APPENDIX 4D

Clean TeQ Water Limited

(ABN 12 647 935 948)

Interim period report

Provided under ASX listing rule 4.2A.3

28 February 2022 ASX: CNQ

RESULTS FOR ANNOUNCEMENT TO THE MARKET[1]

This statement includes the consolidated results of Clean TeQ Water Limited for the Interim Period ended 31 December 2021 on a statutory basis. On 16 April 2021 ASIC granted relief to Clean TeQ Water in respect of the requirement (according to Section 323D(5) of the Corporations Act) that, for reporting purposes, the first half year for a company is the first six months after incorporation. The relief allows the Company to align its reporting requirements and release one half-year report as if the period 15 February 2021 to 31 December 2021 were the first financial half-year of the Company.

The interim financial report should be read in conjunction with the Clean TeQ Water Pre-Quotation Disclosure (30 June 2021). No comparative period statutory results are available given the Company was incorporated on 15 February 2021.

Report for the interim period ended 31 December 2021	**$'000**
Revenue from ordinary activities	7,287
Loss from ordinary activities after tax attributable to members	(5,881)
Net loss after tax attributable to members	(5,820)
Net tangible assets per ordinary security as at 31 Dec 2021	0.25

Dividends

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

Change in Control Over Entities

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).

[1] This page and the accompanying 44 pages comprise the interim period end financial information given to the Australian Securities Exchange (ASX) under Listing Rule 4.2A.

On 11 May 2021, Clean TeQ Water acquired 100% of Clean TeQ Water Operations Pty Ltd and its subsidiaries from Sunrise.

On 11 May 2021, Clean TeQ Water acquired 100% of Associated Water Pty Ltd and an 83.24% controlling interest in NematiQ Pty Ltd (NematiQ) from Sunrise.

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.

This document was approved and authorised for release by Clean TeQ Water's Executive Chairman.

Peter Voigt
Executive Chairman
28 February 2022

CLEAN TEQ WATER LIMITED

ABN 12 647 935 948

INTERIM FINANCIAL REPORT

for the period from 15 February 2021 to 31 December 2021

CLEAN TEQ WATER LIMITED

ABN 12 647 935 948

Interim Financial Report for the period from 15 February 2021 to 31 December 2021

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Corporate Directory

Board Members
Peter Voigt (Executive Chairman)
Ian Knight (Non-Executive Director)
Sam Riggall (Non-Executive Director)
Stefanie Loader (Non-Executive Director)
Robyn McLeod (Non-Executive Director)

Company Secretary
Anita Addorisio

Principal Place of Business& Registered Office
Unit 12, 21 Howleys Road
Notting Hill, Victoria, 3168
Telephone: +61 3 9797 6700

Share Registry
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnson Street
Abbottsford, Victoria, 3067
Telephone: +61 3 9415 5000

Auditors
KPMG
Tower 2, Collins Place
727 Collins Street
Docklands, Victoria 3008

Securities Exchange Listing
Australian Securities Exchange
ASX Code: **CNQ**
OTCQX Market in the United States
OTCQX Code: CNQQF

Website
www.cleanteqwater.com

Directors' Report

Your directors present their report on the consolidated entity consisting of Clean TeQ Water Limited (Clean TeQ Water) and the entities it controlled (the "Group" or the "Consolidated entity") during the interim period from 15 February 2021 (date of incorporation) to 31 December 2021. The consolidated financial statements are presented in Australian dollars, which is Clean TeQ Water's functional and presentation currency.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

1. Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Peter Voigt	Executive Chairman (Appointed 15 February 2021)
Ian Knight	Non-Executive Director (Appointed 28 April 2021)
Sam Riggall	Non-Executive Director (Appointed 15 February 2021)
Stefanie Loader	Non-Executive Director (Appointed 28 April 2021)
Robyn McLeod	Non-Executive Director (Appointed 8 October 2021)
Benjamin Stockdale	Executive Director (Appointed 15 February 2021, resigned 7 May 2021)

2. Principal Activities

Clean TeQ Water is an Australian company listed on the Australian Securities Exchange (ASX code: CNQ). The Group's principal activity is the provision and development of technology solutions for water treatment and water reuse and resource recovery to government entities and companies.

3. 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 half-year. Section 323D(5) of the Corporations Act requires, for reporting purposes, that the first half-year for a company is the first six months since incorporation, which in Clean TeQ Water 's case was six 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 one half-year report as if the period 15 February 2021 to 31 December 2021 was the first financial half-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.

