ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

ABN: 68 615 222 163

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report, together with the consolidated financial statements of the Group, being Ultraclean Technology Limited (previously Ultraclean Marine Limited and renamed to Ultraclean Technology Limited on 8 February 2022) (the legal parent entity) and its controlled entity, Ultraclean Fuel Limited (the legal subsidiary), for the financial year ended 31 December 2022.

Information on directors

Grant Charles Gargano	Executive Director, effective date from February 2020.
Qualifications	MGSM, AICD
Experience	Grant Gargano has over 20 years' experience in international business and a background in business development. Mr Gargano has held various positions with Gosfern Pty Limited and has worked as a consultant on various renewable energy projects.
David Paul Hancock	Executive Director, from October 2016. Mr Hancock resigned as Executive Director and Finance Director 30 June 2021 and became a Non-Executive Director effective 1 July 2021. Mr Hancock was appointed Chairman 1 July 2021
Qualifications	FBAA, AICM
Experience	David Hancock is a founding shareholder with over 48 years' experience in the credit industry in both listed and unlisted companies such as David Jones Limited and Burns Philp Limited. Mr Hancock was previously a member of the Finance Brokers Association of Australia, the Credit Ombudsman Service Limited, and an Associate and Vice President of the NSW Institute of Credit Management and Vice President of the Australian Credit Forum.
Randal Terrence Jitts	Non-Executive Director, from August 2018. Mr Jitts was appointed Chairman in February 2020. Mr Jitts resigned as Chairman 30 June 2021.
Qualifications	EIT
Experience	Randal Jitts brings international and local managerial experience of managing large scale engineering and maintenance teams on major capital projects for multi-national companies. Mr Jitt's experience as an Asset and Project Manager includes the construction, commissioning, maintenance and management of large-scale power stations.
Damon Fletcher	Non-Executive Director, from 2 September 2021.
Qualifications	BEng (Hons), MComm (IntBus), GradDipAppFin
Experience	Damon Fletcher has a background in engineering coupled with over 18 years' experience in investment management, M&A and advisory across Australia, Asia and Europe. Mr Fletcher also has extensive experience in raising, structuring, and deploying capital across the full capital spectrum.

Belinda Armstrong Nisbet	Non-Executive Director, from 2 September 2021. Resigned 13 May 2022 due to personal circumstances.
Qualifications	BA, Grad Dip, MBA
Experience	Belinda Nisbet has over 25 years commercial experience in strategy and advisory, M&A and investment consulting with 16 years in energy and oil and gas in Australia, the United Kingdom and the Middle East. Ms Nisbet previously, founded award winning ESG carbon enterprises software IT company Greenstone+ in the United Kingdom (UK) and sat on the UK shipping emissions roundtable with BP Marine, IMarEST and the Environment Council.

Company secretary

Fiona Zhao was appointed as Group secretary in 2013. Ms Zhao is a qualified CPA. Andrew McFadden was appointed as an additional Group secretary in 2021. Mr McFadden is a qualified CPA.

Meetings of Directors

During the year, 1 meeting of Directors were held. Attendances by each Director during the year were as follows:

	Number eligible to attend	Number attended
David Hancock	1	1
Grant Gargano	1	1
Damon Fletcher	1	1
Randal Jitts	1	1

Principal activities

The principal activities of the Group during the year comprised of:

- conducting research and development for the commercialisation of an oxidation desulphurisation process for the separation of sulphur from diesel, marine fuel oils, light cycle oils, clarified oils, and used motor oils using the patented Ultrex® process; and
- ongoing development and marketing of the Ultrex® process for use in commercial applications.

No significant changes in the nature of the Group's activity occurred during the year.

Operating and financial review

The Group's consolidated loss for the year amounted to ($1,484,504) (2021: Loss of $2,735,862). The loss for the year included a write down in assets of $893,327.

Operating and financial review

The Group's consolidated cash and cash equivalents at the end of the financial year was $145,568, compared to $168,768 at the end of the previous year. To help fund ongoing operations, during the financial year the Company issued:

- a total of 263,546 shares at A$1 per share
- 4 convertible notes with a combined face value of $245,000.

With a sustainable income stream from operating units not expected until 2025, it will be necessary to raise additional capital in the short term to fund ongoing operations for the 2023 and 2024 year.

We have continued to actively pursue opportunities for the Group's Ultrex® solution across diesel, transmix, marine fuel oils, light cycle oils, clarified oils, and used motor oil applications.

Following months of hard work, in May 2022 the Company executed a non-binding Memorandum of Understanding (MoU) with one of the largest energy infrastructure companies in North America. The MoU is for the construction of a 4,000 barrels per day (bpd) Ultrex® unit in the USA for the processing of diesel separated from transmix into ultra-low sulphur diesel. Subject to reaching a final investment decision with the client, the Company expects the unit to be operational and generating an income stream in 2025.

