UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2019

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number: 001-37515

Aqua Metals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**47-1169572**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification no.)

2500 Peru Dr.
McCarran, Nevada 89437
(Address of principal executive offices, including zip code)

(775) 525-1936
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b)of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common stock: Par value $.001	AQMS	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company (as defined in Rule 12b-2 of the Act):

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [X]
	Emerging growth company [X]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of May 6, 2019, there were 44,766,883 outstanding shares of the common stock of Aqua Metals, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

AQUA METALS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	March 31, 2019 (unaudited)	December 31, 2018 (Note 2)
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,336	$ 20,892
Accounts receivable	426	725
Inventory	1,216	765
Prepaid expenses and other current assets	1,157	370
Total current assets	18,135	22,752
Non-current assets		
Property and equipment, net	46,589	45,548
Intellectual property, net	1,133	1,271
Other assets	3,332	1,800
Total non-current assets	51,054	48,619
Total assets	$ 69,189	$ 71,371
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,035	$ 2,088
Accrued expenses	4,449	5,196
Lease liability, current portion	505	121
Deferred rent, current portion	—	8
Notes payable, current portion	274	311
Convertible note payable, current portion	—	4,075
Total current liabilities	8,263	11,799
Deferred rent, non-current portion	—	27
Lease liability, non-current portion	1,282	110
Asset retirement obligation	756	745
Notes payable, non-current portion	8,610	8,600
Total liabilities	18,911	21,281
Commitments and contingencies		
Stockholders' equity		
Common stock; $0.001 par value; 50,000,000 shares authorized; 44,727,697 and 38,932,437 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	45	39
Additional paid-in capital	157,037	145,147
Accumulated deficit	(106,804)	(95,096)
Total stockholders' equity	50,278	50,090
Total liabilities and stockholders' equity	$ 69,189	$ 71,371

The accompanying notes are an integral part of these condensed consolidated financial statements.

AQUA METALS, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Product sales	$ 437	$ 1,726
Operating cost and expense		
Cost of product sales	4,681	5,436
Research and development cost	620	1,475
General and administrative expense	4,016	1,775
Total operating expense	9,317	8,686
Loss from operations	(8,880)	(6,960)
Other income and expense		
Interest expense	(2,889)	(587)
Interest and other income	63	17
Total other expense, net	(2,826)	(570)
Loss before income tax expense	(11,706)	(7,530)
Income tax expense	(2)	(2)
Net loss	$ (11,708)	$ (7,532)
Weighted average shares outstanding, basic and diluted	43,514,225	27,768,008
Basic and diluted net loss per share	$ (0.27)	$ (0.27)

The accompanying notes are an integral part of these condensed consolidated financial statements.

AQUA METALS, INC.
Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount			
Balances, December 31, 2018	38,932,437	$ 39	$ 145,147	$ (95,096)	$ 50,090
Stock-based compensation	—	—	1,067	—	1,067
Warrants related to Veolia agreement	—	—	578	—	578
Common stock issued upon RSU vesting	317,818	—	—	—	—
Common stock issued for consulting services	302,442	—	1,187	—	1,187
Common stock issued in January 2019 public offering, net of $739 offering costs	5,175,000	5	9,058	—	9,063
Net loss	—	—	—	(11,708)	(11,708)
Balances, March 31, 2019	44,727,697	$ 45	$ 157,037	$ (106,804)	$ 50,278
Balances, December 31, 2017	27,554,076	$ 27	$ 113,780	$ (54,842)	$ 58,965
Stock-based compensation	—	—	144	—	144
Common stock issued under Officers and Directors Purchase Plan	2,034	—	4	—	4
Common stock issued upon RSU vesting	65,600	—	—	—	—
Common stock issued in overallotment related to December 2017 Public Offering, net of $10 transaction cost	1,072,500	2	2,101	—	2,103
Net loss	—	—	—	(7,532)	(7,532)
Balances, March 31, 2018	28,694,210	$ 29	$ 116,029	$ (62,374)	$ 53,684

The accompanying notes are an integral part of these condensed consolidated financial statements.

AQUA METALS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	$ (11,708)	$ (7,532)
Reconciliation of net loss to net cash used in operating activities		
Depreciation	843	778
Amortization of intellectual property	48	47
Accretion of asset retirement obligation	11	11
Fair value of common stock issued for consulting services	1,187	—
Stock-based compensation	1,067	144
Warrant expense	578	—
Amortization of debt discount	—	235
Amortization of deferred financing costs	29	21
Non-cash convertible note interest expense	2,556	163
Non-cash interest expense	101	—
Loss on disposal of Ebonex asset	90	—
Loss on disposal of equipment	79	—
Inventory adjustment	(119)	39
Changes in operating assets and liabilities		
Accounts receivable	299	(444)
Inventory	(332)	267
Prepaid expenses and other current assets	(786)	132
Accounts payable	493	144
Accrued expenses	(684)	83
Deferred rent	(35)	(46)
Other assets and liabilities	(21)	—
Net cash used in operating activities	(6,304)	(5,958)
Cash flows from investing activities:		
Purchases of property and equipment	(1,612)	(1,337)
Other assets	38	—
Net cash used in investing activities	(1,574)	(1,337)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of transaction costs	9,063	2,107
Payments on notes payable	(90)	(69)
Payments on finance leases	—	(39)
Payments on convertible note	(6,651)	—
Net cash provided by financing activities	2,322	1,999
Net decrease in cash and cash equivalents	(5,556)	(5,296)
Cash and cash equivalents at beginning of period	20,892	22,793
Cash and cash equivalents at end of period	$ 15,336	$ 17,497

	Three Months Ended March 31,	
	2019	2018
Supplemental disclosure of cash flows information		
Cash paid for income taxes	$ 2	$ 2
Cash paid for interest	$ 188	$ 168
Supplemental disclosure of non-cash transactions		
Change in property and equipment resulting from change in accounts payable	$ 455	$ 504
Change in property and equipment resulting from change in accrued expenses	$ (103)	$ (213)

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Organization

Aqua Metals, Inc. (the "Company") was incorporated in Delaware and commenced operations on June 20, 2014 (inception). On January 27, 2015, the Company formed two wholly-owned subsidiaries, Aqua Metals Reno, Inc. ("AMR") and Aqua Metals Operations, Inc. (collectively, the "Subsidiaries"), both incorporated in Delaware. The Company is engaged in the business of lead recycling through its patented and patent-pending AquaRefining™ technology. Unlike smelting, AquaRefining is a room temperature, water-based process that emits less pollution than smelting, the traditional method of lead recycling. The Company has built its first recycling facility in Nevada's Tahoe Regional Industrial Complex ("TRIC") in McCarran, Nevada and intends to pursue the development of additional lead acid battery recycling facilities based on the Company's AquaRefining technology, likely through licensing or joint development arrangements. The Company commenced the shipment of products for sale, consisting of lead compounds and plastics, in April 2017, and through March 31, 2018, substantially all revenue was derived from the sale of lead compounds and plastics. In April 2018, the Company began shipping cast lead bullion (mixture of lead purchased to prime the kettles and AquaRefined lead from our AquaRefining process) blocks in addition to lead compounds and plastics and in June 2018, the Company began shipping high purity lead from its AquaRefining process. In March 2019, the Company started the process of scaling its AquaRefining plant.

2. Summary of Significant Accounting Policies

The significant accounting policies and estimates used in preparation of the condensed consolidated financial statements are described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2018, and the notes thereto, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission, or the SEC, on February 28, 2019. There have been no material changes in the Company's significant accounting policies during the three months ended March 31, 2019 except for the implementation of Accounting Standards Update ("ASU") No. 2016-02, Leases, ("ASC 842"), as described below.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as found in the Accounting Standards Codification ("ASC") and ASU of the Financial Accounting Standards Board ("FASB") and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all the information and footnotes required by such accounting principles for complete financial statements. In the opinion of management, all adjustments (which include normal recurring adjustments) considered necessary to present fairly each of the condensed consolidated balance sheet as of March 31, 2019, the condensed consolidated statements of operations for the three months endedMarch 31, 2019 and March 31, 2018, the condensed consolidated statements of stockholders' equity for the three months endedMarch 31, 2019 and March 31, 2018 and the condensed consolidated statements of cash flows for the three months ended March 31, 2019 and March 31, 2018, as applicable, have been made. The condensed consolidated balance sheet as of December 31, 2018 has been derived from the Company's audited financial statements as of such date, but it does not include all disclosures required by U.S. GAAP. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the period ended December 31, 2018, which are included on Form 10-K filed with the Securities and Exchange Commission on February 28, 2019.

The results of operations for the three months endedMarch 31, 2019 are not necessarily indicative of results that may be expected for the year endedDecember 31, 2019.

Principles of consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its Subsidiaries, both of which are wholly-owned subsidiaries. Significant inter-company accounts and transactions have been eliminated in consolidation.

Use of estimates

The preparation of the condensed consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of

contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount and valuation of long-lived assets, the valuation of conversion features of convertible debt, valuation allowances for deferred tax assets, the determination of fair value of estimated asset retirement obligations, the determination of stock option expense and the determination of the fair value of stock warrants issued. Actual results could differ from those estimates.

Net loss per share

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss by the weighted-average number of common share equivalents outstanding for the period determined using the treasury-stock method or the if-converted method, as applicable. For purposes of this calculation, stock options, restricted stock units, or RSUs, and warrants to purchase common stock are considered to be common stock equivalents and are only included in the calculation of diluted net loss per share when their effect is dilutive. The following shares underlying outstanding convertible notes, stock options, RSUs and warrants to purchase common stock were antidilutive due to a net loss in the periods presented and, therefore, were excluded from the dilutive securities computation for the three months ended March 31, as indicated below.

Excluded potentially dilutive securities (1):	Three months ended March 31, 2019	Three months ended March 31, 2018
Convertible note - principal	—	702,247
Options to purchase common stock	3,440,437	561,536
Unvested restricted stock units	244,785	63,600
Financing warrants to purchase common stock	2,444,328	2,340,828
Total potential dilutive securities	6,129,550	3,668,211

(1) The number of shares is based on the maximum number of shares issuable on exercise or conversion of the related securities as of the period end. Such amounts have not been adjusted for the treasury stock method or weighted average outstanding calculations as required if the securities were dilutive.

Segment and geographic information

Operating segments are defined as components of an enterprise engaging in business activities for which discrete financial information is available and regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker views its operations and manages its business in one operating segment, and the Company operates in only one geographic segment.

Concentration of credit risk

Revenues from the following customers each represented at least 10% of total revenue for the three months endedMarch 31, 2019 and 2018, respectively. They also represented a significant portion of our accounts receivable as of March 31, 2019 and December 31, 2018, respectively.

	Revenue		Accounts Receivable	
	Three months ended March 31,			
	2019	2018	March 31, 2019	December 31, 2018
Clarios (successor of Johnson Controls Battery Group, Inc.)	60%	79%	60%	95%
Ocean Partners USA, Inc.	—%	18%	—%	—%
P. Kay Metals	37%	—%	37%	—%

Recently Adopted Accounting Guidance

In February 2016, the FASB issued ASU 2016-02 -*Leases* (ASC 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. ASC 842 supersedes the previous leases standard, ASC 840 Leases. The standard has been adopted as of January 1, 2019. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, which amends ASC Topic 842 to provide another transition method, allowing a cumulative effect adjustment to the opening balance of retained earnings during the period of adoption. The Company has two longer term office leases and one equipment finance lease. The adoption of ASU 2016-02 on January 1, 2019 resulted in the recognition of right-of-use assets of approximately $1.6 million, lease liabilities for operating leases of approximately$1.8 million and no material impact to the Consolidated Balance Sheets and Consolidated Statements of Operations. See Note 9 for further information regarding the impact of the adoption of ASU 2016-02 on the Company's financial statements.

Recent accounting pronouncements

There were no other recent accounting pronouncements or changes in accounting pronouncements during thethree months ended March 31, 2019 that are of significance or potential significance to the Company.

3. Revenue Recognition

The Company generates revenues by recycling lead acid batteries (“LABs”) and selling the recovered lead to its customers. Primary components of the recycling process include sales of recycled lead consisting of lead compounds, ingoted hard lead and ingoted AquaRefined lead as well as plastics. The Company commenced the shipment of products for sale, consisting of lead compounds and plastics, in April 2017, and through March 31, 2018, all revenue was derived from the sale of lead compounds and plastics. In April 2018, the Company began shipping lead bullion in addition to lead compounds and plastics. In June 2018, the Company began shipping high purity lead from its AquaRefining process.

Revenue from products transferred to customers at a single point in time with the delivery of the Company’s products to customers accounted for100% of our revenue during the three months ended March 31, 2019 and 2018.

4. Inventory

Inventory consisted of the following (in thousands):

	March 31, 2019	December 31, 2018
Finished goods	$ 135	$ 43
Work in process	270	164
Raw materials	811	558
Total inventory	$ 1,216	$ 765

5. Property and Equipment, net

Property and equipment, net, consisted of the following (in thousands):

Asset Class	Useful Life (Years)	March 31, 2019	December 31, 2018
Operational equipment	3-10	$ 18,708	$ 15,926
Lab equipment	5	580	698
Computer equipment	3	201	201
Office furniture and equipment	3	336	336
Land	-	1,047	1,047
Building	39	24,842	24,820
Asset retirement cost	20	670	670
Equipment under construction		7,024	7,892
		53,408	51,590
Less: accumulated depreciation		(6,819)	(6,042)
Total property and equipment, net		$ 46,589	$ 45,548

Depreciation expense was $0.8 million and $0.8 million for the three months ended March 31, 2019 and 2018, respectively. Equipment under construction is primarily AquaRefining modules manufactured by the Company to be used in the McCarran, Nevada recycling plant.