4. Operating Results

During the period covered by this Interim Financial Report (15 Feb 2021 to 31 December 2021), 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.

[1] Sunrise Energy Metals, Demerger Booklet https://www.asx.com.au/asxpdf/20210517/pdf/44wjvh7f939w84.pdf for information on the terms.

The Group recorded a loss of $5,880,586 for the interim financial period (15 February 2021 to 31 December 2021). The Group 's net operating cash outflows for the interim financial period was $4,940,674 and it reported cash resources of $11,213,159 at 31 December 2021.

5. Review of Operations

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

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

Key events for the period covered by this Interim 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 9).
- 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 9).
- On 11 May 2021, 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 9).
- 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. Clean TeQ Water's ambition is to become a major global provider of water treatment solutions by delivering efficient water treatment technologies across a range of markets.

During the interim financial period the Group was focused on providing and completing key water treatment projects around the world, as well as pursuing new opportunities for revenue growth, and continued development of its solutions portfolio, in particular NematiQ, its Graphene Membranes subsidiary.

Steady progress was made across projects under implementation despite delays linked to tight supply chains and COVID.

An active program of research and development into complimentary water treatment technologies is underway to expand and enhance the Group's product offering in the water treatment industry.

COVID-19

The COVID-19 crisis has affected multiple areas of the business however it has also sparked innovations in work practices and influenced policy and strategy. The health and safety of our people is paramount and the Group have implemented COVID-safe work plans across the business as we continue to manage the impacts of COVID on supply chains, logistics, travel, project delivery and labour needs. We are striving to be a stronger more aware organisation as we come out of this COVID pandemic.

Projects

Koumala Drinking Water Project (Queensland, Australia)

The Group secured the Koumala Drinking Water Project in January 2021 by offering an ion exchange solution to the treatment of ground water.

Delivery of the project has been delayed due to the impact of COVID and the changes in scope. The updated target commissioning date is the second quarter of 2022.

The treatment of bore water to produce potable water is a key market for Clean TeQ Water. Especially in dry areas where water quality is poor, and where limitations exist on the disposal of brines. The Group's technologies provide solutions that can maximize water recovery while minimising brine volumes and related brine management challenges.

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

During the period, the Group was awarded a contract to design, procure, deliver and install a nitrate removal plant to a coal mine operator in inner Mongolia, China. The BIONEX™ nitrate removal plant will treat 12,000 tons of coal mining wastewater per day to ensure that discharge of the treated water meets environmental requirements.

Manufacturing commenced in mid-2021, all equipment has been shipped and the plant has been constructed on site. The first wastewater was successfully treated by the CIF® portion of the plant in November 2021 with the unit operating in manual mode for a demonstration to the customer and local regulators. The installation has now been completed and the hot commissioning phase has commenced and is planned to be completed by April 2022.

The BIONEX™ solution is a combination of the Group's Continuous Ionic Filtration (CIF®) and BIOCLENS® (bacteria encapsulated in a protective PVA lens). BIONEX™ has been demonstrated to be highly effective for removal of nitrate from wastewater while minimizing costs of operation and waste by-products.

The BIONEX™ plant will be 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, Western Asia)

In Oman, the Group was asked to provide an upgrade expansion of its previous Oman project where CIF® technology treats industrial wastewater from an antimony smelting plant. This was the third project delivered with Multotec, the Group's partner in Africa. 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 before the end of the reporting period. Final commissioning of this plant is expected by the end of 1Q 2022.

Using CIF® instead of membrane treatment for complex wastewaters is a major opportunity for the Group as it provides a more robust solution against a large variety of pollutants and is better able to react to changes in feed water quality.

NESR HIROX® Project (Western Asia)

In August 2021 the Group was awarded a significant contract, valued at around A$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 Group's strategic partner for the oil and gas sector in the Middle East, with whom a 5-year cooperation agreement 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 Group's HIROX® solution allows for ultra-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 will significantly increase the water recovery compared to traditional solutions. The result is a more efficient use of scarce bore water resources and a substantial reduction of liquid waste. Moreover, HIROX® will reuse the recovered salt, instead of adding imported salt, to achieve the targeted water density for reinjection. This results in substantial operational cost savings for the end-user and further reduces the environmental footprint.