The Company has a number of other opportunities in the sales pipeline, and we remain confident of executing contracts in the 2023 calendar year.

During the year the Company has made several important technical advances which have served to advance our capacity to commercially exploit our Intellectual Property. These advances include:

- Optimisation of our solvent extraction process. This has been done in conjunction with reputable process and equipment suppliers. Using key equipment provided by these suppliers is an important step on the road to commercialisation because it means that we are able to employ a process and equipment that have been commercially proven.
- *Continued development of the Company's proprietary catalyst*. Optimisation of the catalyst formulation has allowed the Company to reduce the input quantity of raw materials required. The Company is in the process of preparing a patent application in relation to this optimisation.

These technical advances have shown to be applicable across the full spectrum of target products.

In response to a limited cash runway, the Group has executed a number of operating cost reductions. These included:

- Exiting the Group's leased office/warehouse premise at North Wyong. The Group will be seeking alternative premises better suited to its current requirements in 2023.
- Reducing staff head count (2 staff made redundant in FY22 and 1 resignation not replaced)
- All remaining staff and contractors agreed to temporary variations in employment which saw remuneration reduced by 50% for Q4-22.
- NIL payment of Directors Fees in the 2022 calendar year.

In March 2022, Ultraclean Fuel (Transmix) LLC was named as a defendant in a Summons & Complaint lodged in the Pueblo of Laguna Court by Laguna Development Corporation (LDC) and LDC Energy LLC. This complaint relates to an ongoing dispute between LDC and Ultraclean Fuel (Transmix) LLC. The Company cannot comment on the details of the dispute at this time due to the ongoing legal proceedings. However Ultraclean Fuel (Transmix) LLC has denied liability and intends to utilise counsel provided by its insurer to defend any claims raised. The costs of defending the claim are being met by the Group's insurer.

Operating and financial review

Please be reassured that everyone at the Group is determined that we will navigate our way through this challenging commercialisation phase. We will continue to focus on realising our long-term goals and ultimately delivering value to our Shareholders.

Dividends paid or recommended

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Business strategies

The Group's core focus is cleaning the world's fuel. As a Group focused on reducing the environmental impact of fossil fuels, we believe we have an ideal opportunity to implement a technology that enables oil companies and oil traders to significantly improve their sustainable practices.

Existing oil refining processes use a high amount of energy, resulting in significant carbon dioxide (CO_2) emissions. Minimising the energy intensity of crude oil refining is fundamental to improving the sustainability of the industry.

The Ultraclean technology can play an important role in the transition to a global green economy by supporting the production of low sulfur fuels though a simple and less energy intensive process than traditional solutions.

The Group's business strategy is to utilise the Ultrex® solution to upgrade lower value liquid fuels into cleaner higher value products. Applications currently being pursued include diesel, marine fuel oils, light cycle oils, clarified oils, and used motor oils. Where the Group can create value through upgrading lower value fuels into higher value products for customers, it can share in that value creation through IP licence fees or tolling fee structures.

Significant changes in state of affairs

With effect from 8 February 2022, the name of the Company changed from Ultraclean Marine Limited to Ultraclean Technology Limited.

There have been no other significant changes in the state of affairs of entities in the Group during the year.

Events after the reporting date

On 19 January 2023, the Company engaged K S Financial to assist and advise the Company and act as Lead Manager with the proposed Private Equity raising(s). The Company intends to lodge an Offer Information Statement (OIS) with the Australian Securities & Investment Commission (ASIC) in Q1-23. The OIS offer will likely take the form of a non-renounceable rights issue to Eligible Shareholders to raise up to $2.5 million. The purpose of the Offer is to raise sufficient funds complete pilot testing and a Light Process Design Package with Koch Modular Process systems in the USA to enable the Company to progress to a final investment decision on a first large scale plant, as well as to provide working capital and cover the estimated costs of the Offer. Subject to the outcome of the entitlements Offer, the Directors reserve the right to seek to progress a placement of shares to new investors at the same price per share as the Offer.

To raise short-term funds to provide for working capital, the Company has issued a limited number of Convertible Notes since the reporting date, with a combined face value of $300,000 at the date of this report.

Following months of hard work, in February 2023 the Company now has a terms sheet pending with one of the world's leading multinational energy and commodity trading companies for two Ultrex® units to remove sulphur from diesel and heavy fuel oil. Pilot testing for the first unit, a 20,000 barrels per day unit, is expected to commence in May this year at the Koch Modular Process Systems (KMPS) test facility in Houston, USA. Building on the lab scale work already done between Ultraclean and KMPS, work with KPMS will involve pilot plant

Events after the reporting date

testing using KMPS' proprietary SCHEIBEL® process technology and Ultraclean's proprietary chemistry and catalyst. This pilot testing is critical to the future of the Company.

The key process equipment being used to facilitate the Company's Ultrex® solution will be constructed by KMPS because they have a proven track record with 40+ years of experience and 200+ modular plants installed. Utilising KMPS, and the process performance guarantees that come with the equipment they supply, significantly reduces any perceived technology risk that Ultraclean's prospective clients may have.