6. Asset Retirement Obligation

ASC Topic 410-20, “Asset Retirement and Environmental Obligations, Asset Retirement Obligations” requires the recording of a liability in the period in which an asset retirement obligation (ARO) is incurred, in an amount equal to the discounted estimated fair value of the obligation that is capitalized. In each subsequent fiscal quarter, this liability is accreted up to the final retirement cost. The determination of the ARO is based on an estimate of the future cost to remove and decontaminate the McCarran facility upon closure. The actual costs could be higher or lower than current estimates. The discounted estimated fair value of the closure costs is $0.7 million and the obligation was recorded as of March 31, 2017, when the obligation was deemed to have occurred. Offsetting this ARO is, as noted in Note 5 above, an asset retirement cost of the same amount that has been capitalized. The estimated fair value of the closure costs is based on vendor quotes to remove and decontaminate the McCarran facility in accordance with the Company’s closure plan as filed with the State of Nevada in its “Application for the Recycling of Hazardous Waste, by Written Determination” in 2016. Accretion of the ARO for the three months ended March 31, 2019 and 2018 was $11,000 and $11,000, respectively.

The Company has entered into a facility closure trust agreement for the benefit of the Nevada Division of Environmental Protection (NDEP), an agency of the Nevada Division of Conservation and Natural Resources. Funds deposited in the trust are to be available, when and if needed, for potential decontamination and hazardous material cleanup in connection with the closure and/or post-closure care of the facility. The trustee will reimburse the Company or other persons as specified by the NDEP from the fund for closure and post-closure expenditures in such amounts as the NDEP shall direct in writing. Through March 31, 2019, $670,000 has been contributed to the trust fund.

7. Convertible Note Payable

The convertible note payable at December 31, 2018 was with Interstate Battery Systems International, Inc. (Interstate Battery) and is comprised of the following (in thousands):

	March 31, 2019	December 31, 2018
Convertible note payable	$ —	$ 5,000
Accrued interest	—	1,651
Deferred financing costs, net	—	(20)
Note discount	—	(2,556)
Less current portion	$ —	4,075
Convertible note payable, non-current portion	$ —	$ —

The convertible note payable bore interest at 11% per annum and was due May 24, 2019. The original note discount was calculated as the allocated fair value of the warrants issued in connection with the transaction, which included the issuance of common stock, warrants and the convertible note, as well as the allocated fair value of the embedded conversion feature, subject to limitations on the absolute amount of discount attributable to the convertible notes and its allocated value. The discount was amortized using the effective interest method over the three-year term of the note, maturing on May 24, 2019.

On January 24, 2019, the Company repaid Interstate Battery the outstanding principal and interest on the convertible debt in the amount of $6.7 million. In connection with the payoff, the Company amortized the remaining discount on the note of $2.6 million and remaining deferred financing expenses of $20,000 to interest expense.

8. Notes Payable

AMR entered into a $10,000,000 loan with Green Bank on November 3, 2015. The term of the loan is twenty-one years. During the first twelve months, only interest was payable and thereafter monthly payments of interest and principal are due. The interest rate adjusts on the first day of each calendar quarter to the greater of six percent (6%) or two percent (2%) per annum above the minimum prime lending rate charged by large U.S. money center commercial banks as published in the Wall Street Journal. The terms of the Loan Agreement contain various affirmative and negative covenants. Among them, AMR must maintain a minimum debt service coverage ratio of 1.25 to 1.0 (beginning with the twelve-month period ending March 31, 2017), a maximum debt-to-net worth ratio of 1.0 to 1.0 and a minimum current ratio of 1.5 to 1.0. AMR was in compliance with all but the minimum debt service coverage ratio covenant as of and for each of the calendar quarters in the period March 31, 2017 through March 31, 2019. AMR has received a waiver for the minimum debt service coverage ratio covenant for each of the aforementioned calendar quarters.

The net proceeds of the loan were used for the construction of the Company's lead acid recycling operation in McCarran, Nevada. Collateral for this loan is AMR's accounts receivable, goods, equipment, fixtures, inventory, accessions and a certificate of deposit in the amount of $1,000,000.

The loan is guaranteed by the United States Department of Agriculture Rural Development ("USDA"), in the amount of 90% of the principal amount of the loan. The Company paid a guarantee fee to the USDA in the amount of $270,000 at the time of closing and is required to pay to the USDA an annual fee in the amount of 0.50% of the guaranteed portion of the outstanding principal balance of the loan as of December 31 of each year.

The costs associated with obtaining the Green Bank loan were recorded as a reduction to the carrying amount of the note and are being amortized as interest expense within the condensed consolidated statements of operations over the twenty-one year life of the loan.

Notes payable is comprised of the following (in thousands):

	March 31, 2019	December 31, 2018
Notes payable, current portion		
Capital equipment leases	$ —	$ 16
Green Bank, net of issuance costs	274	295
Total notes payable, current portion	$ 274	$ 311
Notes payable, non-current portion		
Capital equipment leases	$ —	$ 31
Green Bank, net of issuance costs	8,610	8,569
Total notes payable, non-current portion	$ 8,610	$ 8,600

Note: Capital equipment leases are now being accounted for as a finance lease liability.

9. Leases

The Company currently maintains one finance lease for equipment and two operating leases for real estate. Our finance lease is immaterial to our condensed consolidated financial statements. Our operating leases have terms of 76 and 42 months and include one or more options to extend the duration of the agreements. These operating leases are included in "Other non-current assets" on the Company's March 31, 2019 condensed consolidated balance sheet and represent the Company's right to use the underlying assets for the term of the leases. The Company's obligation to make lease payments are included in "Lease liability, current portion" and "Lease liability, non-current portion" on the Company's March 31, 2019 condensed consolidated balance sheet.

Based on the present value of the lease payments for the remaining lease term of the Company's existing leases, the Company's total right-of-use assets were approximately $1.53 million and operating lease liabilities were approximately $1.75 million.

Information related to the Company's right-of-use assets and related lease liabilities were as follows (in thousands):

	Three months ended March 31, 2019
Cash paid for operating lease liabilities	$ 154
Right-of-use assets	$ 1,529
Weighted-average discount rate	9.66 %

Maturities of lease liabilities as of March 31,2019 were as follows (in thousands):

	Three months ended March 31, 2019
Due in 12 month period ended March 31,	
2020	$ 628
2021	$ 647
2022	$ 634
2023	$ 91
Thereafter	$ —
	$ 2,000
Less imputed interest	$ (249)
Total lease liabilities	$ 1,751
Current operating lease liabilities	$ 499
Non-current operating lease liabilities	$ 1,252
	$ 1,751

Note: Excludes a finance lease with current liability of $6 and a non-current liability of $30.

10. Stockholders' Equity

Shares issued

On January 22, 2019, the Company completed a public offering of5,175,000 shares of its common stock, at the price of$1.90 per share, for gross proceeds of$9.8 million. After the payment of underwriter discounts and offering expenses, the Company received net proceeds of approximately$9.1 million.

During the three months ended March 31, 2019, the Company issued189,792 shares of common stock upon vesting of Restricted Stock Units granted by the Company.

During the three months ended March 31, 2019, the Company issued115,731 shares of common stock upon vesting of Restricted Stock Units granted to Board members.

In March 2019, the Company issued293,750 shares of common stock valued at$1.2 million to Veolia North America Regeneration Services, LLC pursuant to the Operations, Maintenance and Management Agreement dated February 27, 2019 between Veolia and the Company.

During the three months ended March 31, 2019, the Company issued20,987 shares of common stock to prior Company executives to fulfill obligations related to separation agreements and other consulting services.

Warrant issued

In January 2019, the Company issued a warrant to purchase 103,500 shares of the Company's common stock to the underwriter of the Company's January 22, 2019 public offering, equal to 2% of the 5,175,000 shares sold. The warrant is exercisable at $1.90 per share (100% of the price of the common stock sold in the offering), commencing the later of six months after January 22, 2019 or such time as the Company amends its charter to increase its authorized shares of common stock. The warrant will expire on January 22, 2024.

Pursuant to the Operations, Maintenance and Management Agreement dated February 26, 2019, the Company has agreed to issue to Veolia, on the one-year anniversary of the Agreement, warrants to purchase 2,000,000 shares of its common stock at an exercise price of $5.00 per share and, on the second anniversary of the Agreement, warrants to purchase an additional 2,000,000 shares of its common stock at an exercise price $7.00 per share. The warrants will have a term of ten years from the date of issuance. The warrants were valued as of the agreement date using the Black-Scholes-Merton pricing model. The value of the warrants is being amortized over the applicable period until the warrants are issued.

Stock-based compensation

The stock-based compensation expense was allocated as follows:

	Three months ended March 31,	
	2019	2018
Cost of product sales	$ 75	$ 50
Research and development cost	115	112
General and administrative expense	877	(18)
Total	$ 1,067	$ 144

The following assumptions were used in the Black-Scholes-Merton pricing model to estimate the fair value of options granted during the periods presented:

	Three months ended March 31,	
	2019	2018
Expected stock volatility	70.5%-86.3%	78.4%-79.9%
Risk free interest rate	0.92%-3.04%	2.06%-2.45%
Expected years until exercise	3.4	3.5
Dividend yield	0%	0%

There were no stock option exercises during the three months ended March 31, 2019 and 2018.

Stock option issuances

In January 2019, Stephen Cotton, President and CEO, was awarded options to purchase up to 232,461 shares of the Company's common stock. The options were vested immediately and are exercisable over a five-year period at an exercise price of $1.88 per share. The options were issued under the Company's Amended and Restated 2014 Stock Incentive Plan, or 2014 Plan.

In January 2019, Judd Merrill, CFO, was awarded options to purchase up to 56,698 shares of the Company's common stock. The options were vested immediately and are exercisable over a five-year period at an exercise price of $1.88 per share. The options were issued under the 2014 Plan.

In February 2019, Stephen Cotton, President and CEO, was awarded options to purchase up to 1.26 million shares of the Company's common stock. Options to purchase 420,000 common shares are exercisable over a five-year period at an exercise price of $3.08 per share. Options to purchase 420,000 common shares are exercisable over a five-year period at an exercise price of $3.68 per share and options to purchase 420,000 common shares are exercisable over a five-year period at an exercise price of $4.18 per share. The options will vest over three years in three equal installments. The options were issued under the Company's 2019 Stock Incentive Plan, or 2019 Plan, and the exercise of the options is subject to stockholder approval of the 2019 Plan and the amendment of the Company's charter to increase its authorized shares of common stock.

In March 2019, Judd Merrill, CFO, was awarded options to purchase up to 250,000 shares of the Company's common stock. Options to purchase 125,000 common shares are exercisable over a five-year period at an exercise price of $3.79 per share. Options to purchase 62,500 common shares are exercisable over a five-year period at an exercise price of $4.39 per share and options to purchase 62,500 common shares are exercisable over a five-year period at an exercise price of $4.89 per share. The options will vest over three years in three equal installments. The options were issued under the 2019 Plan and the exercise of the options is subject to stockholder approval of the 2019 Plan and the amendment of the Company's charter to increase its authorized shares of common stock.

Restricted Stock Units

In January 2019, the Company granted 261,455 restricted stock units (RSUs), all of which were subject to vesting, with a grant fair value of $490,000 to the employees under the 2014 Plan. The shares vest in six equal semi-annual installments over a three year period.

11. Commitments and Contingencies

On April 19, 2018, Stephen Clarke resigned as president and chief executive officer and as a member of the Board. Dr. Clarke's resignation as an officer of the Company was treated as a termination without cause under his employment agreement with the Company. Pursuant to his employment agreement, Dr. Clarke was entitled to one-time severance benefits that includes severance and benefits continuation expense of approximately $0.9 million paid out over a 2-year period in consideration of his execution of a customary release and separation agreement. Additionally, Dr. Clarke was granted an extension of the exercise period of his stock options upon termination from 90 days to 2 years. The expense related to the modification of these stock option awards was approximately $15,000.

On December 3, 2018, Sewlyn Mould resigned as chief operating officer. Mr. Mould's resignation as an officer of the Company was treated as a termination without cause under his employment agreement with the Company. Pursuant to his employment agreement, Mr. Mould was entitled to one-time severance benefits that includes severance and benefits continuation expense of approximately $0.9 million paid out over a 2-year period in consideration of his execution of a customary release and separation agreement. Pursuant to a Separation Agreement and Release between the Company and Mr. Mould, Mr. Mould agreed to receive, in lieu of two years of salary, a cash severance payment of $100,000 payable in six equal installments in accordance with the Company's regular payroll practices, plus an award of restricted stock units that entitle him to receive, for each of the 21 consecutive months commencing on March 1, 2019, $33,333 of the Company's common shares based on volume-weighted average price over the 20 trading days preceding the first business day of the respective month. The Company has reserved the right, at its option, to pay Mr. Mould $33,333 of cash in lieu of any of the 21 monthly share issuances. The Separation Agreement and Release includes customary indemnification, confidentiality, non-disparagement and non-solicitation covenants and agreements of the parties.

Interstate Battery Agreement commitment

Pursuant to the 2016 Interstate Battery Investor Rights Agreement, the Company had agreed to compensate Interstate Battery should either Stephen Clarke, the Company's then current chief executive officer, or Selwyn Mould, the Company's then current chief operating officer, no longer hold such positions or no longer devote substantially all of their business time and attention to the Company, whether as a result of resignation, death, disability or otherwise (such an event referred to as a "key-man event"). The Company had agreed to pay Interstate Battery $2.0 million, per occurrence, if either officer was subject to a key-man event during the two years following May 18, 2016. The Company also agreed to pay Interstate Battery $2.0 million if either or both officers are subject to a key-man event during the third year following May 18, 2016. Pursuant to the Interstate Battery Investor Rights Agreement, the key-man payments are payable, at the option of the Company, in cash or shares of the Company's common stock. Pursuant to the agreement, if Interstate Battery, in its sole and absolute discretion, agrees with the Company on mutually acceptable replacements for Messrs. Clarke and/or Mould, as the case may be, the key-man penalties shall be deemed waived by Interstate Battery.

Interstate Battery had previously raised a claim that the Company was in technical breach of a negative covenant under the Credit Agreement dated May 18, 2016 between the Company and Interstate Battery. The claimed breach related to the Company's failure to obtain Interstate Battery's prior written consent to its acquisition of Ebonex IPR, Ltd.