The project has progressed rapidly since contract signing with manufacturing of most components completed in 2021.

EVAPX® Technology Project (NSW, Australia)

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

The Group's EVAPX® process evaporates the water from a high concentrate dirty wastewater, reducing the overall wastewater volume and allowing both the concentrated brine and the recovered water to be re-used in a beneficial way. The EVAPX® solution was chosen for its ability to evaporate the water using lower energy than alternative solutions, thereby 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.

Design of this plant was largely finalized by the end of the reporting period and manufacturing has commenced with a planned delivery by mid-2022.

NEMATIQ

NematiQ is a 100% owned subsidiary of the Group and is focused on the development of graphene membranes for water treatment. Direct graphene nanofiltration membrane technology is a giant leap forward in producing pure and affordable water, while reducing environmental footprint.

While graphene membranes have long been recognised for their potential to provide a step change in performance in academic literature, 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 membranes, allowing high-quality graphene nanofiltration membranes and cartridges to 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 1,000 Daltons. This allows water and salts to pass through, 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 2021, test work on NematiQ's Graphene Membranes has verified the permeance and MWCO of the manufactured flat sheets and 1812 cartridges. Furthermore, the Graphene Membrane has been designed to withstand a wide pH range and high chlorine concentrations, parameters which allow the membrane to be used in a wide range of applications.

Tests on the 1812 cartridges using typical feed waters have shown the membranes' ability to remove dissolved organics (DOC) to drinking water standard levels. This application is only one of the markets, with wastewater treatment and industrial separations also being targeted.

NematiQ is confident that its Graphene Membranes, with their robustness, high water permeance and low energy use, will disrupt the global membrane filtration market.

6. Dividends Paid or Recommended

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

7. Matters Subsequent to Reporting Date

There are no events subsequent to the reporting date which have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

8. Likely Developments and Expected Results of Operations

The Group will continue to work towards completion and subsequent handover of the projects currently under implementation. After project completion, most customers are expected to request ongoing support for the provision of maintenance and inspection services, spare-parts and consumables. This will provide the Group with an ongoing and growing annual revenue stream.

The Group will also continue new customer acquisition throughout the segments and regions where application of the Group's solutions provides prospective customers with substantial benefits. The Group's ability to convert opportunities into sales contracts will continue to strengthen as the portfolio of completed projects continues to increase. These expanded sales activities are expected to result in growing sales revenues and a gradual reduction of cash needs for the Group's core activities.

Finally, the Group will continue product development to improve its existing offering to customers and introduce new solutions that will further expand the Group's addressable market.

9. Auditor independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of Directors at Melbourne, Victoria on 28 February 2022.

On behalf of the directors

Peter Voigt
Executive Chairman

28 February 2022

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 review of Clean TeQ Water Limited for the interim period from 15 February 2021 to 31 December 2021 there have been:

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

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

KPMG

KPMG

Tony Batsakis
Partner

Melbourne

28 February 2022

For the Period from 15 February 2021 to 31 December 2021

	Note	2021 $
Revenue		7,287,910
Other Income		196,233
Total revenue and other income	6	**7,484,143**
Raw materials and other direct costs	7	(6,609,098)
Employee benefits expenses	8	(4,002,649)
Legal & professional expenses		(521,946)
Occupancy expenses		(301,127)
Travel & Entertainment Expenses		(330,850)
Marketing expenses	7	(293,730)
Research & development expenses		(619,743)
Other expenses	7	(686,218)
Impairment loss on trade and other receivables, including contract assets		-
Operating Loss before finance costs		**(5,881,218)**
Net finance income	7	632
Loss before income tax		**(5,880,586)**
Income tax expense		-
Loss after income tax expense for the period attributable to the owners of the Company		**(5,880,586)**
Other comprehensive income for the period, net of tax		60,171
Total comprehensive loss for the period attributable to the owners of the Company		**(5,820,415)**
Total and continuing earnings per share:		
Basic earnings per share ($)	10	(0.13)
Diluted earnings per share ($)	10	(0.13)