In parallel to the pilot testing, the Company will be working with KMPS to prepare a Light Process Design Package for the first unit, which will provide the required process flow diagrams, design data, equipment lists, and budgetary cost estimates.

A final investment decision on the first unit is expected by the end of 2023. Subject to the final investment decision, the Company expects the first unit to be operational in 2025.

Other than those disclosed in the financial statements, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

Future developments and results

The Group will continue the development and marketing of the Ultrex® solution for use in commercial applications.

The uptake rate of the Group's Ultrex® solution remains uncertain at this time and may adversely impact the financial and operational performance of the Group and the delivery of its growth strategies in the future.

Depending on the uptake rate of the Group's Ultrex® solution, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets.

The Directors have excluded from this report any further information on the likely development in the operations of the Group and the expected results of those operations in future years, as the Directors have reasonable grounds to believe that to include such information will be likely to result in unreasonable prejudice to the Group.

Environmental issues

The Group is subject to a range of relevant Commonwealth, State, and International environmental laws. The Group complies with its environmental performance obligations. During the year ended 31 December 2022, no environmental breaches have been notified to the Group by any government agency. The Directors are satisfied that adequate systems are in place for the management of its environmental responsibilities and compliance with variance licence requirements and regulations.

Indemnification and insurance of officers and auditors

During the reporting period, the Group paid an insurance premium to insure the Directors and officers of the Group. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group.

No indemnities have been given or insurance premiums paid, during or since the end of the year for the auditor of the Group.

Share options

Under the Group's Employee Share Option Plan, the Group has issued 4,206,473 options at the date of this report. The options are exercisable at 25 cents up to 5 years from the date of being granted and subject to the conditions of the Plan.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor's independence declaration

The lead auditor's (National Audits Group Pty Ltd) independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2022 has been received and can be found on page 7 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .... Director: ....
Damon Fletcher Grant Gargano

Dated 28 February 2023

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

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AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2022

We declare that, to the best of our knowledge and belief, during the year ended 31 December 2022, there have been:

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

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

National Audits Group Pty Ltd
Authorised Audit Company

Steven J Watson
Managing Director

Dated 28 February 2023

Sydney

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
Revenue	6	510,540	1,106,370
Less: Expenses			
Consultancy and contractor fees		254,070	384,348
Depreciation, Amortisation & Impairments		829,321	1,725,624
Employee expenses		419,465	1,152,433
Insurance		31,825	45,327
Other Expenses		364,852	258,828
Repairs and maintenance		46,613	112,044
Research and development expenses		29,453	60,781
Subscriptions		19,445	102,847
Loss before income tax		(1,484,504)	(2,735,862)
Income tax expense	3(d)	-	-
Loss for the year		(1,484,504)	(2,735,862)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,484,504)	(2,735,862)

The accompanying notes form part of these financial statements.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

ABN: 68 615 222 163

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 $	2021 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	145,568	168,768
Trade and other receivables	9	13,735	36,124
Other assets		-	43,333
TOTAL CURRENT ASSETS		159,303	248,225
NON-CURRENT ASSETS			
Property, plant and equipment	10	34,032	251,419
Intangible assets	11	454,441	1,166,279
Right-of-use assets	12	-	584,607
TOTAL NON-CURRENT ASSETS		488,473	2,002,305
TOTAL ASSETS		647,776	2,250,530
LIABILITIES			
CURRENT LIABILITIES			
Lease liabilities	12	-	123,244
Trade and other payables	13	38,010	98,123
Borrowings	14	124,005	124,005
Employee benefits	15	22,219	110,945
TOTAL CURRENT LIABILITIES		184,234	456,317
NON-CURRENT LIABILITIES			
Lease liabilities	12	-	491,521
Borrowings	14	149,591	13,015
TOTAL NON-CURRENT LIABILITIES		149,591	504,536
TOTAL LIABILITIES		333,825	960,853
NET ASSETS		313,951	1,289,677
EQUITY			
Issued capital	16	41,480,202	41,216,657
Reserves	17	245,000	-
Accumulated losses		(41,411,251)	(39,926,980)
TOTAL EQUITY		313,951	1,289,677

The accompanying notes form part of these financial statements.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

2022

	Note	Ordinary Shares $	Accumulated Losses $	Convertible Instruments Reserve $	Total $
Balance at 1 January 2022		41,216,657	(39,926,980)	-	1,289,677
Prior year accounting error		-	233	-	233
Balance at 1 January 2022 restated		41,216,657	(39,926,747)	-	1,289,910
Loss attributable to members of the parent entity		-	(1,484,504)	-	(1,484,504)
Issue of shares	16	263,545	-	-	263,545
Convertible notes	17	-	-	245,000	245,000
Balance at 31 December 2022		41,480,202	(41,411,251)	245,000	313,951