On June 24, 2018, the Company entered into a series of agreements with Interstate Battery, including an amendment to the Investor Rights Agreement. Pursuant to the amendment to the Investor Rights Agreement, Interstate Battery agreed to waive all payments under the key-man provisions of the Investor Rights Agreement with respect to the resignation of the Company's former chief executive officer, Stephen Clarke. In addition, the parties agreed that the Company, at its option, can elect to eliminate the key-man event and all related key-man payments associated with Mr. Mould by (i) paying Interstate Battery a one-time fee of $0.5 million, payable in cash and (ii) agreeing to pay Interstate Battery $2.0 million, payable at the Company's election in cash or shares of its common stock, should the Company's current president, Stephen Cotton, no longer serve as president of the Company during the period ending May 18, 2019. Additionally:

- With respect to a Credit Agreement dated May 18, 2016 between the Company and Interstate Battery, Interstate Battery waived the alleged breach of the Credit Agreement based on the Company's acquisition of Ebonex IPR, Ltd.;
- The Company adjusted the terms of a warrant to purchase 702,247 shares of its common stock issued to Interstate Battery in May 2016, pursuant to which the exercise price of the warrant was decreased from $7.12 per share to $3.33 per share and the expiration date of the warrant was extended to June 23, 2020; and
- Interstate Battery agreed to provide the Company with more favorable pricing and payment terms under the Supply Agreement dated May 18, 2016 pursuant to which the Company buys used lead acid batteries from Interstate Battery.
- The Company paid Interstate Battery a one time fee of $0.5 million on February 20, 2019 related to the key-man provision associated with Mr. Mould's resignation.

Clarios (successor of Johnson Controls) Agreement Commitment

Pursuant to the Clarios Investor Rights Agreement, the Company has agreed to compensate Clarios should either Stephen Clarke, the Company's then current chief executive officer, or Selwyn Mould, the Company's then current chief operating officer, no longer hold such positions or no longer devote substantially all of their business time and attention to the Company, whether as a result of resignation, death, disability or otherwise (such an event referred to as a "key-man event"). The Company has agreed to pay Clarios $1.0 million per occurrence, if either officer is subject to a key-man event during the 18 months following February 7, 2017. The Company also agreed to pay Clarios $1.0 million if either or both key-man events occur after 18 months and prior to 30 months following February 7, 2017. Pursuant to the agreement, if Clarios, in its sole and absolute discretion, agrees with the Company on mutually acceptable replacements for Dr. Clarke and/or Mr. Mould, as the case may be, the key-man penalties shall be deemed waived by Clarios. In connection with the resignations by Dr. Clarke and Mr. Mould described above, Clarios has submitted to the Company its claim for payment of the key-man penalties in the total amount of $2.0 million. We have agreed to settle the Clarios Key-man penalty claim through our issuance of 807,436 shares of our common stock, which we intend to issue during the week of May 13, 2019. The Company has accrued the $2.0 million at December 31, 2018.

Legal proceedings

Beginning on December 15, 2017, three purported class action lawsuits were filed in the United Stated District Court for the Northern District California against the Company, Stephen Clarke, Thomas Murphy and Mark Weinswig. On March 23, 2018, the cases were consolidated under the caption In Re: Aqua Metals, Inc. Securities Litigation Case No 3:17-cv-7142. On May 23, 2018, the Court appointed lead plaintiffs and approved counsel for the lead plaintiffs. On July 20, 2018, the lead plaintiffs filed a consolidated amended complaint ("Amended Complaint"), on behalf of a class of persons who purchased the Company's securities between May 19, 2016 and November 9, 2017, against the Company, Stephen Clarke, Thomas Murphy and Selwyn Mould. The Amended Complaint alleges the defendants made false and misleading statements concerning the Company's lead recycling operations in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder. The Amended Complaint seeks to hold the individual defendants as control persons pursuant to Section 20(a) of the Exchange Act. The Amended Complaint also alleges a violation of Section 11 of the Securities Act of 1933 ("Securities Act") based on alleged false and misleading statements concerning the Company's lead recycling operations contained in, or incorporated by reference in, the Company's Registration Statement on Form S-3 filed in connection with its November 2016 public offering. That claim is asserted on behalf of a class of persons who purchased shares pursuant to, or that are traceable to, that Registration Statement. The Amended Complaint seeks to hold the individual defendants liable as control persons pursuant to Section 15 of the Securities Act. The Amended Complaint seeks unspecified damages and plaintiffs' attorneys' fees and costs. On September 18, 2018, the defendants filed a motion to dismiss the Amended Complaint in its entirety and the plaintiff subsequently filed its opposition to the motion. In January 2019, the court notified the parties that it will rule on the motion to dismiss without a hearing. The Company denies that the claims in the Amended Complaint have any merit and it intends to vigorously defend the action.

Beginning on February 2, 2018, five purported shareholder derivative actions were filed in the United States District Court for the District of Delaware against the Company and certain of its current and former executive officers and directors, Stephen R. Clarke, Selwyn Mould, Thomas Murphy, Mark Weinswig, Vincent DiVito, Mark Slade and Mark Stevenson. On May 3, 2018, the cases were consolidated under the caption In re Aqua Metals, Inc. Stockholder Derivative Litigation, Case No. 1:18-cv-201-LPS (D. Del.). The complaints were filed by persons claiming to be stockholders of Aqua Metals and generally allege that certain of the Company's officers and directors breached their fiduciary duties to the Company by violating the federal securities laws and exposing the Company to possible financial liability. The complaints seek unspecified damages and plaintiffs' attorneys' fees and costs. The parties have entered into a stipulation staying the action until 30 days after a decision on the Company's motion to dismiss the Amended Complaint in the class action described above. The Company denies that the claims in the shareholder derivative action have any merit and it intends to vigorously defend the action.

The Company may, from time to time, be party to litigation and subject to claims incident to the ordinary course of business. As its growth continues, the Company may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect its future financial position, results of operations or cash flows.

12. Subsequent Events

The Company has evaluated subsequent events through the date which the condensed consolidated financial statements were available to be issued.

Equity Award

On May 3, 2019, the Company granted to its non-executive directors options to purchase an aggregate of173,000 shares of the Company's common stock. The options are exercisable over a five-year period at exercise price of $2.48 per share.

Payment of Key-Man Penalty

On April 19, 2018, Stephen Clarke resigned as our president and chief executive officer and on December 3, 2018 Selwyn Mould resigned as our chief operating officer. As a result of their resignations, Clarios claimed that we became obligated to pay up to $2 million to Clarios, payable, at our option, in cash or shares of our common stock. On May 6, 2019, we agreed to settle the Clarios key-man penalty claim through our issuance of 807,436 shares of our common stock, which we intend to issue during the week of May 13, 2019.

Increase of Authorized Shares

At a special meeting of stockholders held on May 9, 2019, our stockholders approved an amendment to our Amended and Restated Certificate of Incorporation to effect an increase in the number of authorized shares of our common stock from 50,000,000 to 100,000,000. On May 9, 2019, we effected the increase in authorized common stock through our filing of the amendment with the Delaware Secretary of State.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto contained elsewhere in this report. The information contained in this quarterly report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this report and in our other filings with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on February 28, 2019, or our Annual Report.

In this report we make, and from time to time we otherwise make written and oral statements regarding our business and prospects, such as projections of future performance, statements of management's plans and objectives, forecasts of market trends, and other matters that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements containing the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimates," "projects," "believes," "expects," "anticipates," "intends," "target," "goal," "plans," "objective," "should" or similar expressions identify forward-looking statements, which may appear in our documents, reports, filings with the SEC, and news releases, and in written or oral presentations made by officers or other representatives to analysts, stockholders, investors, news organizations and others, and in discussions with management and other of our representatives.

Our future results, including results related to forward-looking statements, involve a number of risks and uncertainties, including those risks included below in Part II, Item 1 "Risk Factors". No assurance can be given that the results reflected in any forward-looking statements will be achieved. Any forward-looking statement speaks only as of the date on which such statement is made. Our forward-looking statements are based upon assumptions that are sometimes based upon estimates, data, communications and other information from suppliers, government agencies and other sources that may be subject to revision. Except as required by law, we do not undertake any obligation to update or keep current either (i) any forward-looking statement to reflect events or circumstances arising after the date of such statement or (ii) the important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or which are reflected from time to time in any forward-looking statement.

General

Aqua Metals (NASDAQ: AQMS) is engaged in the business of lead recycling through its novel, proprietary and patented AquaRefining™ technology. AquaRefining is a room temperature, water and organic acid-based process that greatly reduces environmental emissions. We believe our suite of patented and patent pending AquaRefining technologies will allow the lead-acid battery industry to simultaneously improve the environmental impact of lead recycling and scale recycling production to meet demand. Furthermore, our AquaRefining technologies result in high purity lead. We were formed as a Delaware corporation on June 20, 2014 and since our formation, we have focused our efforts on the development and testing of our AquaRefining process, the construction of our initial lead acid battery, or LAB, recycling facility at the Tahoe-Reno Industrial Center, or TRIC, located in McCarran, Nevada and commercializing the AquaRefining process.

We completed the development of our first LAB recycling facility at TRIC and commenced production of battery breaking and limited operations during the first quarter of 2017. The TRIC facility now produces varying products for commercial sale primarily consisting of ingoted AquaRefined lead, ingoted lead bullion, lead compounds, and plastics. In April 2017, we commenced the shipment of products for sale, consisting of metallic lead, lead compounds and plastics. In April 2018, we commenced the limited production of cast lead bullion, representing a mixture of lead purchased to prime our kettles and AquaRefined lead from our AquaRefining process. In June 2018, we commenced the sale of pure AquaRefined lead in the form of two tonne blocks, and in October 2018 we commenced the sale of AquaRefined lead in the form of battery manufacturing ready ingots. In November 2018, we received official vendor certification from Clarios (the successor to Johnson Controls Battery Group, Inc.) for our AquaRefined lead and in December 2018 we commenced shipments directly to Clarios owned and partner battery manufacturing facilities.

As of the date of this report, we have installed 16 AquaRefining modules at TRIC. Commencing in June 2018, we adopted an operational strategy of limiting the operation of the AquaRefining modules to one or a few at a time as we continued to adjust the AquaRefining modules to enhance their operation. Since we had been operating at a negative contribution margin, we believed this operational strategy would allow us to continue AquaRefined lead production for the Clarios certification process and control costs, while enabling the remaining components of the plant to be upgraded in support of planned increases in production at improved margins due to these upgrades. Between June 2018 and March 2019 we operated the first four of the 16 modules from time to time and made continuous improvements which have led to individual modules running in a steady state producing 100Kg/

hour for several days at a time. Between October and December 2018, we operated one or two AquaRefining Modules at a time on a 24x7 basis. During the first quarter of 2019 we ran one or two modules at a time 24-hours a day, four days a week to allow safe times for some of the key work to be completed for our contribution margin improvement projects. During the first quarter of 2019, we installed a new filter press and a new centrifuge to provide continuous production of the concentrate to the AquaRefining modules, which should also lower our cost of production.

As of the date of this report, we are operating up to four of our initial modules on a 24-hour, seven days a week basis, and have begun the process to roll out modules five through eight to achieve up to 50% of total current plant capacity. This process will be repeated until full production is reached with all 16 modules. Our goal is to operate all 16 modules on a 24/7 continuous basis by the end of 2019. However, due to the delays and unforeseen issues in the completion of the AquaRefining production line we have experienced to date, there can be no assurance that we will not encounter additional delays and issues.

As we endeavor to bring the AquaRefining modules online, we continue our efforts to complete and commission infrastructure and operational improvements intended to improve the contribution margin for our AquaRefined lead production. These infrastructure and operational improvements are expected to allow us to recover and recycle our chemical feedstock more efficiently, which should further improve our contribution margin. In March 2019, we announced that we completed Phase One of our two-phase capital improvement program. Electrolyte recovery is critical to achieving positive contribution margin and during the first quarter of 2019 we were conserving 67% of our target for electrolyte recovery. From the capital improvements made in phase one we expect to conserve 75% of our target for electrolyte recovery starting in second quarter of 2019 and conserve 100% of our target when we complete Phase Two sometime during the second half of 2019. We have already run a successful pilot program for the Phase Two solution of our capital improvement program, which, along with conserving additional electrolyte, should generate higher lead yields for our AquaRefining process, also improving contribution margin.

In February 2017, we entered into a series of agreements with Johnson Controls Battery Group, Inc. and commenced discussions and negotiations with Johnson Controls to develop an appropriate program blueprint, and enter into a definitive development program agreement reflecting that blueprint, pursuant to which we will provide to Johnson Controls and certain strategic partners of Johnson Controls certain licensing, sale and services of our AquaRefining technologies and equipment. In May 2019, the assets and operations of Johnson Controls Battery Group, Inc., including our agreements and collaboration with Johnson Controls, were sold to a Clarios, a newly-organized battery and power solutions company formed by Brookfield Business Partners LP. In this report, we refer to Clarios, as the successor to Johnson Controls Battery Group, Inc., when referring to agreements, actions or discussions between us and Johnson Controls Battery Group, Inc., whether prior to or following the latter's transfer of assets to Clarios.

Since January 1, 2019, we have engaged in the following non-routine transactions:

In January 2019, we completed a public offering of 5,175,000 shares of our common stock, at the price of $1.90 per share, for gross proceeds of $9.8 million. After the payment of underwriter discounts and offering expenses, we received net proceeds of approximately $9.1 million.

On February 26, 2019, after engaging in extensive diligence and engineering evaluations, we signed a contract with Veolia North America Regeneration Services LLC (Veolia) to provide operations, maintenance and management services at Aqua Metals' AquaRefining facility in McCarran, Nevada. Pursuant to the agreement, Veolia contributes operational and technological expertise and organizational capabilities in aqueous-based process chemistries and electrolysis along with assumption of responsibility for operations, supply chain, offtake and management of the plant. Veolia employees began working onsite starting March 4, 2019 at the McCarran facility. In addition to receiving expertise and support from Veolia overall, the agreement provides for Veolia to relocate up to six full-time employees with operations, process engineering and management expertise to join the Aqua Metals team at AquaRefinery in McCarran, Nevada. Veolia has assumed the primary responsibility for scaling the facility through the remainder of 2019 to the goal of operating 16 modules on a continuous basis. The agreement also provides for Veolia and Aqua Metals to work together to plan in 2019 and complete the expansion of the TRIC facility to 32 AquaRefining modules in 2020.