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

As at 31 December 2021

	Note	2021 $
Assets		
Current Assets		
Cash and cash equivalents		11,213,159
Trade and other receivables		2,147,398
Research and development incentive receivable		518,776
Total Current Assets		**13,879,333**
Non-Current Assets		
Property, plant, and equipment		608,517
Right-of-use assets	11	116,289
Intangible assets	12	2,606,252
Total Non-Current Assets		**3,331,058**
Total Assets		**17,210,391**
Liabilities		
Current Liabilities		
Trade and other payables		1,674,913
Contract liabilities		384,751
Lease liabilities	11	117,665
Employee benefits		539,172
Provisions	15	59,952
Total Current Liabilities		**2,776,453**
Non-Current Liabilities		
Provisions	15	603,972
Employee benefits		39,503
Total Non-Current Liabilities		**643,475**
Total Liabilities		**3,419,928**
Net Assets		**13,790,463**
Equity		
Issued capital	13	1
Reserves	9	19,671,048
Accumulated losses		(5,880,586)
Total Equity		**13,790,463**

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

For the Period from 15 February 2021 to 31 December 2021

	Note	Issued Capital $	Accumulated Losses $	Reserves $	Non-Controlling Interests $	Total Equity $
Balance at 15 February 2021		**-**	**-**	**-**	**-**	**-**
Loss after income tax for the period		-	(5,880,586)	-	-	(5,880,586)
Other comprehensive income		-	-	60,171	-	60,171
Total comprehensive loss for the period		**-**	**(5,880,586)**	**60,171**	**-**	**(5,820,415)**
Transactions with owners in their capacity as owners:						
Issue of ordinary shares on incorporation		1	-	-	-	1
Common control business combinations	9	-	-	(2,643,150)	(222,130)	(2,865,280)
Common control loan forgiveness	9	-	-	24,073,315	-	24,073,315
Share-based payments	14	-	-	179,509	-	179,509
***Changes in ownership interests*:**						
Acquisition of non-controlling interests		-	-	(1,998,797)	222,130	(1,776,667)
Balance at 31 December 2021		**1**	**(5,880,586)**	**19,671,048**	**-**	**13,790,463**

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

For the Period from 15 February 2021 to 31 December 2021

	Note	2021 $
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)		6,501,811
Payments to suppliers and employees (inclusive of GST)		(11,884,049)
Research and development tax incentive received		435,829
Interest received		5,739
Net cash used in operating activities		**(4,940,670)**
Cash Flows from Investing Activities		
Payments for property, plant, and equipment		(145,899)
Acquisition of subsidiaries, net of cash acquired		16,463,292
Net cash from investing activities		**16,317,393**
Cash Flows from Financing Activities		
Proceeds from issue of shares		1
Repayment of lease liabilities and interest charges		(174,518)
Net cash used in financing activities		**(174,517)**
Net increase in cash and cash equivalents		11,202,206
Cash and cash equivalents at the start of the period		-
Effects of exchange rate changes on cash and cash equivalents		10,953
Cash and cash equivalents at the end of the period		**11,213,159**

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General Information

The 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 ('the Consolidated Entity' or 'the Group'). The financial statements are presented in Australian dollars, which is the Group'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.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Clean TeQ Water Limited is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 12, 21 Howleys Road
Notting Hill, Victoria, 3168
Australia

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

2. Significant accounting policies

(a) Basis of preparation

These general-purpose financial statements for the interim financial reporting period from 15 February 2021 and 31 December 2021 have been prepared in accordance with ASIC's instrument 21-0277 dated 16 April 2021 and Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Group has not presented comparatives as a result of the demerger described in Note 2(d), given corresponding figures would not be presented on a comparable and consistent basis.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Rounding of amounts

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

(c) New standards and interpretations 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.

(d) 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 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 9.

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 5.

(e) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Clean TeQ Water Limited as at 31 December 2021 and the results of all subsidiaries for the year then ended. Clean TeQ Water Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and any unrealised gains and losses on transactions between entities in the Group are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’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 Group.

(f) Revenue Recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods and services

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

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

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

Rendering of services

Revenue from contracted services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the completion of key milestones in the contracts.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract expenses are recognised as they are incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognised immediately in profit or loss.

Government grants

Government grants are recognised initially as deferred income at fair value and when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant, they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss or other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for expenditure capitalised are recognised as a reduction in the carrying value of the asset and grants that compensate the Group for expenditure recognised in profit or loss is recognised as government grant income.

(g) 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.

(g) Income Tax (continued)

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 Group 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 Group 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 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 on this prior to the lodgment of 30 June 2022 tax returns in the early 2023 calendar year.