2021

	Note	Ordinary Shares $	Accumulated Losses $	Convertible Instruments Reserve $	Total $
Balance at 1 January 2021		38,941,806	(37,191,118)	-	1,750,688
Loss attributable to members of the parent entity		-	(2,735,862)	-	(2,735,862)
Reverse acquisition adjustments	5	2,274,851	-	-	2,274,851
Balance at 31 December 2021		41,216,657	(39,926,980)	-	1,289,677

The accompanying notes form part of these financial statements.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		-	81,000
Cash paid to suppliers and employeers		(1,178,781)	(2,385,561)
Receipts from government grants		-	61,906
Other receipts		510,460	964,884
Interest paid		-	(12,472)
Net cash used in operating activities		(668,321)	(1,290,243)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		-	(7,297)
Cash assets from business combinations		-	1,175,998
Purchase of intangible asset		-	(36,308)
Net cash provided by investing activities		-	1,132,393
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipts from other parties		27,591	200,000
Receipts from related parties		108,985	-
Repurchase from issue of shares		508,545	-
Repayment of intercompany loans		-	(56,652)
Repayment of finance lease liabilities		-	(111,903)
Net cash provided by financing activities		645,121	31,445
Net decrease in cash and cash equivalents held		(23,200)	(126,405)
Cash and cash equivalents at beginning of year		168,768	295,173
Cash and cash equivalents at end of financial year	8	145,568	168,768

The accompanying notes form part of these financial statements.

1 INTRODUCTIONS

Company information

The financial report covers Ultraclean Technology Limited (the Group) and its controlled entity, Ultraclean Fuel Limited, collectively referred to as ('the Group'). Ultraclean Technology Limited is a for-profit proprietary Group, incorporated and domiciled in Australia.

Subsidiary information

On 2 March 2021, the Group successfully completed an off-market takeover of Ultraclean Fuel Limited ('UCF'). UCF shareholders received 8.4 new Ultraclean Technology Limited ('UCT') shares for every one of their UCF shares, resulting in the issuing of 85,440,094 new UCT shares. Each share has the same terms and conditions as the existing ordinary shares.

Ultraclean Fuel Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia. Prior to the off-market takeover, UCF reported on a consolidated basis, which included the financial information of the following owned and controlled entities:

	Country of Incorporation	Percentage Owned (%)* 2022	Percentage Owned (%)* 2021
Ultraclean Fuel (US) Pty Ltd	Australia	100	100
Ultraclean Fuel (Diesel) Pty Limited	Australia	100	100
Ultraclean Fuel (R&D) Pty Limited	Australia	100	100
Ultraclean Fuel LLC	USA	100	100
Ultraclean Fuel (Transmix) LLC	USA	100	100

*The percentage of ownership interest held is equivalent to the percentage of voting rights for all subsidiaries.

Presentation of information

The consolidated financial statements of Ultraclean Technology Limited and Controlled Entities are compiled using the reverse acquisition method of reporting which is required under *AASB 3 Business Combinations*.

On this basis, the consolidated financial statements have been prepared under the name of the legal parent (accounting acquiree), being Ultraclean Technology Limited, and further described within the notes to the consolidated financial statements as a continuation of the financial statements of the legal subsidiary (accounting acquirer), being Ultraclean Fuel Limited and its Controlled Entities.

The capital of Ultraclean Fuel Limited and its Controlled Entities has been adjusted retroactively to reflect the capital of Ultraclean Technology Limited. Comparative information presented in the consolidated financial statements has also been adjusted retroactively to reflect Ultraclean Technology Limited's capital.

1 INTRODUCTIONS

Presentation of information

As the consolidated financial statements represent the continuation of the consolidated financial statements of Ultraclean Fuel Limited and its Controlled Entities (except for its capital structure), the consolidated financial statements reflect:

(a) the assets and liabilities of Ultraclean Fuel Limited and its Controlled Entities, recognised and measured at their pre-combination carrying amounts;

(b) the assets and liabilities of Ultraclean Technology Limited, recognised and measured in accordance with *AASB 3 Business Combinations*;

(c) the retained earnings and other equity balances of Ultraclean Fuel Limited and its Controlled Entities before the business combination; and

(d) the amount recognised as issued equity interests in the consolidated financial statements determined by adding the issued equity interests of Ultraclean Fuel Limited and its Controlled Entities, outstanding immediately before the business combination to the fair value of Ultraclean Technology Limited. The equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of Ultraclean Technology Limited, including the equity interests Ultraclean Technology Limited issued to effect the combination. Accordingly, the equity structure of Ultraclean Fuel Limited is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of Ultraclean Technology Limited issued in the reverse acquisition.

The functional and presentation currency of Ultraclean Technology Limited and Controlled Entities is Australian dollars ($AUD) and all amounts have been rounded to the nearest dollar.

Date authorised by Directors

The financial report was authorised for issue by the Directors on 28 February 2023.