In consideration of the services to be provided by Veolia under the agreement, we agreed to issue to Veolia a total of2,350,000 shares of our common stock in eight quarterly installments of 293,750 shares. Each installment is subject to weighted average antidilution adjustments in the event of our sale of common shares for cash consideration during the preceding quarterly period at a price less than $2.41 per share. In consideration of the antidilution adjustments, the number of shares to be issued in each installment shall be capped at the current market value of $1.25 million based on the volume weighted average price of our shares over the 20 trading days preceding the date for issuance of such installment. We also agreed to issue to Veolia, on the one-year anniversary of the agreement, warrants to purchase an additional 2,000,000 shares of our common stock at an exercise price

of $5.00 per share and, on the second anniversary of the agreement, warrants to purchase an additional 2,000,000 shares of our common stock at an exercise price $7.00 per share. The warrants will have a term of ten years from the date of issuance.

Plan of Operations

Our plan of operations for the 12-month period following the date of this report is to complete the commercial roll-out of all 16 AquaRefining modules installed at TRIC and to ramp up the production of AquaRefined lead. We also intend to install an additional 16 AquaRefining modules at TRIC, subject to the receipt of additional capital and any design improvements that are recommended based on the operation of the first 16 modules.

Additionally, we plan to further improve the plant economics by processing a growing proportion of the metallic lead we recover from breaking batteries within the AquaRefinery and by utilizing the third of our six kettles in the refining area commissioned during the first quarter of 2019. We believe the continuation of this program will improve contribution margin by enabling us to finish a growing proportion of these materials in-house. We announced in March 2019, the first full production run of lead bullion from our newly commissioned third kettle.

In parallel with our efforts to commercialize our existing AquaRefining operations, our 12-month plan of operations also includes our proposal to license our technology and to provide planning, engineering, technical assistance, equipment and other services in support of the addition of an AquaRefining facility to a battery recycling facility owned by Clarios. Licensing could take the form of either a co-processing arrangement whereby we operate our technology in conjunction with an existing smelter or our licensee operates directly utilizing our technology. We are currently discussing with Clarios an appropriate program blue print, and we intend to enter into a definitive development program agreement reflecting that blue print, pursuant to which we will provide Clarios and certain strategic partners of Clarios certain licensing, sale and services of our AquaRefining technologies and equipment. However, there can be no assurance that we will be able to conclude a definitive development agreement with Clarios on terms that benefit us, if at all. See "Risk Factors - Risks Related to Our Business."

Our 12-month plan of operations also includes the pursuit and evaluation of additional strategic relationships, in addition to our recently announced relationship with Veolia, and the licensing of our technology and the provision of equipment and services to other potential strategic partners. However, there can be no assurance that we will be able to effect any of these additional partnerships in the future on commercially reasonable terms, or at all.

Results of Operations

During the first quarter of 2018 product sales consisted of lead compounds and plastics. Product sales during the first quarter of 2019 consisted of high purity lead from our AquaRefining process as well as lead bullion, lead compounds, and plastics. The following table summarizes our results of operations with respect to the items set forth below for the three months ended March 31, 2019 and 2018 together with the percentage change in those items (in thousands).

	Three months ended March 31,			
	2019	2018	Favorable (Unfavorable)	% Change
Product sales	$ 437	$ 1,726	$ (1,289)	(74.7)%
Cost of product sales	4,681	5,436	755	(13.9)%
Research and development cost	620	1,475	855	(58.0)%
General and administrative expense	4,016	1,775	(2,241)	126.3 %
Total operating expense	$ 9,317	$ 8,686	$ (631)	7.3 %

As mentioned previously, product sales consist of high purity lead from our AquaRefining process as well as lead bullion, lead compounds and plastics. Revenue for the three months ended March 31, 2019 decreased approximately 75% compared to

the three months ended March 31, 2018 as a result of our strategic decision to limit the operations of our AquaRefining in order to focus resources on the implementation of plant improvements and enhancing process efficiencies.

Cost of product sales includes raw materials, supplies and related costs, salaries and benefits, consulting and outside services costs, depreciation and amortization costs and insurance, travel and overhead costs. Cost of product sales decreased approximately 14% during the first quarter of 2019 compared to the same period in 2018, in conjunction with the planned slowdown of plant operations. The decrease in cost of sales was not directly proportionate with the decline in product sales revenue as, currently, the majority of our cost during the quarter was fixed. The decrease in cost of product sales due to the planned slowdown in production was offset by the hiring of approximately 25 new production employees in preparation for ramping-up operations.

Research and development cost included expenditures related to the improvement of the AquaRefining technology. During the three months ended March 31, 2019, research and development costs decreased approximately 58% over the comparable period in 2018. The decline in research and development expense is primarily the result of management's focus on preparing the plant for ramping-up operations and a reduced emphasis on research and development activities due to the fact that the technology has matured and we are moving out of the research and development stage. As a result, there has been a reduction in research and development staffing by 25% subsequent to the first quarter of 2018.

General and administrative expense increased approximately 126%, or $2.2 million, for the three-month period ended March 31, 2019 compared to the three months ended March 31, 2018. The most significant drivers of this increase were non-cash expense items. We had $1 million of non-cash expense related to the Veolia agreement (as previously discussed). In addition, non-cash stock based compensation increased by approximately $0.9 million compared to the first quarter of 2018. We also incurred costs of approximately $0.2 million for professional serves fees associated with the sublease of the Alameda facility.

The following table summarizes our other income and interest expense for the three months ended March 31, 2019 and 2018 together with the percentage change in those items (in thousands).

	Three months ended March 31,			
	2019	2018	Favorable (Unfavorable)	% Change
Other (expense) income				
Interest expense	$ (2,889)	$ (587)	$ (2,302)	(392.2)%
Interest and other income	$ 63	$ 17	$ 46	270.6 %

Interest expense related primarily to the $5.0 million Interstate Battery convertible note and the $10.0 million note payable to Green Bank, amortization of debt issuance costs incurred in connection with both of these notes, as well as an accrual for the USDA guarantee fee on the $10.0 million note to Green Bank. On January 24, 2019, we repaid Interstate Battery the outstanding principal and interest on the convertible debt in the amount of $6.7 million. As a result of this debt repayment, we amortized the remaining discount on the note of $2.6 million and remaining deferred financing expenses of $20,000 to interest expense. These non-cash items were the primary cause of the increase in overall interest expense for the first quarter of 2019.

Interest income increased for the three months ended March 31, 2019 compared to the same period in 2018 due to higher cash balances during the quarter.

Liquidity and Capital Resources

As of March 31, 2019, we had total assets of $69.2 million and working capital of $9.9 million.

The following table summarizes our cash used in operating, investing and financing activities (in thousands):

	Three months ended March 31,	
	2019	2018
Net cash used in operating activities	$ (6,304)	$ (5,958)
Net cash used in investing activities	$ (1,574)	$ (1,337)
Net cash provided by financing activities	$ 2,322	$ 1,999

Net cash used in operating activities

Net cash used in operating activities for the three months ended March 31, 2019 and 2018 was $6.3 million and $6.0 million, respectively. Net cash used in operating activities during each of these periods consisted primarily of our net loss adjusted for noncash items such as depreciation, amortization, stock-based compensation charges, and impairment charge as well as net changes in working capital.

Net cash used in investing activities

Net cash used in investing activities for the three months ended March 31, 2019 and 2018 was $1.6 million and $1.3 million, respectively. Net cash used in investing activities during each of these periods consists primarily of purchases of fixed assets related to the build-out of our TRIC recycling facility in Nevada. In March of 2019, we disposed of the capital shares of our UK subsidiary, Ebonex IPR, Ltd. The sale price was a nominal cash amount and did not contribute to net cash used in investing activities.

Net cash provided by financing activities

Net cash provided by financing activities for the three months ended March 31, 2019 consisted of $9.1 million net proceeds from our January 2019 public offering. This increase was offset by a $6.7 million payoff of the Interstate Battery convertible note. Net cash provided by financing activities for the three months ended March 31, 2018 consisted of $2.1 million net proceeds from the January 2018 exercise of the underwriter's overallotment option related to our December 2017 public offering.

As of the date of this report, we believe that our working capital is sufficient to fund our current level of operations at TRIC over the next twelve months. However, we will require additional capital in order to increase production of AquaRefined lead at TRIC beyond the planned 16 modules, and to fund our continued losses from operations until such time as we are able to achieve positive cash flow from operations. We intend to seek additional funds through various financing sources, including the sale of our equity and debt securities, licensing fees for our technology, joint ventures with capital partners and/or project financing of our recycling facilities. However, there can be no guarantees that such funds will be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to further pursue our business plan and we may be unable to continue operations. Additionally, we were not in compliance with the minimum debt service coverage ratio covenant on our loan from Green Bank as of the fiscal quarter ends between March 31, 2017, and March 31, 2019. We received a waiver for the minimum debt service coverage ratio covenant for those periods. While we expect to continue to receive waivers from Green Bank for non-compliance with such covenant, there is no guarantee that we will receive such waivers. If Green Bank determines not to grant us a waiver for non-compliance in the future, we would be in default of the loan and Green Bank would be able to accelerate the payment of all amounts under the loan.

On April 23, 2019, we reached an agreement with our primary lender, Green Bank, to waive certain covenants and allow us to enter into capital and/or operating leases. Pursuant to the waiver, we are approved to enter into capital and/or operating leases in the total amount of up to $5.0 million.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet financing arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We do not enter into financial instruments for trading or speculative purpose. Our primary exposure to market risk is interest expense related to our debt with Green Bank. The interest rate on this loan adjusts on the first day of each calendar quarter equal to the greater of six percent (6%) or two percent (2%) per annum above the minimum prime lending rate charged by large U.S. money center commercial banks as published by the Wall Street Journal. We experience potential market risk with respect to the volatility of lead commodity prices since the purchase price of our primary raw material, used LABs and the sales price of our lead-based finished products are based on commodity pricing. However, due to the relatively short turnaround between the purchase of used LABs and the sale of our finished goods, we believe the risk is minimal.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, management, including our chief executive officer and chief financial officer, concluded that our disclosure controls and procedures were effective as of March 31, 2019.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three-month period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Beginning on December 15, 2017, three purported class action lawsuits were filed in the United Stated District Court for the Northern District California against the Company, Stephen Clarke, Thomas Murphy and Mark Weinswig. On March 23, 2018, the cases were consolidated under the caption In Re: Aqua Metals, Inc. Securities Litigation Case No 3:17-cv-7142. On May 23, 2018, the Court appointed lead plaintiffs and approved counsel for the lead plaintiffs. On July 20, 2018, the lead plaintiffs filed a consolidated amended complaint ("Amended Complaint"), on behalf of a class of persons who purchased the Company's securities between May 19, 2016 and November 9, 2017, against the Company, Stephen Clarke, Thomas Murphy and Selwyn Mould. The Amended Complaint alleges the defendants made false and misleading statements concerning the Company's lead recycling operations in violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder. The Amended Complaint seeks to hold the individual defendants as control persons pursuant to Section 20(a) of the Exchange Act. The Amended Complaint also alleges a violation of Section 11 of the Securities Act of 1933 ("Securities Act") based on alleged false and misleading statements concerning the Company's lead recycling operations contained in, or incorporated by reference in, the Company's Registration Statement on Form S-3 filed in connection with its November 2016 public offering. That claim is asserted on behalf of a class of persons who purchased shares pursuant to, or that are traceable to, that Registration Statement. The Amended Complaint seeks to hold the individual defendants liable as control persons pursuant to Section 15 of the Securities Act. The Amended Complaint seeks unspecified damages and plaintiffs' attorneys' fees and costs. On September 18, 2018, the defendants filed a motion to dismiss the Amended Complaint in its entirety and the plaintiff subsequently filed its opposition to the motion. In January 2019, the court notified the parties that it will rule on the motion to dismiss without a hearing. We deny that the claims in the Amended Complaint have any merit and intend to vigorously defend the action.

Beginning on February 2, 2018, five purported shareholder derivative actions were filed in the United States District Court for the District of Delaware against the Company and certain of our current and former executive officers and directors, Stephen R. Clarke, Selwyn Mould, Thomas Murphy, Mark Weinswig, Vincent DiVito, Mark Slade and Mark Stevenson. On May 3, 2018, the cases were consolidated under the caption In re Aqua Metals, Inc. Stockholder Derivative Litigation, Case No. 1:18-cv-201-LPS (D. Del.). The complaints were filed by persons claiming to be stockholders of Aqua Metals and generally allege that certain of the Company's officers and directors breached their fiduciary duties to the Company by violating the federal securities laws and exposing the Company to possible financial liability. The complaints seek unspecified damages and plaintiffs' attorneys' fees and costs. The parties have entered into a stipulation staying the action until 30 days after a decision on the Company's motion to dismiss the Amended Complaint in the class action described above. We deny that the claims in the shareholder derivative action have any merit and intend to vigorously defend the action.

We may, from time to time, be party to litigation and subject to claims incident to the ordinary course of business. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of any future matters could materially affect our future financial position, results of operations or cash flows.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Before purchasing our common stock, you should read and consider carefully the following risk factors as well as all other information contained in this report, including our consolidated financial statements and the related notes. Each of these risk factors, either alone or taken together, could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock. There may be additional risks that we do not presently know of or that we currently believe are immaterial, which could also impair our business and financial position. If any of the events described below were to occur, our financial condition, our ability to access capital resources, our results of operations and/or our future growth prospects could be materially and adversely affected and the market price of our common stock could decline. As a result, you could lose some or all of any investment you may make in our common stock.