(h) Current and non-current classification

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

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

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

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

(i) Cash and Cash Equivalents

Cash and cash equivalents 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.

(j) Trade and Other Receivables

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

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

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

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

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

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

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

(k) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first-in first-out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

(l) 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	3-7 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.

(m) 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.

(m) Intangibles (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; 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.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being between 4 and 20 years.

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.

(n) Impairment of non-financial assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Leases

The Consolidated Entity adopted AASB 16 Leases from incorporation. The standard replaced AASB 117 and for lessees eliminates the classification of operating and finance 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 short of 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.

(p) 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.

(q) Finance income and costs

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

- interest expense;
- dividend income;
- the net gain or loss on the disposal of available-for-sale financial assets;
- the net gain or loss on financial assets at fair value through profit or loss;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the fair value loss on contingent consideration classified as a financial liability;
- impairment losses recognised on financial assets (other than trade receivables);
- the net gain or loss on hedging instruments that are recognised in profit or loss; and,
- the reclassification of net gains previously recognised in other comprehensive income.

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Interest expense is recognised using the effective interest method. Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on short-term and long-term borrowings; and,
- interest on hire purchases.

(r) Employee Benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on Australian Corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits
Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(r) Employee Benefits (continued)

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees. There were no cash settled share-based payments during the financial year.

Equity-settled transactions are awards of shares, or options and performance rights over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date.

Fair value is independently determined using either the Monte Carlo Simulation, Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the strike price of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that are not dependent on whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of equity-settled transactions (performance rights or options) is determined by applying either the Monte Carlo Simulation, Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The costs of transactions settled by shares in lieu of cash, is determined by applying the fair value of the shares on the issue date.

Market conditions are taken into consideration in determining grant date fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group 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.

(s) 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.

(s) Fair Value measurement (continued)

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.

(t) 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.

(u) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Consolidated Entity by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(v) Goods and services tax

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.

(w) Going concern

The Directors believe that the Group will continue as a going concern, and as a result the financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realization of assets and the settlement of liabilities in the normal course of business.

The Group reported a net loss after tax for the interim financial period 15 February 2021 to 31 December 2021 of $5,880,586 and the Group's position as at 31 December 2021 was as follows:

- The Group had cash reserves of $11,213,159; and
- The Group had negative operating cash flows of $4,940,670.

During the interim financial period 15 February 2021 to 31 December 2021, the following events have taken place to support the going concern basis of preparation for the Group:

- The Group has available cash on hand as at 31 December 2021 of $11,213,159;
- The Group received $7,287,910 in sales revenue during the interim financial period;
- The Group expects to receive cash rebates from the Australian Tax Office for eligible research and development expenditure incurred in FY2021 and FY2022. A cash rebate relating to a tax period ending 11 May 2021 of $326,270 was received following 31 December 2021 and before the report date. In addition, the Group has booked a $192,506 receivable for an estimated refund due to it for some of its Research & Development expenditure incurred during the tax period 1 July 2021 to 31 December 2021;
- The Group has successfully completed a number of contracts to design, procure and construct water purification plants which have generated positive cashflows over recent years. The Group is confident, on the basis of successful completion of these contracts, that it will be awarded additional water treatment contracts in the future;
- Forecast cash flows indicate the ability of the Group to maintain a positive cash position for at least the period of 12 months to March 2023.

The Group will continue working towards securing commercial contracts in the near future and anticipates producing substantial revenues in the future.

On the basis of cash and cash equivalents available at 31 December 2021 and the cashflow forecast to March 2023 and beyond, the directors consider that the Group remains a going concern and these financial statement have been prepared on this basis.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group 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 Monte Carlo Simulation, Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Intangible assets

The recoverable value of patents and trademarks acquired is based on the cost of registering the patents and trademarks, less any diminution in value through amortisation and impairment.

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

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.

4. Operating Segments

The Group identifies its operating segments based on management accounts used by the Executive Committee and Board of Directors in assessing business unit performance and deciding on the optimal utilization of Group resources.

Reportable segments disclosed are based on aggregating operating segments where they are considered to have similar geographical, economic and functional characteristics.

The Group 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 Group is domiciled in Australia and provides shared services to all other operating segments ("Group").