2 BASIS OF PREPARATION

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 BASIS OF PREPARATION

Going Concern

The consolidated financial statements have been prepared on the basis of going concern. The Group incurred a consolidated loss of $1,484,504. The Group's planned expenditure exceeds its current cash held. The Group continues to be reliant on further capital raising for continued operations and the provision of working capital. If the additional capital is not obtained, this may indicate that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and the Group may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. At the date of this report, the Directors believe that the Group will be successful in raising funds and that the Group will be able to realise its assets and settle its debts as and when they fall due and payable in the normal course of business, and accordingly have prepared the financial statements on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis for consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent 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 relevant activities of the entity.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity. The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed and then a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and the settlement is accounted for within equity. Otherwise, subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer

2. Identify the performance obligations

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue as and when control of the performance obligations is transferred

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Group have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Group are:

Revenue

The Group recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

R&D tax incentive

The research and development (R&D) tax incentive is a program administered by the Australian Taxation Office which helps to offset some of the incurred costs of R&D. Eligible expenditure incurred under the scheme in a financial year attracts an additional 43.5% tax deduction, and for a company earning income of less than $20 million, the cash value of the additional deduction is remitted to the taxpayer. As the compensation relates to expenses already incurred, it is recognised in profit or loss of the period in which it becomes receivable. Accordingly the company accounts for the R&D Tax Incentive in the same year as the expenses to which it relates.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

(d) Income Tax

There is no income tax expense for the year due to the significant loss incurred and the Group has not recognised carried forward tax losses.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Goods and services tax (GST)

Receivables and payables are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	**Depreciation rate**
Plant and Equipment	10-67%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised.

(g) Financial instruments

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into those measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial instruments

Financial assets

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows which are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, an analysis based on the Group's historical experience and informed credit assessment and forward looking information.

The Group uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Group uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Group in full, without recourse to the Group to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Group has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable, the gross carrying amount is written off against the associated allowance.

Where the Group renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Financial instruments

Financial assets

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced a significant increase in credit risk, the lifetime losses are subsequently estimated and recognised.

Financial liabilities

The Group measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Group comprise trade payables, bank and other loans and lease liabilities.

(h) Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless of goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(i) Intangible assets

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised at 5%.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(k) Leases

At inception of a contract, the Group assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

At the lease commencement, the Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined, the Group's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured where there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Group's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The Group has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(l) Employee benefits

A liability is made for the Group's employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Employee benefits

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(o) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

(p) Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 31 December 2022, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described as follows.

Key estimates - impairment of property, plant, and equipment and intangibles

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgments - lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgment is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date.

Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is initially included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best forward looking information at the reporting date and in accordance with expected credit loss model as discussed within the notes to the consolidated financial statements.

5 BUSINESS COMBINATIONS

As outlined within Note 1 to the financial statements, on 2 March 2021, the Group successfully completed an off-market takeover of Ultraclean Fuel Limited ('UCF'). Under the reverse acquisition method required under *AASB 3 'Business Combinations*', these consolidated financial statements have been prepared under the name of the legal parent (accounting acquiree), being Ultraclean Marine Limited, and further described within the notes to the consolidated financial statements as a continuation of the financial statements of the legal subsidiary (accounting acquirer), being Ultraclean Fuel Limited and its Controlled Entities.

The following table shows the assets acquired, liabilities assumed and the purchase consideration at the abovementioned acquisition date (off-market takeover date).

	Fair value $
Purchase consideration:	
- Equity instruments	2,274,851
Assets and liabilities acquired:	
- Cash	1,175,998
- Trade receivables	150,000
- Other assets (Bond)	43,333
- Plant and equipment	362,452
- Intangible assets	1,029
- Right-of-use assets	710,680
- Trade payables	(104,870)
- Provisions	(33,778)
- Lease liabilities	(726,668)
Total net identifiable assets	1,578,176
Purchase consideration	2,274,851
Less: Identifiable assets acquired	1,578,176
Goodwill	696,675

Revenue of Ultraclean Technology Limited included in the consolidated revenue of the Group since the acquisition date (off-market takeover date) on 2 March 2021 amounted to $ 116,024 with a loss of $ 650,869.

Had the results of Ultraclean Technology Limited been consolidated from 1 January 2022, revenue of the Group would have been $ 1,212,237 and consolidated loss would have been $ 3,339,680 for the year ended 31 December 2022. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

The goodwill is attributable to synergies expected to be achieved from integrating the Group into the Group's existing businesses. None of the goodwill recognised is expected to be deductible for income tax purposes. On 30 June 2022, the goodwill was tested for impairment. The Group has reviewed the key assumptions related to sensitivity in the cash flow projections and agreed the goodwill needs to be written off.