Risks Related to Our Business

Since we have a limited operating history and have only recently commenced revenue producing operations, it is difficult for potential investors to evaluate our business. We formed our corporation in June 2014 and only commenced revenue producing operations in the first quarter of 2017. From inception through March 31, 2019, we generated a total of $6.9 million of revenue, all of which was derived primarily from the sale of lead compounds and plastics and, to a lesser extent, the sale of lead bullion and Aqua Refined lead. To date, our operations have primarily consisted of the development and testing of our AquaRefining process, the construction of our initial LAB recycling facility at TRIC, the continuing development of our LAB recycling operations at TRIC and limited revenue producing operations as we bring those LAB recycling operations online. Our limited operating history makes it difficult for potential investors to evaluate our technology or prospective operations. As an early stage company, we are subject to all the risks inherent in the initial organization, financing, expenditures, complications and delays in a new business, including, without limitation:

- the timing and success of our plan of commercialization and the fact that we continue to experience delays in ramping up our LAB recycling operations at TRIC;
- our ability to bring modules online and ramp up production on a commercial scale;
- our ability to profitably operate our AquaRefining process on a commercial scale;
- our ability to realize the expected benefits of our strategic partnerships with Clarios and Veolia;
- our ability to procure LABs in sufficient quantities at competitive prices; and
- our ability to receive proper certification from and meet the requirements of our customers regarding the purity of our AquaRefined lead.

Investors should evaluate an investment in us in light of the uncertainties encountered by developing companies in a competitive environment. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

Our business is dependent upon our successful implementation of novel and unproven technologies and processes and there can be no assurance that we will be able to implement such technologies and processes in a manner that supports the successful commercial roll-out of our business model. While much of the technology and processes involved in our lead recycling operations are widely used and proven, the AquaRefining component of our lead recycling operations is largely novel and unproven. While we have shown that our proprietary technology can produce AquaRefined lead on a small scale, we have only recently completed, and put into limited operation, the processes that we believe will support the production of AquaRefined lead on a commercial scale. Further, as we complete our AquaRefining production line, we continue to encounter unforeseen complications that have delayed the ramping up of our AquaRefining modules and the integration of our AquaRefining process with the traditional lead recycling operations. There can be no assurance that we will be able to overcome these production and performance issues in a timely manner or that we will not encounter additional unforeseen complications that will cause further delays in our planned commercial roll-out of all 16 AquaRefining modules installed at TRIC and to ramp up the production of AquaRefined lead.

We will need additional financing to execute our business plan and fund operations, which additional financing may not be available on reasonable terms or at all. As of March 31, 2019, we had total cash of $15.3 million and working capital of $9.9 million. As of the date of this report, we believe that we have working capital sufficient to fund our current level of operations at TRIC over the next twelve months. However, we will require additional capital in order to increase production of AquaRefined lead at TRIC beyond the planned 16 modules, to work with Clarios on equipment integration and licensing to third parties and to fund our continued losses from operations until such time as we are able to achieve positive cash flow from operations. There can be no assurance that we will be able to acquire the necessary funding on commercially reasonable terms or at all. There can

also be no assurance we will be able to conclude the proposed development agreement with Clarios. We intend to seek additional funds through various financing sources, including the sale of our equity and debt securities, licensing fees for our technology, joint ventures with capital partners and/or project financing of our recycling facilities. However, there can be no assurance that such funds will be available on commercially reasonable terms, if at all. If such funding is not available on satisfactory terms, we may be unable to further pursue our business plan and we may be unable to continue operations, in which case you may lose your entire investment.

Veolia currently plays a substantial role in the operation and management of our TRIC facility and will potentially play a substantial role in any future facilities we may develop, and there can be no assurance that we will realize the intended benefits of our relationship with Veolia or, if we do, that we will not develop a dependency on Veolia. In February 2019, we entered into an Operations, Management and Maintenance Agreement with Veolia North America Regeneration Services, LLC, or Veolia. Pursuant to the Agreement, Veolia will provide operations, maintenance and management services at our AquaRefining facility at TRIC. We expect Veolia to contribute operational and technological expertise and organizational capabilities in aqueous based process chemistries and electrolysis along with taking on responsibility for operations, supply chain, offtake and management of the plant. While we believe the Agreement will allow us to leverage Veolia's operations and process engineering expertise and supply chain, offtake and waste stream buying power and expertise, there can be no assurance that we will realize the expected benefits our agreement with Veolia. In addition, we have agreed to potentially grant Veolia the right of first refusal to operate and manage any future facilities developed or licensed by us. It is our expectation that Veolia will serve as our go-to-market execution partner to staff and manage AquaRefining facilities with mutually agreed performance metrics for Aqua Metals and our partners. In the event Veolia is successful in operating and managing the recycling facilities developed by us and our licensees, there is a risk that we will become dependent on Veolia for the operational and managerial expertise and labor. There can be no assurance that Veolia will be successful in managing our recycling facilities and those of our partners. There can also be no assurance that Veolia will continue to provide such services in the future, in which case the loss of Veolia as our service provider could cause a serious disruption in our operations.

There can be no assurance that we will be able to negotiate a long-term agreement with Veolia, in which case we may lose Veolia's services at the end of the two-year term of our initial agreement. Our Operations, Management and Maintenance Agreement (the "Agreement") with Veolia is for a two-year term. Pursuant to the Agreement, we have agreed to enter into good faith negotiations for a longer-term version of the Agreement that will provide for Veolia's management and operation of the TRIC facility for a ten-year term, including expanding our TRIC facility to 32 AquaRefining modules. We have agreed with Veolia to use our good faith commercial best-efforts to conclude negotiations for the long-term agreement by September 30, 2020. We have also agreed to enter into good faith negotiations with Veolia for a long-term agreement concerning Veolia's participation in the commercial licensing and management of our future AquaRefining facilities developed by licensees of Aqua Metals. We have agreed with Veolia to use our good faith commercial best-efforts to conclude negotiations for the long-term licensing and future facilities agreement by June 30, 2020. There can be no assurance that we will be able to negotiate and conclude definitive long-term agreements with Veolia on commercially reasonable terms, or at all. If we are unable to conclude long-term agreements with Veolia by the designated dates, it is likely that we will lose Veolia as the operator and manager of our TRIC facility.

Additionally, pursuant to the Agreement, Veolia may elect to terminate the Agreement in the event that we fail to secure sufficient financing by September 30, 2019. The purpose of the financing is to implement the expansion of our TRIC facility to 32 AquaRefining modules. There can be no assurance that we will be able to secure sufficient financing by September 30, 2019. If we are unable to do so, we may not only lose Veolia as our partner to manage the TRIC facility, but we also may not be able to expand our TRIC facility to 32 AquaRefining modules by 2020.

We are subject to restrictive debt covenants that may limit our ability to run our business, finance our capital needs and pursue business opportunities and activities. As of the date of this report, we are indebted to Green Bank for approximately $9.5 million, which is secured by liens on substantially all of our assets. The credit agreement governing such indebtedness contains covenants that limit our ability to take certain actions. These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest. If we breach any of these covenants, the debt holder could declare a default under the credit agreement, in which case all of the indebtedness may then become immediately due and payable. If the debt under the credit agreement is accelerated, we may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, since all of the indebtedness to Green Bank is secured by substantially all of our assets, a default under the credit facility could enable the debt holder to foreclose on its security interest and attempt to seize our assets. The affirmative and negative debt covenants could materially adversely impact our ability to operate and finance our business. In addition, our default under any of these covenants could subject us to accelerated debt payments or foreclosure proceedings that could threaten our ability to continue as a going concern.

Additionally, we were not in compliance with the minimum debt service coverage ratio covenant on our loan from Green Bank as of the fiscal quarter ends between March 31, 2017, and March 31, 2019. We received a waiver for the minimum debt

service coverage ratio covenant for those periods. While we expect to continue to receive waivers from Green Bank for non-compliance with such covenant, there is no guarantee that we will receive such waivers. If Green Bank determines not to grant us a waiver for non-compliance in the future, we would be in default of the loan and Green Bank would be able to accelerate the payment of all amounts under the loan.

In the event of the acceleration of the Green Bank loan, we will need additional financing to satisfy our obligations under the loan, which additional financing may not be available on reasonable terms or at all. As noted above, as of the date of this report, we are indebted to Green Bank for approximately $9.5 million. The credit agreement governing such indebtedness contain various affirmative and negative covenants and if we breach any of these covenants, the debt holder could declare a default under the credit agreement, in which case all of the indebtedness may then become immediately due and payable. If the debt under the credit agreement is accelerated, we may not have sufficient funds to make the accelerated payments, in which case we would be required to seek additional funds through various financing sources, most likely through the sale of our equity or debt securities. However, there can be no assurance that such funds will be available on commercially reasonable terms, if at all. Further, any sale of our equity or equity-linked securities will result in additional dilution to our stockholders.

Our outstanding debt may make it difficult for us obtain additional financing using our future operating cash flow.We currently owe approximately $9.5 million to Green Bank as of the date of this report. Such indebtedness could limit our ability to borrow additional funds to fund operations or expansion or increase the cost of any such borrowing, or both. Our inability to conduct additional debt financing could:

- limit our flexibility in developing our business operations and planning for, or reacting to, changes in our business;
- increase our vulnerability to, and reduce our flexibility to respond to, general adverse economic and industry conditions; and
- place us at a competitive disadvantage as compared to our competitors that are not as highly leveraged.

Any of these or other consequences or events could have a material adverse effect on our ability to finance our business and our operations.

Our business model is new and has not been proven by us or anyone else We are engaged in the business of producing recycled lead through a novel and unproven technology. While the production of recycled lead is an established business, to date all recycled lead has been produced by way of traditional smelting processes. To our knowledge, no one has successfully produced recycled lead in commercial quantities other than by way of smelting. In addition, our lead recycling production line at TRIC is the first-of-its-kind and neither we nor anyone else has ever successfully built a production line that commercially recycles LABs without smelting. While we have commenced limited lead recycling operations at our TRIC facility, through March 31, 2019 all of our revenues have been derived primarily from the sale of lead compounds and plastics and to a lesser extent, the sale of lead bullion and AquaRefined lead. In April 2018, we commenced the limited production of cast lead bullion (mixture of lead purchased to prime the kettles and AquaRefined lead from our AquaRefining process), and in June 2018 we commenced the sale of AquaRefined lead in the form of two tonne blocks. In addition to the general risks associated with a novel and unproven technology, our business model is subject to a number of related risks, including:

- our ability to acquire sufficient quantities of used LABs at competitive prices;
- our ability to produce AquaRefined lead that is priced competitively with lead produced by traditional smelting;
- our ability to produce AquaRefined lead on a commercial scale and at an adequate gross profit; and
- our ability to sell our AquaRefined lead at prices and in quantities that provide an adequate net profit from operations.

Further, there can be no assurance that we will be able to produce AquaRefined lead in commercial quantities at a cost of production that will provide us and our proposed licensees with an adequate profit margin. The uniqueness of our AquaRefining process and our production line at TRIC presents potential risks associated with the development of a business model that is untried and unproven. As of the date of this report, we have begun to ramp up our existing AquaRefining modules into commercial operation, however we have experienced performance and production issues and there can be no assurance that we will be able to overcome these production and performance issues in a timely manner or that we will not encounter additional unforeseen complications that will cause further delays in our planned commercial roll-out of our AquaRefining modules and the ramp up the production of AquaRefined lead.

Certain industry participants may have the ability to restrict our access to used LABs and otherwise focus significant competitive pressure on us We believe that our primary competition will come from operators of existing smelters and other parties invested in the existing supply chain for smelting, both of which may resist the change presented by our AquaRefining process. Competition from such incumbents may come in the form of restricted access to used LABs. We believe that LAB manufacturers who also maintain their own smelting operations control a significant part of the market for used LABs. We will

require access to used LABs at market prices in order to carry out our business plan. If those LAB manufacturers and others involved in the reverse supply chain for used LABs attempt to restrict our access to used LABs, that may adversely affect our prospects and future growth. There can be no assurance that we will be able to effectively withstand the pressures applied by our competition.

Even if we are successful in recycling lead using our processes, there can be no assurance that the AquaRefined lead will meet the certification and purity requirements of our potential customers. A key component of our business plan is to produce recycled lead through our AquaRefining process of the highest purity (at least 99.99% pure lead), which we refer to as AquaRefined lead. We believe that our AquaRefined lead will provide us with a revenue premium over the market price of lead on the London Metal Exchange, or LME, and, more importantly, our ability to produce AquaRefined lead will be vital to confirming the efficacy and relevancy of our proprietary technology. Our customers will require that our AquaRefined lead meet certain minimum purity standards and, in all likelihood, require independent assays to confirm the lead's purity. As of the date of this report, we have produced limited quantities of AquaRefined lead and in November 2018 Clarios confirmed its approval of the purity of our AquaRefined lead by providing to us official vendor approval to receive finished lead at its manufacturing facilities. However, we have not produced AquaRefined lead in commercial quantities and there can be no assurance that we will be able to do so or, if we are able to produce AquaRefined lead in commercial quantities, that such lead will continue to meet the required purity standards of our customers.

While we have been successful in producing AquaRefined lead in small volumes, there can be no assurance that we will be able to replicate the process, along with all of the expected economic advantages, on a large commercial scale either for us or our prospective licensees. As of the date of this report, our commercial operations have primarily involved the production of lead compounds and plastics from recycled LABs and, to a lesser extent, the sale of lead bullion and Aqua Refined lead. In April 2018, we commenced the limited production of cast lead bullion (mixture of lead purchased to prime the kettles) and AquaRefined lead from our AquaRefining process, and in June 2018 we commenced the sale of pure AquaRefined lead in the form of two tonne blocks. While we believe that our development, testing and limited production to date has validated the concept of our AquaRefining process, the limited nature of our operations to date are not sufficient to confirm the economic returns on our production of recycled lead. There can be no assurance that the commencement of commercial production of AquaRefined lead at our TRIC facility will not incur unexpected costs or setbacks that might restrict the desired scale of our intended operations or that we will be to produce AquaRefined lead in commercial quantities at a cost of production that will provide us and our proposed licensees with an adequate profit margin.

