the implications available in the accounting standards for risk adjusting cash flows versus a discount rate. • assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Clean TeQ Water Limited

Independent Auditor's Report to the Members of Clean TeQ Water Limited continued

Other Information

Other Information is financial and non-financial information in Clean TeQ Water Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our Auditor's Report.

Clean TeQ Water Limited

Independent Auditor's Report to the Members of Clean TeQ Water Limited continued

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Clean TeQ Water Limited for the Period ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 13 to 30 of the Directors' report for the Period ended 30 June 2022.

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

KPMG

KPMG

Tony Batsakis
Partner

Melbourne

31 August 2022

Clean TeQ Water Limited Shareholder Information

The information below is current as at 5 August 2022

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	3,725	1,220,336	2.73
1,001 to 5,000	1,336	3,253,055	7.28
5,001 to 10,000	322	2,393,936	5.36
10,001 to 100,000	310	8,829,462	19.77
100,001 and over	29	28,969,385	64.86
Total	**5,722**	**44,666,174**	**100.00**
Minimum $500 parcel at $0.62 per unit	3,365	878,857	1.97

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

Range	Total Holders	Units	% Units
1 to 1,000	0	0	0.00
1,001 to 5,000	0	0	0.00
5,001 to 10,000	0	0	0.00
10,001 to 100,000	0	0	0.00
100,001 and over	1	1,500,000	100.00
Total	**1**	**1,500,000**	**100.00**

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	4	6,500	0.20
5,001 to 10,000	8	52,463	1.60
10,001 to 100,000	27	1,118,374	34.21
100,001 and over	9	2,092,068	63.99
Total	**48**	**3,269,405**	**100.00**

Clean TeQ Water Limited
Shareholder Information continued
The information below is current as at 5 August 2022

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of fully paid ordinary shares as at 5 August 2022 are listed below:

Rank	Name of Share	Number of Shares Held	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,337,135	14.19
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,330,293	14.17
3	PENGXIN INTERNATIONAL GROUP LIMITED	5,225,944	11.70
4	CITICORP NOMINEES PTY LIMITED	2,815,459	6.30
5	BNP PARIBAS NOMS PTY LTD <DRP>	1,015,773	2.27
6	THIERVILLE PTY LTD <THE STAR SUPER FUND A/C>	930,523	2.08
7	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	863,276	1.93
8	SALITTER PTY LTD <SALITTER A/C>	704,223	1.58
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS	600,300	1.34
10	XUE INVESTMENTS PTY LIMITED <XUE FAMILY A/C>	490,156	1.10
11	MR GREGORY LEONARD TOLL + MRS MARGARET ESTELLE TOLL <TOLL S/F A/C>	450,000	1.01
12	APRICITY PTY LTD <THE JTM FOUNDATION A/C>	313,507	0.70
13	IONIC INDUSTRIES LIMITED	307,407	0.69
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	270,976	0.61
15	MR SAM RIGGALL	243,996	0.55
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	236,395	0.53
17	JEREMY'S HAVEN PTY LTD	234,515	0.53
18	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	234,183	0.52
19	DENIAN INVESTMENTS PTY LTD <DENIAN SUPER FUND A/C>	150,000	0.34
20	MR ALISTAIR CHARLES JACKSON	150,000	0.34
Total Top 20 holders of Ordinary Fully Paid Shares		**27,904,061**	**62.47**
Total Remaining holders		**16,762,113**	**37.53**
Total Shares Issued		**44,666,174**	**100.00**

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:

	Ordinary Shares	
Name of Share Holder	**Number held**	**% of total shares issued**
Robert Martin Friedland	5,988,900	13.41
Pengxin International Group Limited (Pengxin International)	5,225,944	11.70
FMR LLC and related entities	3,547,143	7.94

Clean TeQ Water Limited
Shareholder Information continued
The information below is current as at 5 August 2022

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.

Annual General Meeting

The 2022 Annual General Meeting will be held on Monday, 28 November 2022.

In accordance with clause 19.6 of the Company's constitution, the Closing Date for Nomination of Directors is Monday, 10 October 2022.

Clean TeQ Water Limited Corporate Directory

Directors

Peter Voigt (Executive Chairman)

Ian Knight (Lead Independent Non-Executive Director)

Sam Riggall (Non-Executive Director)

Robyn McLeod (Non-Executive Director)

Company Secretary

Anita Addorisio

Vistra Australia (Melbourne) Pty Ltd
Level 4, 100 Albert Road
South Melbourne, Victoria 3205

Telephone: +61 3 9692 7222

Principal Place of Business & Registered Office

Unit 12, 21 Howleys Road
Notting Hill, Victoria 3168

Telephone: +61 3 9797 6700

Share Register

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnson Street
Abbottsford, Victoria 3067

Telephone: +61 (03) 9415 5000
Facsimile: +61 (03) 9473 2500

Auditors

KPMG

Tower Two, Collins Square
727 Collins Street
Melbourne, Victoria 3008

Legal Advisors

Baker & McKenzie

Level 19, 181 William Street
Melbourne, Victoria 3000

Stock Exchange Listing

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

Website

www.cleanteqwater.com

www.colliercreative.com.au #CLW0003

cleanteqwater.com