6 REVENUE AND OTHER INCOME

	2022 $	2021 $
Government subsidies (COVID-19)	-	48,000
R&D tax incentives	510,460	896,693
Administration, Management & Other Fees	-	13,906
Other Income	80	147,771
	510,540	1,106,370

7 INCOME TAX EXPENSE

	2022 $	2021 $
Reconciliation of income tax to accounting profit:		
Loss	(1,484,504)	(2,735,862)
Tax rate	25.00 %	26.00 %
	(371,126)	(711,324)
- expenses - non deductible	(17,914)	359,621
- tax losses not recognised as benefits	(389,040)	(351,703)
Income tax expense	-	-

8 CASH AND CASH EQUIVALENTS

	2022 $	2021 $
CURRENT		
Cash at bank and on hand	145,568	168,768

9 TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
CURRENT		
Trade receivables	13,735	36,124
	13,735	36,124

	2022	2021
	$	$
10 PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
Plant and equipment		
At cost	52,261	373,907
Accumulated depreciation	(18,229)	(122,488)
Total property, plant, and equipment	34,032	251,419

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Total
	$	$
Year ended 31 December 2022		
Balance at the beginning of year	251,419	251,419
Depreciation expense	(20,735)	(20,735)
Write down of assets	(196,652)	(196,652)
Balance at the end of the year	34,032	34,032

	Plant and Equipment	Total
	$	$
Year ended 31 December 2021		
Balance at the beginning of year	14,930	14,930
Additions	282,984	282,984
Depreciation expense	(46,495)	(46,495)
Balance at the end of the year	251,419	251,419

The Directors expect the carrying value of plant and equipment, and intangible assets (as reported under Note 11) will be recovered from future income. Total write down of assets during the 2022 year amounted to $196,652, which comprised mainly of the write down of fixtures and fittings due to exit from 17 Lucca Road office.

11 INTANGIBLE ASSETS

	2022 $	2021 $
NON-CURRENT		
Goodwill		
Cost	-	696,675
Patents, trademarks and other rights		
Cost	639,686	620,477
Accumulated amortisation and impairment	(185,245)	(150,873)
	454,441	469,604
	454,441	1,166,279

(a) *Movements in carrying amounts of intangible assets*

	Patents, trademarks and other rights $	Goodwill $	Total $
Year ended 31 December 2022			
Balance at the beginning of the year	469,604	696,675	1,166,279
Additions	28,919	-	28,919
Amortisation	(34,372)	-	(34,372)
Write down of asset	(9,710)	(696,675)	(706,385)
Closing value at 31 December 2022	454,441	-	454,441

11 INTANGIBLE ASSETS

(a) Movements in carrying amounts of intangible assets

	Patents, trademarks and other rights	Goodwill	Total
	$	$	$
Year ended 31 December 2021			
Balance at the beginning of the year	458,875	-	458,875
Additions	37,568	-	37,568
Amortisation	(26,839)	-	(26,839)
Goodwill	-	696,675	696,675
Closing value at 31 December 2021	469,604	696,675	1,166,279

12 LEASES

The Group has a lease for their office space in Wyong NSW 2259. Due to recent cost cutting exercises, in October 2022, the Group has decided to withdraw from the lease. The lease has therefore been impaired as at 31 December 2022.

Right-of-use assets

	Plant and Equipment	Buildings	Total
	$	$	$
Year ended 31 December 2022			
Balance at beginning of year	-	584,607	584,607
Depreciation charge	-	-	-
Impairment of right-of-use assets	-	(584,607)	(584,607)
Balance at end of year	-	-	-

	Plant and Equipment	Buildings	Total
	$	$	$
Year ended 31 December 2021			
Balance at the beginning of year	-	-	-
Business combination assets acquired	-	751,638	751,638
Depreciation charge	-	(167,031)	(167,031)
Balance at end of year	-	584,607	584,607

12 LEASES

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year	1 - 5 years	Total undiscounted lease liabilities	Lease liabilities included in this Statement Of Financial Position
	$	$	$	$
2022				
Lease liabilities	-	-	-	-
2021				
Lease liabilities	123,244	491,521	614,765	614,765

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

	2022	2021
	$	$
Interest expense on lease liabilities	10,509	12,477
	10,509	12,477

Statement of Cash Flows

Total cash outflow for leases	-	111,903

13 TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	25,460	30,474
Accrued expenses	7,000	-
Other payables	5,550	67,649
	38,010	98,123

14 BORROWINGS

		2022 $	2021 $
CURRENT			
Secured loan - Innovation Structured Finance Co, LLC		-	-
Related party payables	20(c)	124,005	124,005
		124,005	124,005
NON-CURRENT		-	-
Secured loan - Hunter Premium Funding	20(c)	27,591	-
Related party payables		122,000	13,015
		149,591	13,015

15 EMPLOYEE BENEFITS

	2022	2021
CURRENT		
Provision for annual leave	22,219	110,945

16 ISSUED CAPITAL

	2022	2021
97,772,335 (2021: 97,508,789) Ordinary shares	39,908,749	39,645,203
Investment in Ultraclean Marine Limited	2,274,851	2,274,851
Share issue costs	(703,398)	(703,397)
	41,480,202	41,216,657

(a) *Ordinary shares*

	2022 No.	2021 No.
Opening balance	97,508,789	11,972,902
Shares issued during the year	263,546	95,000
Fully paid ordinary shares issued - UCF scrip for scrip off-market takeover (8.4 UCM shares per UCF share)	-	85,440,887
Closing balance	97,772,335	97,508,789

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Group does not have authorised capital or par value in respect of its shares.