We have completed the construction of our initial LAB recycling facility at TRIC, however we have been delayed in the ramping up of our lead recycling operations at TRIC and we may encounter further delays. We completed the construction of our initial LAB recycling facility at TRIC in August 2016 and commenced the limited production of recycled lead in the first quarter of 2017. However, we only recently commenced the limited commercial production of AquaRefined lead. We have encountered production and performance issues that have impaired and delayed our ability to ramp up the production of AquaRefined lead. There can be no assurance that we will not encounter additional production and performance issues in the future or, if we do, be able to overcome them in a timely manner. In addition, since our lead recycling production line at TRIC is the first-of-its-kind, neither we nor anyone else has ever built a facility of this nature and there can be no assurance that we will not experience additional operational delays and issues, including significant downtime from time to time, as we progress into the commercial production of AquaRefined lead. There can be no assurance that the commencement of commercial AquaRefining operations at our TRIC facility will not incur unexpected costs or hurdles that might restrict the desired scale of our intended operations or negatively impact our projected gross profit margin.

We were able to successfully staff our operations 24/7 in April 2019, supporting continuous production of one to four AquaRefining modules at any given time. However, as we begin to roll out modules five through eight, we may face additional delays and incur more costs that could restrict our ability to maintain 24/7 capabilities. Such setbacks could also delay our ability to reach our target of having 16 AquaRefining modules in operation by the end of 2019.

Our business may be negatively affected by labor issues and higher labor costs. Our ability to maintain our workforce depends on our ability to attract and retain new and existing employees. As of the date of this report, none of our employees are covered by collective bargaining agreements and we consider our labor relations to be acceptable. However, we could experience workforce dissatisfaction which could trigger bargaining issues, employment discrimination liability issues as well as wage and benefit consequences, especially during critical operation periods. We could also experience a work stoppage or other disputes which could disrupt our operations and could harm our operating results. In addition, legislation or changes in regulations could result in labor shortages and higher labor costs. There can be no assurance that we may not experience labor issues that negatively impact our operations or results of operations.

Our intellectual property rights may not be adequate to protect our business As of the date of this prospectus supplement, we have secured granted/allowed patents in the following countries/regions: U.S. (9837689, allowed 14/957026 and 15/527749), Canada (2930945), China (105981212, allowed 201680041675.8), Europe (3072180), Eurasia (allowed 201691047), South Africa (2016-04083), Korea (101739414, 101882932, 101926033), Japan (6173595), Mexico (357027), OAPI (17808), Ukraine (118037), and Australia (2014353227, 2015350562, allowed 2017213449).

We also have further patent applications pending in the United States and numerous corresponding patent applications pending in 20 additional jurisdictions relating to certain elements of the technology underlying our AquaRefining process and related apparatus and chemical formulations. However, no assurances can be given that any patent issued, or any patents issued on our current and any future patent applications, will be sufficiently broad to adequately protect our technology. In addition, we cannot assure you that any patents issued now or in the future will not be challenged, invalidated, or circumvented.

Even patents issued to us may not stop a competitor from illegally using our patented processes and materials. In such event, we would incur substantial costs and expenses, including lost time of management in addressing and litigating, if necessary, such matters. Additionally, we rely upon a combination of trade secret laws and nondisclosure agreements with third parties and employees having access to confidential information or receiving unpatented proprietary know-how, trade secrets and technology to protect our proprietary rights and technology. These laws and agreements provide only limited protection. We can give no assurance that these measures will adequately protect us from misappropriation of proprietary information.

Our processes may infringe on the intellectual property rights of others, which could lead to costly disputes or disruptions The applied science industry is characterized by frequent allegations of intellectual property infringement. Though we do not expect to be subject to any of these allegations, any allegation of infringement could be time consuming and expensive to defend or resolve, result in substantial diversion of management resources, cause suspension of operations or force us to enter into royalty, license, or other agreements rather than dispute the merits of such allegation. If patent holders or other holders of intellectual property initiate legal proceedings, we may be forced into protracted and costly litigation. We may not be successful in defending such litigation and may not be able to procure any required royalty or license agreements on acceptable terms or at all.

Our business strategy includes licensing arrangements and entering into joint ventures and strategic alliances, however as of the date of this report we have no such agreements in place and there can be no assurance we will be able to do so. Failure to successfully integrate such licensing arrangements, joint ventures, or strategic alliances into our operations could adversely affect our business. We propose to commercially exploit our AquaRefining process, in part, by licensing our technology to third parties and entering into joint ventures and strategic relationships with parties involved in the manufacture and recycling of LABs, including Clarios, among others. However, as of the date of this report, we have not entered into any such licensing, joint venture or strategic alliance agreements, apart from our equipment supply agreement with Clarios, and there can be no assurance that we will be able to do so on terms that benefit us, if at all. In addition, licensing programs, joint ventures and strategic alliances may involve significant other risks and uncertainties, including distraction of management's attention away from normal business operations, insufficient revenue generation to offset liabilities assumed and expenses associated with the transaction, and unidentified issues not discovered in our due diligence process, such as product quality, technology issues and legal contingencies. In addition, we may be unable to effectively integrate any such programs and ventures into our operations. Our operating results could be adversely affected by any problems arising during or from any licenses, joint ventures or strategic alliances.

There can be no assurance that we will be able to negotiate our key agreement with Clarios on commercially reasonable terms, or at allIn February 2017, we entered into a series of agreements with Clarios, including an equipment supply agreement pursuant to which, among other things, we agreed to work with Clarios on the development of a program for the conversion of Clarios and certain strategic partners of Clarios' existing lead smelters throughout North and South America, China and Europe to a lead recycling process utilizing our AquaRefining technology and equipment, know-how and services. The equipment supply agreement discusses the development of the conversion program in general terms and contemplates that the parties will enter into a definitive development program agreement that is based on the general terms set forth in the equipment supply agreement and provides more detailed terms and conditions, including the economic obligations and rights of each party. We have agreed not to license our AquaRefining technology and equipment to third parties in the aforementioned regions until such time as we and Clarios have agreed on certain matters relating to the initial conversion of a Clarios facility. Clarios and we have agreed to use good faith, commercial best-efforts to conclude the discussion and negotiation of a development program agreement no later than April 30, 2019. Although we have passed the specified deadline, we are continuing to work with Clarios to conclude the discussion and negotiation of the development program agreement. The equipment supply agreement may be terminated by either party upon 60 days' prior written notice if the parties have not entered into the development program agreement by June 30, 2019, however we are currently discussing with Clarios an appropriate extension to that deadline. There can be no assurance that we will be able to negotiate and conclude a definitive development program agreement with Clarios on commercially reasonable terms, or at all.

The division of Johnson Controls with which we interact was recently sold and there can be no assurance that the new owners of the division will maintain the same level of interest in and commitment to the proposed joint development of our AquaRefining technologies. On May 1, 2019, Johnson Controls International plc announced that it had completed the sale of its battery group assets, formerly held by Johnson Controls Battery Group, Inc., to Brookfield Business Partners L.P. The acquired battery group assets will operate under the name Clarios. Based on our conversations with Johnson Controls, it is our understanding that the agreements and proposed business projects between us and Johnson Controls Battery Group, Inc. are now under the control of Clarios, and that certain members of the former management of Johnson Controls Battery Group, Inc. will be employed in similar capacities by Clarios. We have also been advised that Clarios and Brookfield Business Partners L.P. have expressed their interest in continuing the collaboration initiated by us and Johnson Controls Battery Group, Inc. While we have no reason to believe that Clarios and Brookfield Business Partners L.P. do not have the same level of interest in our joint collaboration as that held by Johnson Controls Battery Group, Inc., there can be no assurance that Clarios currently has, and will maintain, the same level of interest in our joint collaboration, either due to their lack of interest in our technologies or the existence of competing priorities. In addition, the change of control of the battery group may cause disruptions and distractions that adversely affect its ability to further the collaboration initiated by us and Johnson Controls Battery Group, Inc. For these and other reasons, there can be no assurance that Johnson Controls' sale of its battery group assets to Brookfield Business Partners L.P. will not have a material adverse effect on the collaboration initiated by us and Johnson Controls Battery Group, Inc.

We are dependent on a limited number of suppliers of certain materials used in our AquaRefining process and our inability to obtain these materials as and when needed could cause a material disruption in our operations. Our AquaRefining process involves a significant number of elements, chemicals, solvents and other materials, in addition to used LABs. There are a limited number of suppliers of certain materials used in our AquaRefining process and we have no agreements in place for our supply of such materials. Our ability to conduct our AquaRefining process on a commercial scale will depend significantly on obtaining timely and adequate supply of these materials on competitive terms. Our inability to source these materials on a timely and cost-efficient manner could interrupt our operations, significantly limit our revenue sales and increase our costs. This factor could also impair our ability to meet our commitments to supply our customers. Our inability to obtain these materials as and when needed could cause a material disruption in our operations.

If we are unable to manage future expansion effectively, our business, operations and financial condition may suffer significantly, resulting in decreased productivity. If our AquaRefining process proves to be commercially viable, growth and expansion activities could place a significant strain on our managerial, administrative, technical, operational and financial resources. Our organization, procedures and management may not be adequate to fully support the expansion of our operations or the efficient execution of our business strategy. If we are unable to manage future expansion effectively, our business, operations and financial condition may suffer significantly, resulting in decreased productivity.

We may experience significant fluctuations in raw material prices and the price of our principal product, either of which could have a material adverse effect on our liquidity, growth prospects and results of operations. Used LABs are our primary raw material and we believe that in recent years the cost of used LABs has been volatile at times. In addition, we believe that the cost of used LABs can be seasonal, with prices trending lower in the winter months (as automobile owners increase their purchase of new LABs, thereby putting a greater number of used LABs on the market) and trend higher in the spring (as the purchase of new LABs, and supply of used LABs, decreases). Our principal product, recycled lead, has also experienced price volatility from time to time as well. For example, the market price of lead on the LME during 2018 ranged from approximately $1,900 to $2,700 per tonne. While we intend to pursue supply and tolling arrangements as appropriate to offset any price volatility, the volatile nature of prices for used LABs and recycled lead could have an adverse impact on our liquidity, growth prospects and results of operations.

Global economic conditions could negatively affect our prospects for growth and operating results Our prospects for growth and operating results will be directly affected by the general global economic conditions of the industries in which our suppliers, partners and customer groups operate. We believe that the market price of our principal product, recycled lead, is relatively volatile and reacts to general global economic conditions. Lead prices decreased from $2,139 per tonne on May 5, 2015 to a low of $1,554 per tonne on November 23, 2015 because of fluctuations in the market. A month later, the price per tonne increased back up to $1,801 per tonne; the price on March 31, 2019 was $2,034 per tonne. Our business will be highly dependent on the economic and market conditions in each of the geographic areas in which we operate. These conditions affect our business by reducing the demand for LABs and decreasing the price of lead in times of economic down turn and increasing the price of used LABs in times of increasing demand of LABs and recycled lead. There can be no assurance that global economic conditions will not negatively impact our liquidity, growth prospects and results of operations.

We are subject to the risks of conducting business outside the United States A part of our strategy involves our pursuit of growth opportunities in certain international market locations. We intend to pursue licensing or joint venture arrangements with local partners who will be primarily responsible for the day-to-day operations. Any expansion outside of the US will require significant management attention and financial resources to successfully develop and operate any such facilities, including the sales, supply and support channels, and we cannot assure you that we will be successful or that our expenditures in this effort will not exceed the amount of any resulting revenues. Our international operations expose us to risks and challenges that we would otherwise not face if we conducted our business only in the United States, such as:

- increased cost of enforcing our intellectual property rights;
- heightened price sensitivities from customers in emerging markets;
- our ability to establish or contract for local manufacturing, support and service functions;
- localization of our LABs and components, including translation into foreign languages and the associated expenses;
- compliance with multiple, conflicting and changing governmental laws and regulations;
- foreign currency fluctuations;
- laws favoring local competitors;
- weaker legal protections of contract terms, enforcement on collection of receivables and intellectual property rights and mechanisms for enforcing those rights;
- market disruptions created by public health crises in regions outside the United States;
- difficulties in staffing and managing foreign operations, including challenges presented by relationships with workers' councils and labor unions;
- issues related to differences in cultures and practices; and
- changing regional economic, political and regulatory conditions.

U.S. Government regulation and environmental, health and safety concerns may adversely affect our business Our operations in the United States will be subject to the Federal, State and local environmental, health and safety laws applicable to the reclamation of lead acid batteries. Our facilities will have to obtain environmental permits or approvals to operate, including those associated with air emissions, water discharges, and waste management and storage. We may face opposition from local residents or public interest groups to the installation and operation of our facilities. In addition to permitting requirements, our operations are subject to environmental health, safety and transportation laws and regulations that govern the management of and exposure to hazardous materials such as the lead and acids involved in battery reclamation. These include hazard communication and other occupational safety requirements for employees, which may mandate industrial hygiene monitoring of employees for potential exposure to lead. Failure to comply with these requirements could subject our business to significant penalties (civil or criminal) and other sanctions that could adversely affect our business.

In August 2018, the Nevada Occupational Safety and Health Administration, or Nevada OSHA, delivered to us a citation and notification of penalty. The citation listed a number of items related to our compliance with Nevada OSHA's Lead Standard. We reached a settlement agreement with Nevada OSHA on the amount of penalties associated with the citation. We also agreed to engage a lead compliance expert to audit our facility at TRIC for compliance with all provision of the Lead Standard and to generate a written report with findings of any noncompliance, recommended corrective actions, and a timeframe to correct the findings of noncompliance. We agreed with Nevada OSHA to correct all findings of noncompliance within the timeframe proposed by the lead compliance expert in their report. The lead compliance expert has been engaged, has visited the facility at TRIC and is in the process of completing the written report. We intend to correct any findings of noncompliance in a timely manner.

In the event we are unable to present and operate our AquaRefining process and operations as safe and environmentally responsible, we may face opposition from local governments, residents or public interest groups to the installation and operation of our facilities.