Geographic Location:		Australia		China		
Division:	Water $	Metals $	Tech $	Water $	Group $	Total $
Revenue and other income						
Revenue from contracts with customers	5,047,332	-	-	1,543,213	-	6,590,545
Test work & pilot plants	110,514	131,673	-	-	-	242,187
Aftermarket Spares & Services	301,976	-	-	-	-	301,976
Service Fee Income	-	153,202	-	-	-	153,202
R&D tax incentive income	-	-	192,506	-	-	192,506
Other income	1,584	-	-	2,143	-	3,727
Total revenue and other income	**5,461,406**	**284,875**	**192,506**	**1,545,356**	**-**	**7,484,143**
EBITDA	**(1,095,469)**	**(376,155)**	**(890,702)**	**(1,850,334)**	**(1,326,629)**	**(5,539,289)**
Depreciation expenses						(215,977)
Amortisation expenses						(125,952)
Net finance income						632
Loss after income tax expense						**(5,880,586)**

5. Demerger of Clean TeQ Water

On 1 July 2021, the company was demerged form 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.

5. Demerger of Clean TeQ Water (continued)

- 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 interim financial period 15 February 2021 to 31 December 2021 presents the Group's performance in compliance with statutory reporting obligations for that financial period.

6. Revenue and other income

Consolidated	**31 Dec 2021 $**
Revenue	
Revenue from contracts with customers	6,590,545
Test work & pilot plants	242,187
Aftermarket spares & services	301,976
Service fee income	153,202
Total revenue from contracts with customers	**7,287,910**
Other income	
R&D Tax Incentive income	192,506
Other income	3,727
Other income	196,233
Total revenue and other income	**7,484,143**

7. Expenses

Consolidated	31 Dec 2021 $
Raw materials and other direct costs	
Raw Materials	(5,222,491)
Subcontractors	(912,704)
Other direct costs	(473,903)
Total raw materials and other direct costs	**(6,609,098)**
Marketing expenses	
Marketing expenses	(136,890)
Corporate promotion	(156,840)
Total marketing expenses	**(293,730)**
Other Expenses	
Insurance Expense	(48,752)
Loss on Asset Disposal	(7,040)
Realized foreign exchange loss	(724)
Depreciation & ammortisation expenses	(341,929)
Other Expenses (Patents, IT, subscriptions, office expenses)	(287,773)
Total other expenses	**(686,218)**
Net Finance Income	
Finance income	5,739
Finance costs	(5,107)
Total net finance income	**632**

8. Employee Benefits

Consolidated	31 Dec 2021 $
Employee Benefits Expenses	
Wages and salaries	(2,417,856)
Employee entitlements	(232,872)
Superannuation	(222,443)
Equity settled share-based payments	(179,509)
Contractors and consultants	(306,732)
Other costs	(643,237)
Total employee benefits expenses	**(4,002,649)**

9. Equity – Reserves and Non-Controlling Interests

Consolidated	31 Dec 2021 $
Reserves	
Business Combination Reserve	19,431,368
Translation Reserve	60,171
Share Based Payments Reserve	179,509
Total reserves	**19,671,048**
Non-Controlling interests	-
Total reserves and non-controlling interests	**19,671,048**

Movements in reserves and Non-Controlling Interests

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Business Combination Reserve $	Translation Reserve $	Share Based Payments Reserve $	Non-Controlling interests $	Total $
Balance at 15 February 2021	-	-	-	-	**-**
Other comprehensive income (i)	-	60,171	-	-	60,171
Common control business combinations (ii)	(2,643,150)	-	-	(222,130)	(2,865,280)
Common control loan forgiveness (iii)	24,073,315	-	-	-	24,073,315
Share based payments (Note 14)	-	-	179,509	-	179,509
Acquisition of non-controlling interests (iv)	(1,998,797)	-	-	222,130	(1,776,667)
Balance at 31 December 2021	**19,431,368**	**60,171**	**179,509**	**-**	**19,671,048**

(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 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	(20,193,870)
Trade & other payables	(1,367,698)
Employee benefits liabilities	(47,832)
Lease liabilities	(47,514)
Provisions	(437,992)
Net liabilities acquired	**(2,865,280)**
Decrease in equity attributable to:	
Owners of the Company	(2,643,150)
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 9(ii) above, including additional cash contributions made by Sunrise prior to the Group's demerger from Sunrise on 1 July 2021.

(iv) Acquisition of non-controlling interests

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

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

The decrease in equity attributable to owners of the company was recognized within the Business Combination Reserve.