(b) *Capital Management*

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Group defines capital as its equity and net debt.

16 ISSUED CAPITAL

(b) Capital Management

There has been no change to capital risk management policies during the year.

The Group manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

(c) Share options

Date Options Granted	Expiry Date	Exercise Price of Shares ($)	Number Under Option
4 March 2020	2 March 2025	$0.25	576,473
4 June 2020	4 June 2025	$0.25	200,000
13 July 2020	13 July 2025	$0.25	220,000
28 September 2020	13 July 2023	$0.25	50,000
13 October 2020	13 October 2023	$0.25	60,000
13 April 2021	13 April 2026	$0.25	200,000
2 September 2021	2 September 2026	$0.25	400,000
31 December 2021	31 December 2026	$0.25	1,200,000
Total under option			2,906,473

17 RESERVES

	2022 $	2021 $
Convertible instruments reserve		
Convertible notes - Storme Pty Ltd - Mark Mackrell	10,000	-
Convertible notes - Euvrard Retirement Fund	10,000	-
Convertible notes - Libertas Solutions ATF Mark Euvrard Family Trust	5,000	-
Convertible notes - Karen Anne Dowsett	20,000	-
Convertible notes - Suzanne McNeil	200,000	-
	245,000	-

18 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks through its use of financial instruments. Due to the size of the Group, a separate finance committee does not exist. The Board of Directors are responsible for the financial risk management and considers future cash flow requirements as required.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

18 FINANCIAL RISK MANAGEMENT

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used:

The principal categories of financial instrument used by the Group are:

- Trade receivables
- Cash at bank
- Credit card facilities
- Trade and other payables
- Lease liabilities
- Related party loans

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management. The Group manages liquidity risk by monitoring forecast and actual cash flows.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

There is not considered to be any significant credit risk associated with cash and cash equivalents as all amounts are represented by deposits with Australian ADIs.

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Market risk

(i) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and the financial liabilities.

The Group's exposure to interest rate risk and effective weighted average interest rate for financial assets and financial liabilities are set out below. No sensitivity analysis has been performed as the movement in variable amounts would not be considered to be material.

(ii) Price risk

The Group does not have any significant price risk and therefore no sensitivity analysis has been performed.

18 FINANCIAL RISK MANAGEMENT

(iii) Foreign exchange risk

The Group is exposed to changes in USD/AUD exchange rates. There was no significant currency risk at year end and therefore no sensitivity analysis has been performed.

19 AUDITOR'S REMUNERATION

	2022 $	2021 $
Remuneration of the auditor National Audits Group Pty Ltd, for auditing and assisting with the compilation of the financial report	30,000	28,500

20 RELATED PARTIES

(a) The Group's main related parties are as follows:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered key management personnel.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

For remuneration paid to key management personnel, refer to Note 21.

Payment made to NR Tec - $70,000 (excl. GST)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(c) Loans to/from related parties

All unsecured loans from Directors and major shareholders have been repaid in cash or converted to equity in prior periods, in line with the terms in the written agreements dating back to 2010. The amounts owing at year end represent accrued interest only.

	$
Loan payable to Directors	
2022	122,000
2021	-
Interest payable to Directors	
2022	124,005
2021	124,005

21 KEY MANAGEMENT PERSONNEL REMUNERATION

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of that entity are considered key management personnel. Key management personnel of the Group remunerated during the financial year included Executive directors, Non-Executive directors, and the Chief Executive Officer (General Manager).

The total remuneration paid to key management personnel of the Group and the Group is $202,783 (2021: $368,742).

22 CONTINGENCIES

In March 2022, Ultraclean Fuel (Transmix) LLC was named as a defendant in a Summons & Complaint lodged in the Pueblo of Laguna Court by Laguna Development Corporation (LDC) and LDC Energy LLC. This complaint relates to an ongoing dispute between LDC and Ultraclean Fuel, LLC. The Company cannot comment on the details of the dispute at this time due to the ongoing legal proceedings. However Ultraclean Fuel (Transmix) LLC has denied liability and intends to utilise counsel provided by its insurer to defend any claims raised. The costs of defending the claim are being met by the Group's insurer.

In the opinion of the Directors, the Group did not have any other contingencies at 31 December 2022.

23 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 28 February 2023 by the board of Directors.