The development of new AquaRefining facilities by us or our partners or licensees, and the expansion of our operations at TRIC, will depend on our ability to acquire necessary permits and approvals, of which there can be no assurance. As noted above, our AquaRefining facilities will have to obtain environmental permits or approvals to operate, including those associated with air emissions, water discharges, and waste management and storage. In addition, we expect that our planned expansion of AquaRefining operations at TRIC will require additional permitting and approvals. Failure to secure (or significant delays in securing) the necessary permits and approvals could prevent us and our partners and licensees from pursuing additional AquaRefining facilities or expanding operations at TRIC, and otherwise adversely affect our business, financial results and growth prospects. Further, the loss of any necessary permit or approval could result in the closure of an AquaRefining facility and the loss of our investment associated with such facility.

Our business involves the handling of hazardous materials and we may become subject to significant fines and other liabilities in the event we mishandle those materials. The nature of our operations involves risks, including the potential for exposure to hazardous materials such as lead, that could result in personal injury and property damage claims from third parties, including employees and neighbors, which claims could result in significant costs or other environmental liability. Our operations also pose a risk of releases of hazardous substances, such as lead or acids, into the environment, which can result in liabilities for the removal or remediation of such hazardous substances from the properties at which they have been released, liabilities which can be imposed regardless of fault, and our business could be held liable for the entire cost of cleanup even if we were only partially responsible. We are also subject to the possibility that we may receive notices of potential liability in connection with materials that were sent to third-party recycling, treatment, and/or disposal facilities under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and comparable state statutes, which impose liability for investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination, and for damages to natural resources. Liability under CERCLA is retroactive, and, under certain circumstances, liability for the entire cost of a cleanup can be imposed on any responsible party. Any such liability could result in judgments or settlements that restrict our operations in a manner that materially adversely effects our operations and could result in fines, penalties or awards that could materially impair our financial condition and even threaten our continued operation as a going concern.

We will be subject to foreign government regulation and environmental, health and safety concerns that may adversely affect our business As our business expands outside of the United States, our operations will be subject to the environmental, health and safety laws of the countries where we do business, including permitting and compliance requirements that address the similar risks as do the laws in the United States, as well as international legal requirements such as those applicable to the transportation of hazardous materials. Depending on the country or region, these laws could be as stringent as those in the US, or they could be less stringent or not as strictly enforced. In some countries in which we are interested in expanding our business, such as Mexico and China, the relevant environmental regulatory and enforcement frameworks are in flux and subject to change. Compliance with these requirements will cause our business to incur costs, and failure to comply with these requirements could adversely affect our business.

In the event we are unable to present and operate our AquaRefining process and operations as safe and environmentally responsible, we may face opposition from local governments, residents or public interest groups to the installation and operation of our facilities.

Risks Related to Owning Our Common Stock

A securities class action lawsuit and shareholder derivative lawsuit are pending against us and could have a material adverse effect on our business, results of operations and financial condition. A putative consolidated class action lawsuit and shareholder derivative lawsuit are pending against us and certain of our current and former directors and officers. These lawsuits may divert financial and management resources that would otherwise be used to benefit our operations. Although we deny the material allegations in the lawsuits and intend to defend ourselves vigorously, defending the lawsuits could result in substantial costs. No assurances can be given that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have a material adverse effect on our results of operations and financial condition. In addition, we may be the target of securities-related litigation in the future, both related and unrelated to the existing class action and shareholder derivative lawsuits. Such litigation could divert our management's attention and resources, result in substantial costs, and have an adverse effect on our business, results of operations and financial condition.

We maintain director and officer insurance that we regard as reasonably adequate to protect us from potential claims; however, we are responsible for meeting certain deductibles under the policies and, in any event, we cannot assure you that the insurance coverage will adequately protect us from claims made. Further, as a result of the pending litigation the costs of insurance may increase and the availability of coverage may decrease. As a result, we may not be able to maintain our current levels of insurance at a reasonable cost, or at all, which might make it more difficult to attract qualified candidates to serve as executive officers or directors.

Our common stock is thinly traded and our share price has been volatile. Our common stock has traded on the Nasdaq Capital Market, under the symbol "AQMS", since July 31, 2015. Since that date, our common stock has at times been relatively thinly traded and subject to price volatility. There can be no assurance that we will be able to successfully maintain a liquid market for our common shares. The stock market in general, and early stage public companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. If we are unable to develop and maintain a liquid market for our common shares, you may not be able to sell your common shares at prices you consider to be fair or at times that are convenient for you, or at all. In addition, following periods of volatility in the market price of a company's securities, litigation has often been brought against that company and we may become the target of litigation as a result of price volatility. Litigation could result in substantial costs and divert our management's attention and resources from our business. This could have a material adverse effect on our business, results of operations and financial condition.

We are an "emerging growth company" under the JOBS Act of 2012 and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors. We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements;
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments; and
- extended transition periods available for complying with new or revised accounting standards.

We have chosen to "opt out" of the extended transition periods available for complying with new or revised accounting standards, but we intend to take advantage of all of the other benefits available under the JOBS Act, including the exemptions discussed above. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

We will remain an "emerging growth company until 2020, although we will lose that status sooner if our revenues exceed $1.07 billion, if we issue more than $1.07 billion in non-convertible debt in a three-year period, or if the market value of our common stock that is held by non-affiliates exceeds $700 million as of any June 30.

Our status as an "emerging growth company" under the JOBS Act may make it more difficult to raise capital as and when we need it Because of the exemptions from various reporting requirements provided to us as an "emerging growth company," we may be less attractive to investors and it may be difficult for us to raise additional capital as and when we need it. Investors may be unable to compare our business with other companies in our industry if they believe that our reporting is not as transparent as other companies in our industry. If we are unable to raise additional capital as and when we need it, our financial condition and results of operations may be materially and adversely affected.

We have not paid dividends in the past and have no plans to pay dividends. We plan to reinvest all of our earnings, to the extent we have earnings, in order to develop our recycling centers and cover operating costs and to otherwise become and remain competitive. We do not plan to pay any cash dividends with respect to our securities in the foreseeable future. We cannot assure you that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our common stock as a dividend. Therefore, you should not expect to receive cash dividends on our common stock.

Shares eligible for future sale may adversely affect the market for our common stock Of the 44,766,883 shares of our common stock outstanding as of the date of this report, approximately 40,861,114 shares are held by "non-affiliates" and are freely tradable without restriction pursuant to Rule 144. In addition, in August 2016, we filed with the SEC a Registration Statement on Form S-3 for purposes of registering the resale of 3,711,872 shares of restricted common stock sold to Interstate Battery in May 2016, including 3,009,625 shares of common stock issuable to Interstate Battery upon exercise of its warrants and conversion of its convertible note, and in February 2017, we filed with the SEC a Registration Statement on Form S-3 for purposes of registering the resale of the 939,005 shares of restricted common stock we sold to Clarios in February 2017. Both registration statements were declared effective by the SEC and the shares registered thereunder are eligible for sale without restriction. Any substantial sale of our common stock pursuant to Rule 144 or pursuant to any resale prospectus may have a material adverse effect on the market price of our common stock.

Our charter documents and Delaware law may inhibit a takeover that stockholders consider favorable Provisions of our certificate of incorporation and bylaws and applicable provisions of Delaware law may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. The provisions in our certificate of incorporation and bylaws:

- limit who may call stockholder meetings;
- do not permit stockholders to act by written consent;
- do not provide for cumulative voting rights;
- establish an advance notice procedure for stockholders' proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors, and
- provide that all vacancies may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum.

In addition, Section 203 of the Delaware General Corporation Law may limit our ability to engage in any business combination with a person who beneficially owns 15% or more of our outstanding voting stock unless certain conditions are satisfied. This restriction lasts for a period of three years following the share acquisition. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a control premium could reduce the price of our common stock.

Our bylaws designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with the Company. Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us or any our directors, officers or other employees arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws, or (iv) any action asserting a claim against us or any our directors, officers or other employees governed by the internal affairs doctrine. This forum selection provision in our bylaws may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or any our directors, officers or other employees.

Item 5. Other Information

Clarios Key-Man Penalties

On April 19, 2018, Stephen Clarke resigned as our president and chief executive officer and on December 3, 2018 Selwyn Mould resigned as our chief operating officer. As a result of their resignations, Clarios claimed that we became obligated to pay up to $2 million to Clarios, payable, at our option, in cash or shares of our common stock. On May 6, 2019, we agreed to settle the Clarios key-man penalty claim through our issuance of 807,436 shares of our common stock, which we intend to issue during the week of May 13, 2019. The shares will be issued pursuant to Section 4(a)(1) of the Securities Act of 1933. The Company has accrued $2.0 million at December 31, 2018 for this key-man penalty claim.

Special Meeting

On May 9, 2019, we held a special meeting of our stockholders to consider for approval an amendment to our Amended and Restated Certificate of Incorporation to effect an increase in the number of authorized shares of our common stock from 50,000,000 to 100,000,000. Our stockholders approved the amendment to our Amended and Restated Certificate of Incorporation, with shares voted as follows:

Shares voted for	34,460,540
Shares against	1,514,391
Shares abstaining	137,058

There were no broker non-votes in the approval of the amendment to our Amended and Restated Certificate of Incorporation.

On May 9, 2019, we effected the increase in our authorized common stock through our filing of the amendment to our Amended and Restated Certificate of Incorporation with the Delaware Secretary of State.

Item 6. Exhibits

Exhibit No.	Description	Method of Filing
3.1	First Amended and Restated Certificate of Incorporation of the Registrant	Incorporated by reference from the Registrant's Registration Statement on Form S-1 filed on July 22, 2015.
3.2	Second Amended and Restated Bylaws of the Registrant	Incorporated by reference from the Registrant's Current Report on Form 8-K filed on September 27. 2018.
3.3	Certificate of Amendment to First Amended and Restated Certificate of Incorporation of the Registrant	Incorporated by reference from the Registrant's Registration Statement on Form S-1 filed on June 9, 2015.
3.4	Certificate of Amendment to the First Amended and Restated Certificate of Incorporation	Filed electronically herewith
10.1	Underwriting Agreement dated as of January 17, 2019 between the Registrant and National Securities Corporation, as underwriter	Incorporated by reference from the Registrant's Quarterly Report on Form 8-K filed on January 17, 2019
10.2	Underwriter Warrant dated January 22, 2019	Incorporated by reference from the Registrant's Annual Report on Form 10-K filed on February 28, 2019
10.3*	Aqua Metals 2019 Stock Incentive Plan	Incorporated by reference from the Registrant's Definitive Proxy Statement filed on March 4, 2019
10.4+	Operations, Maintenance and Management Agreement dated February 26, 2019 between Veolia North America Regeneration Services, LLC and the Registrant	Filed electronically herewith
31.1	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed electronically herewith
31.2	Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed electronically herewith
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).	Filed electronically herewith
101.INS	XBRL Instance Document	Filed electronically herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed electronically herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed electronically herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed electronically herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed electronically herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed electronically herewith

* Indicates management compensatory plan, contract or arrangement.
+ Certain portions of the exhibit have been omitted pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AQUA METALS, INC.

Date: May 9, 2019

By: /s/ *Stephen Cotton*

Stephen Cotton,

President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 9, 2019

By: /s/ Judd Merrill

Judd Merrill,

Chief Financial Officer
(Principal Financial Officer)

CERTIFICATE OF AMENDMENT TO THE

FIRST AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

AQUA METALS, INC.

Aqua Metals, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware does hereby certify:

1. That at a meeting of the Board of Directors of Aqua Metals, Inc., resolutions were duly adopted setting forth a proposed amendment of the First Amended and Restated Certificate of Incorporation of said corporation, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the First Amended and Restated Certificate of Incorporation of this corporation be amended by changing the Article thereof numbered "FOURTH" so that, as amended, said Article shall be and read as follows:

"FOURTH: The Corporation is authorized to issue one class of stock. The authorized capital stock of the Corporation shall consist of one hundred million (100,000,000) shares which shall be designated as Common Stock, each with a par value of $0.001."

2. That thereafter, pursuant to resolution of its Board of Directors, a special meeting of the stockholders of said corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment

3. That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed this 9th day of May 2019.

By: */s/ Stephen Cotton*
Stephen Cotton,
President and Chief Executive Officer

CERTAIN PORTIONS OF THIS EXHIBIT HAVE BEEN OMITTED AS CONFIDENTIAL INFORMATION PURSUANT TO ITEM 601(B)(10)(IV) OF REGULATION S-K

Operations, Maintenance and Management Agreement

Between

Veolia North America Regeneration Services, LLC

And

Aqua Metals, Inc.

For

Lead Acid Battery Recycling Facility in Reno, Nevada

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OPERATIONS, MAINTENANCE AND MANAGEMENT AGREEMENT

THIS OPERATIONS, MAINTENANCE AND MANAGEMENT AGREEMENT is entered into on this 26th day of February 2019 ("***Execution Date***") by and between Aqua Metals, Inc., a Delaware corporation, with offices at 2500 Peru Drive, McCarran, Nevada 89437 ("***Aqua***" or "***Customer***"), and Veolia North America Regeneration Services, LLC, a Delaware limited liability company, with offices at 4760 World Houston Parkway, Suite 100, Houston, Texas 77032 ("***Veolia***") (each a "***Party***" and collectively the "***Parties***").

W I T N E S S E T H:

WHEREAS, Veolia, with its focus on circular economy and battery recycling and its unique depth and breadth of technical and science resources, is capable of assisting Aqua in effectively operating the Aqua Refining technology that has been developed and implemented by Aqua at its Facility located in the Tahoe-Reno Industrial Complex ("***TRIC***"); and

WHEREAS, the Parties desire for Veolia to bring (1) a highly skilled technical team to augment the resources of the Aqua technical capability, (2) a professional operations team skilled in operations and management, execution of detailed operating plans and commercial plant process start-ups, and (3) a capital and project planning and execution capability that is integrated with a complex plant process start-up plan; and

WHEREAS, Veolia desires to undertake the performance of such Services pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

Section 1. Definitions

"Affiliate" shall have the meaning given to it in Rule 12b-2 under the Securities Exchange Act of 1934.