10. Earnings per share

i. Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. As the ordinary shares issued in July 2021 were for no consideration, the ordinary shares are treated as if issued at the beginning of the financial period.

ii. 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-tax effect of interest and other financing costs associated with the 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.

Earnings per ordinary share is calculated on the Group's loss after tax of $5,880,586 and the weighted average number of shares in issue during the year of 44,666,174.

	2021 **$**
Net loss attributable to shareholders	(5,880,586)
Earnings – basic	($0.13)
Earnings - diluted	($0.13)

The weighted average number of shares in issue for the purpose of calculating basic and diluted earnings per share and basic and diluted adjusted earnings per share are as follows:

	31 December 2021
Weighted average number of shares in issue	
Basic number of shares outstanding	44,666,174
Dilutive effect of Employee Performance Rights and Options	-
Diluted number of shares outstanding	44,666,174
Earnings per share – basic	($ 0.13)
Earnings per share – diluted	($ 0.13)

11. Lease Liabilities

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 Group. There are no indicators of impairment of lease assets as at 31 December 2021.

Consolidated	31 Dec 2021 $
Right of Use Assets	
Cost	985,546
Accumulated depreciation	(869,257)
Net book amount	116,289
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 9).	
Lease Liabilities	
Maturity analysis	
Within one year	(119,428)
Later than one year and not later than three years	-
Less unearned interest	1,763
Total lease liability	**117,665**
Current	(117,665)
Non-current	-
Total lease liability	**(117,665)**
Amounts recognised in the consolidated statement of comprehensive income	
Depreciation expense on right-of-use assets	(162,102)
Interest expense on lease liabilities	(5,107)
	(167,209)
The total cash outflow for leases in the period was:	(174,518)

12. Intangible Assets

Consolidated	31 Dec 2021 $
Research & development costs (i)	
Capitalised development costs – at cost	2,610,289
Less: accumulated amortisation and impairments	(108,719)
	2,501,570
Patents & trademarks (ii)	
Patents and trademarks – at cost	101,916
Less: accumulated amortisation and impairments	(17,234)
	84,682
License fees (iii)	
License rights – at cost	20,000
Less: accumulated amortisation and impairments	-
	20,000
Total intangible assets	**2,606,252**

(i) Research & development costs

On the 30 of June 2021 the Group recognised internally developed assets transferred from Sunrise Energy Metals Limited (Sunrise) relating to the technology solutions delivered by the Group at a fair value of $2,610,289. These internally developed assets include the Clean-iX technology in respect of the development stage of the projects Continuous Ion Exchange for secondary effluent treatment for water recycling and Continuous Ion exchange pre-treatment for reverse osmosis as well as mobile water treatment plant technology. On 30 June 2021, at the time of capitalisation within the Group the estimated useful life of the internally developed assets was reassessed based on a number of factors and which ultimately align the useful life of the assets. The estimated useful life was reassessed to be between 11 and 13 years. Both the Clean-IX and Mobile Water Treatment assets were assessed as available and ready for use for customers from the date of reassessment and have been amortised accordingly. An assessment was made by management to determine whether any indicators of impairment exist. Indicators assessed included but were not limited to; the Group's market capitalisation, technology obsolescence, changes in laws and regulations and COVID-19. No indicators of impairment were identified.

(ii) Patents & trademarks

On the 30 June 2021, the Group recognized patents and trademarks transferred from Sunrise that related to Clean Teq Water's operations. Costs relating to patents and trademarks were previously capitalized and amortised over 20 years, which was the expected life of the patents. These patents have been recognized at $101,916 and will continue to be amortised based on the residual expected life. The estimated residual useful life of patents and trademarks recognized is between 2 and 11 years.

(iii) Licenses and intellectual property

On 11 May 2021, upon acquisition of Associated Water Pty Ltd, the Company acquired intellectual property (including licenses) related to the technology solutions being developed by NematiQ at a carrying value of $20,000.

13. Equity – Issued Capital

(a) Issued and fully paid

	31 December 2021 $	No.
Ordinary shares	1	44,666,174
	1	**44,666,174**

(b) Movement reconciliation

Ordinary Shares	No. of Shares	$
Opening Balance at 15 February 2021	1	1
July 2021 – Share split pursuant to a capital distribution from Sunrise Energy Metals Limited as part of demerger transaction	44,666,173	-
Closing Balance at 31 December 2021	**44,666,174**	**1**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

14. Share Based Payments

Equity settled transactions

The Group provides benefits to employees (including key management personnel) of the Group 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 Sunrise Energy Metals Limited's total shareholder returns in absolute terms relative to the comparator peer groups designated at the original time of issue.