On 19 January 2023, the Company engaged K S Financial to assist and advise the Company and act as Lead Manager with proposed Private Equity raising(s). The Company intends to lodge an Offer Information Statement (OIS) with the Australian Securities & Investments Commission (ASIC) in Q1-23. The OIS offer will likely take the form of a non-renounceable rights issue to Eligible Shareholders to raise up to $2.5 million. The purpose of the Offer is to raise sufficient funds complete pilot testing and a Light Process Design Package with Koch Modular Process Systems in the USA to enable the Company to progress to a final investment decision on a first large scale plant, as well as to provide working capital and cover the estimated costs of the Offer. Subject to the outcome of the entitlements Offer, the Directors reserve the right to seek to progress a placement of shares to new investors at the same price per share as the Offer.

To raise short-term funds to provide for working capital, the Company has issued a limited number of Convertible Notes since the reporting date, with a combined face value of $300,000 at the date of this report.

Following months of hard work, in February 2023 the Company now has a terms sheet pending with one of the world's leading multinational energy and commodity trading companies for two Ultrex® units to remove sulphur from diesel and heavy fuel oil. Pilot testing for the first unit, a 20,000 barrels per day unit, is expected to commence in May this year at the Koch Modular Process Systems (KMPS) test facility in Houston, USA. Building on the lab scale work already done between Ultraclean and KMPS, work with KPMS will involve pilot plant testing using KMPS' proprietary SCHEIBEL® process technology and Ultraclean's proprietary chemistry and catalyst. This pilot testing is critical to the future of the Company.

The key process equipment being used to facilitate the Company's Ultrex® solution will be constructed by KMPS because they have a proven track record with 40+ years of experience and 200+ modular plants installed. Utilising KMPS, and the process performance guarantees that come with the equipment they supply, significantly reduces any perceived technology risk that Ultraclean's prospective clients may have.

23 EVENTS OCCURRING AFTER THE REPORTING DATE

In parallel to the pilot testing, the Company will be working with KMPS to prepare a Light Process Design Package for the first unit, which will provide the required process flow diagrams, design data, equipment lists, and budgetary cost estimates.

A final investment decision on the first unit is expected by the end of 2023. Subject to the final investment decision, the Company expects the first unit to be operational in 2025.

Other than those disclosed in the financial statements, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future years.

24 STATUTORY INFORMATION

The registered office and principal place of business of the Company is:

Level 4, 66 Hunter Street

SYDNEY NSW 2000

AUSTRALIA

25 PARENT ENTITY

On the basis that these consolidated financial statements have been prepared using the reverse acquisition model required under *AASB 3 Business Combinations*, the following information has been extracted from the books and records of the legal parent (accounting acquiree), Ultraclean Technology Limited, and has been prepared in accordance with Australian Accounting Standards.

The financial information for the accounting acquiree, Ultraclean Technology Limited has been prepared on the same basis as the financial statements.

	2022	2021
	$	$
Statement of Financial Position		
Assets		
Current assets	155,774	163,782
Non-current assets	362,499	1,189,831
Total Assets	518,273	1,353,613
Liabilities		
Current liabilities	88,298	344,166
Non-current liabilities	122,000	491,521
Total Liabilities	210,298	835,687
Equity		
Issued capital	4,761,860	4,498,314
Accumulated losses	(4,698,885)	(3,980,388)
Convertible instruments reserve	245,000	-
Total Equity	307,975	517,926
Statement of Profit or Loss and Other Comprehensive Income		
Total loss for the year	(1,415,172)	(1,035,259)
Total comprehensive loss	(1,415,172)	(1,035,259)

Contingent liabilities

Other than the matters disclosed under Note 22, the accounting acquirer did not have any further contingent liabilities as at 31 December 2022.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

ABN: 68 615 222 163

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors of the Group declare that:

1. The financial statements and notes, as set out on pages 8, are in accordance with the *Corporations Act 2001* and:

(a) comply with International Financial Reporting Standards; and

(b) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the year then ended.

2. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Director .... Damon Fletcher

Director .... Grant Gargano

Dated 28 February 2023

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

ABN: 68 615 222 163

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Report on the Audit of the Consolidated Financial Report

Opinion

We have audited the financial report of Ultraclean Technology Limited and Controlled Entities (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year ended; and

(ii) complying with Internation Financial Reporting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial report, which indicates that the Group incurred a net loss of $1,484,504 during the year ended 31 December 2022. The Group also continues to be reliant on further capital raising for continued operations and the provision of working capital. As stated in Note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

ABN: 68 615 222 163

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Responsibilities of Directors for the Consolidated Financial Report

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of preparation and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

ULTRACLEAN TECHNOLOGY LIMITED AND CONTROLLED ENTITIES

ABN: 68 615 222 163

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor's Responsibilities for the Audit of the Consolidated Financial Report (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

National Audits Group Pty Ltd
Authorised Audit Company

Steven J Watson
Managing Director

Sydney

Dated 28 February 2023