14. Share Based Payments (continued)

The EIP also provides for certain key executives to receive, for no consideration, options over ordinary shares of the Company at specified exercise prices as determined by the Board. The grant of options is intended to align the interests of senior executives with other owners of the Company over the medium to longer term and to increase those senior executives' proportion of 'at risk' remuneration. The ability to exercise the options is conditional upon each key executive's ongoing employment by the Company and other applicable vesting hurdles determined by the Board from time to time.

The cost of these equity-settled transactions with employees is measured 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 valuation techniques appropriate to the instrument being valued, such as Black-Scholes models or Monte Carlo simulations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a new award, as described in the previous paragraph.

The share-based payment expense recognised in profit or loss of $179,509 results from several schemes summarised below:

Schemes	$
(i) Employee Incentive Plan (EIP)	
2019 EIP Replacement - Rights	1,257
2020 Tranche 1 EIP Replacement – Rights	7,096
2020 Tranche 2 EIP Replacement - Rights	18,474
2021 Tranche 1 EIP Replacement - Rights	6,228
(i) Initial Equity Grant Plan (Options)	
2022	121,500
(ii) Long Term Incentive (LTI) Award	
2022 LTI Award	24,954
Total expense for period	179,509

14. Share Based Payments (continued)

i. Employee Incentive Plan

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 Group.

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-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

ii. Initial Equity Grant Plan

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	Performance
Expected Volatility	67.5%
Risk free interest rate	0.70%
Dividend Yield	0%

*In accordance with AASB 2 being the date of offer of the options to Willem Vriesendorp in the employment contract document.
** As the Company was not listed o 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.

14. Share Based Payments (continued)

iii. Long Term Incentive Award

Equity awarded under the Group's Long-Term Incentive Award was awarded based on the Group's Employee Incentive Plan

	2022 Long Term Incentive Award	2022 Long Term Incentive Award
Grant date	7 September 2021	20 September 2021
Share price at Grant Date	$0.70	$0.68
Vesting date	1 July 2024	1 July 2024
FV at Grant Date (avg)	$0.44	$0.68
Number of rights/shares	627,572	161,616
Volatility	77%	80%
Vesting probability	50%	100%
Performance or Service conditions	Performance	Performance

iv. Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of KMP
In the interim period to 31 December 2021 are as follows:

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

* 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 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 Probationary Period.

Options carry no dividend or voting rights.

The number of options over ordinary shares granted to KMP as part of compensation is set out below:

	Number of options granted during the interim period to 31 December 2021	Number of options vested during the period 2021
KMP:		
Willem Vriesendorp	1,500,000	-

Values of options (as at date of grant) over ordinary shares granted, exercised and lapsed for directors and KMP as part of compensation during the interim period to 31 December 2021 are set out below:

	Value of options granted during the interim period $	Value of options exercised during the year $	Value of options lapsed during the year $
KMP:			
Willem Vriesendorp	492,000	-	-

15. Provisions

Consolidated	31 Dec 2021 $
Provisions – current	
Leased premises provision for make good	(59,952)
Total provisions – current	(59,952)
Provisions – non-current	
Warranties and contract claims (i)	(603,972)
Total provisions – non-current	**(603,924)**

(i) These provisions relate to new technologies with no previous claims experience and as such have been calculated based on managements' estimates for future rectification obligations.

16. Related Parties

As addressed in Note 9, 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 9 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 9).
- Common control debt forgiveness $24,073,315 (Note 9)

17. Events after the reporting period

There are no events subsequent to reporting date which have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 38 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Australian Accounting Standards AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*;

(ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial period from 15 February 2021 to 31 December 2021; and

(b) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

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

Peter Voigt

Executive Chairman

Melbourne, Victoria
28 February 2022

Independent Auditor's Review Report

To the shareholders of Clean TeQ Water Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Clean TeQ Water Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Clean TeQ Water Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2021 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Consolidated Entity*** comprises Clean TeQ Water Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is from 15 February 2021 to 31December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Tony Batsakis

Partner

Melbourne

28 February 2022