"*Agreement*" means this Operations, Maintenance and Management Agreement, and all of the schedules attached hereto.

"***Annual Capital Budget***" shall mean a calendar year capex budget for the Facility as approved by the OMM Steering Team, and as revised from time to time upon the approval of the OMM Steering Team, with the initial Annual Capital Budget for calendar year 2019 set forth in Schedule O.

"***Annual Operations and Maintenance Budget***" shall mean a calendar year operating and maintenance budget for the Facility as approved by the OMM Steering Team, and as revised from time to time upon the approval of the OMM Steering Team, with the initial Annual Operations and Maintenance Budget for calendar year 2019 set forth in Schedule P.

"*Applicable Law*" means any applicable law, rule, code, regulation, Governmental Approval, consent decree, consent order, consent agreement, determination, judgment, or order issued by any Government Body.

"AquaRefining" (also "AR") means a water-based, room temperature process developed and owned by Aqua that produces lead recovered from lead acid batteries, which process is applied after lead paste is produced through the lead acid battery breaking process but prior to the lead refining process, and related equipment, systems and algorithms.

"AR Lead" means lead produced from the AR Modules, refined and purified to meet a demonstrated design final product purity of 99.99% and with a typical impurity profile as set on in Specifications in Schedule D.

"AR Module" means a modular unit array, built and demonstrated at the Facility, each of which includes six electrolyzer units and each AR Module has an intended design capacity of producing 2,287 kilograms of pure, refined lead over a 24-hour period.

"Aqua Contract Box" means those Aqua employees listed in Schedule L, as it may be revised from time to time upon the mutual agreement of the Parties, that are employees of Aqua and will be under the direction of and reporting to the Veolia General Manager, and at Veolia's option and discretion may become Veolia employees on or after the Re-Badge Date.

"Aqua Employees" means those Aqua employees listed in Schedules L and M that will be utilized and supervised by the Veolia General Manager to provide the Services.

"Aqua Management Box" means those Aqua employees listed in Schedule M, as it may be revised from time to time upon the mutual agreement of the Parties, that are employees of Aqua, including certain management, administrative, functional, engineering and technology personnel, and will be under the direction of and reporting to the Veolia General Manager, and upon the approval of the OMM Steering Team, may become Veolia employees on or after the Re-Badge Date.

"***Aqua Technology***" means all Intellectual Property Rights and Know-How relating to AquaRefining, lead recycling or the operation of the Facility in which Aqua possesses any right, title or interest as of the date of this Agreement and/or during the Term of this Agreement which is not known to or owned by Veolia as of the Execution Date consistent with Section 22(a) and (b), or that Aqua otherwise provides or discloses to Veolia subject to the exceptions provided by Section 17(g).

"***Board***" means the board of directors of Aqua.

"***CERCLA***" means the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§ 9601–9675, and applicable regulations promulgated thereunder, each as amended from time to time.

"*Change of Law*" means any of the following acts, events or circumstances occurring on or after the Effective Date which imposes material additional limitations, costs, obligations, liability or burdens with respect to the operation, repair, maintenance or replacement of the Facility and/or the Parties' other obligations under this Agreement:

(i) the adoption, order, judgment, amendment, promulgation, issuance, modification, repeal, or official change in any Applicable Law by any Government Body, or the administrative or judicial interpretation thereof; or

(ii) the modification or imposition of any material conditions, restrictions or limitations in any Governmental Approval; or

(iii) the denial of an application for, a delay in the review, issuance or renewal of, or the suspension, termination, or interruption of any Governmental Approval, or the imposition of a term, condition or requirement which is more stringent or burdensome than the terms, conditions or requirements in existence at the Effective Date in connection with the issuance, renewal or failure of issuance or renewal of any Governmental Approval.

"*Confidential Information*" has the meaning set forth in Section 17.

"Commercialization Plan" shall mean calendar year plan for the development and operation of the Facility as mutually agreed to by the Parties, and as revised from time to time in the same manner, with the initial Commercialization Plan for calendar year 2019 set forth in Schedule Q.

"Commercial Plant One (CP1)" shall mean the plant and equipment dedicated to the lead recycling operations at the Facility as described in Schedule A-1 and expanded or otherwise modified upon approval of the OMM Steering Team.

"*Customer Indemnified Parties*" has the meaning set for in Section 12 (a).

"*Effective Date*" shall mean the date that Veolia assumes responsibility for the Management of the Facility pursuant to Section 5.1(a).

"*Environmental Conditions*" means the presence or existence of any Regulated Substance on or at the Facility, including but not limited to, the presence in containers, on the surface, or in surface water, stormwater, groundwater, soils or subsurface strata, or the migration of such a Regulated Substance from the Facility.

"*Environmental Laws*" means any Applicable Law relating to: (i) the protection of public health, safety, natural resources or the environment; (ii) the manufacturing, handling, generation, storage, treatment, processing, transportation, release, discharge, emission or disposal of Regulated Substances; (iii) Environmental Conditions; or (iv) the protection of human health and safety.

"*Facility*" shall mean the real estate and buildings owned and leased by Aqua located at TRIC and all fixtures, equipment and operations appurtenant thereto, including those items listed in Schedule A of this Agreement.

"*Governmental Approval*" means any means any Permit, license, approval, authorization, consent, waiver, exemption, variance, ruling, entitlement, certification or other order, decision or authorization which is required under Applicable Law to be obtained or maintained by any person with respect to the design, engineering, construction, operation and maintenance of the Facility, or for the performance of any of the obligations under this Agreement.

"*Government Body*" means any legislative, executive, judicial, or administrative department, board, authority, commission, court, agency or other instrumentality of the Federal, State or local government, or any official thereof having jurisdiction.

"*Hazardous Substance*" shall mean any materials, wastes, substances, objects or chemicals deemed to be hazardous under Applicable Law, including, but not limited to (i) each "hazardous substance" as defined under CERCLA, and (ii) the presence of any quantity or condition of a substance that violates any Applicable Law.

"***Improvement(s)***" means any extensions, enhancements, derivative works (as defined in 17 U.S.C. § 101), improvements, or further developments to the Aqua Technology, whether conceived or developed solely by or on behalf of Veolia or Aqua, or jointly by Veolia and Aqua, in the performance of the relationship contemplated hereunder.

"***Intellectual Property Rights***" means all current and future worldwide rights comprising or relating to: (a) Patents; (b) Trademarks; (c) internet domain names, whether or not constituting Trademarks, registered by any authorized private registrar or Governmental Body, web addresses, web pages, websites and URLs; (d) works of authorship, expressions, designs and design registrations, whether or not copyrightable, including, without limitation, copyrights, copyrightable works, software, firmware, data, data files, databases and other specifications and documentation; (e) Trade Secret Information; and (f) all other industrial and other intellectual property rights, including, without limitation, rights in inventions, discoveries, utility models, industrial designs, models, drawings, and mask works, and all rights, interests and protections that are associated with, equivalent with, or similar to, or required for the exercise of, any of the foregoing, in each case whether registered or unregistered and including all registrations and applications for, and renewals or extensions of, such rights or forms of protection pursuant to any Applicable Laws.

"***Know-How***" means all Trade Secret Information, scientific, technical and commercial data and documents, drawings, designs, operating experience and techniques, testing results, regulatory submissions, methods of manufacture, specifications, processes, procedures, inventions and other information of a similar nature, in each case related to AquaRefining, lead recycling or the operation of the Facility, whether patentable or not, and whether publicly available or not.

"*Losses*" means any losses, claims, investigations, judgments, suits, demands, charges, expenses, costs (including without limitation costs of defense, settlement and reasonable attorneys' fees), liabilities, obligations, fines and penalties.

"Management" means the full operating control of the Facility, including, subject to the governance of the OMM Steering Team and certain approvals by Aqua described herein. Management includes responsibility for (1) purchasing (but not payment for) all Raw Materials, hiring and replacement of all personnel under contract, scheduling plant production, design and build (but not payment for) of all new capital projects, procurement (but not payment for) all new plant equipment, and other responsibility as defined in Schedule B.

"*Necessary Access*" has the meaning set forth in Section 7.

"***OMM Steering Team***" means the oversight managing committee with makeup, responsibility and decision-making authority as described in Section 5.5.

"***Patents***" means all patents (including all reissues, divisionals, provisionals, continuations and continuations-in-part, re-examinations and renewals thereof), patent applications, inventions, and other patent rights and any other Governmental Body-issued indicia of invention ownership (including inventor's certificates, petty patents and patent utility models).

"*Permits*" has the meaning set forth in Section 10(a).

"*Products*" means all commercial products produced at the Facility for sale by Aqua pursuant to this Agreement, including refined lead metallics, plastics, saleable lead residue, saleable lead paste, and other Products listed in Schedule D.

"*Protected Information*" has the meaning set forth in Section 22(h).

"*Prudent Industry Practices*" means those operation, supervisory and maintenance methods, techniques, standards and practices which, at the time they are employed and in light of the circumstances known or believed to exist at the time, are generally accepted as reasonably professional, competent and prudent in the chemical processing and water and wastewater treatment industry as practiced in the United States.

"Raw Materials" includes Methane-sulfonic acid, Natural Gas, Electricity, Soda ash, Sodium Hydroxide, Hydrogen peroxide, Phosphoric acid, Used Lead Acid Batteries (also called "cores").

"Re-badge Date" means the date that employees in the Contract Box and Management Box may become Veolia employees, as further described in Section 5. Unless mutually agreed, the Re-Badge date will not occur during the Initial Term.

"*Regulated Substance*" means any pollutant, contaminant, Hazardous Substance, hazardous material, toxic substance, toxic pollutant, waste of any type or classification, petroleum or petroleum-derived substance, asbestos, polychlorinated biphenyls or other persistent organic pollutants, or any other substance or material that is subject to regulation under, or may form the basis for any requirement for investigation or remediation under, any applicable Environmental Laws.

"*Release*" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching, or migration of any Regulated Substance into the environment (including ambient air, surface or ground water, and surface or subsurface strata), including the movement of any Regulated Substance in or through the air, soil, surface or ground water, or property.

"***Residuals Handling***" means the collecting of residuals resulting from Services and loading of residuals at Facility into Veolia-designated transportation services' equipment for disposal, which transportation and disposal services will be recommended to Aqua by Veolia and contracted by Aqua, subject to the governance of the OMM Steering Team, and transportation service and disposal service providers. As between the Parties, title of all residuals shall remain with the Customer at

all times, and Veolia shall not take title to any residuals, wastes or materials associated with the Facility whatsoever.

"**S&OP**" means Sales and Operations Plan as defined further under Section 5.5.

"***SEC Documents***" means the Customer's reports, schedules, forms, statements and other documents required to be filed by it under the Securities Exchange Act of 1934 or the Securities Act of 1933 and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein.

"***Services***" means the operational, maintenance, supervisory and management services to be provided by Veolia and the Veolia General Manager under this Agreement.

"***Service Fee***" has the meaning set forth in Section 9(a).

"***Term"*** has the meaning set forth in Section 4.1.

"***Trademarks***" means all rights in and to U.S. and foreign trademarks, service marks, trade dress, trade names, brand names, logos, corporate names and domain names and other similar designations of source, sponsorship, association or origin, together with the goodwill symbolized by any of the foregoing, in each case whether registered or unregistered and including all registrations and applications for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection.

"***Trade Secret***" shall have the meaning set forth in the statutory Law of the State of Delaware (currently 20 Del. C. § 2001(4)).

"***Trade Secret Information***" means information constituting a Trade Secret or subject to protection as a Trade Secret.

"***Uncontrollable Circumstances***" has the meaning set forth in Section 18.

"Veolia Employees" means the Veolia employees listed in Schedule K that Veolia will utilize to provide the Services under this Agreement, and will consist of six (6) full-time equivalent persons ("***FTEs"***).

"Veolia General Manager" shall mean an employee of Veolia designated by Veolia to serve as the Veolia General Manager hereunder with the duties, authority and responsibilities set forth in Schedule N and elsewhere throughout this Agreement.

"*Veolia Group"* means Veolia's parent entities and Affiliates, their directors, members, managers, officers, employees, insurers, agents, and subcontractors.

"***Waste Disposal***" has the meaning set forth in Section 5.2(g).

Section 2. Engagement.

The Customer hereby agrees to engage Veolia, and Veolia hereby agrees to be engaged, to perform the Services in accordance with the terms and subject to the conditions set forth in this Agreement. In performing its duties and obligations hereunder, Veolia acknowledges and agrees that in connection with its provision of the Services hereunder Veolia and the Veolia General Manager shall at all times act in the capacity of an independent contractor providing services on a "work-for-hire" basis, and shall not in any respect be deemed (or act as) an agent, partner, joint venturer or the like of the Customer for any purpose or reason whatsoever.

Section 3. Contract Documents.

The Agreement shall consist of the following Schedules, which are attached hereto and incorporated herein:

Schedule A – Facility Description
Schedule A-1 – CP1 Description
Schedule B – Operations Scope of Work
Schedule C – Customer Representations and Responsibilities
Schedule D – Product Specifications
Schedule E – Service Compensation - Initial Term
Schedule F – Commercial Plant 1 (CP1) Timeline and Plans
Schedule G - Contractor Safety Requirements
Schedule H – Permits
Schedule I – Storage and Handling Agreement
Schedule J – Raw Material Specifications / Usage
Schedule K – Veolia Employees
Schedule L – Aqua Employees - Contract Box
Schedule M – Aqua Employees - Management Box
Schedule N – Coordination by Veolia and Aqua in Managing Aqua Employees
Schedule O – Initial Annual Capital Budget
Schedule P – Initial Annual Operations and Maintenance Budget
Schedule Q – Initial Commercialization Plan
Schedule R – Approval Limits of Costs, Capital, Purchasing and Contracts

as any such documents may be amended, modified or supplemented from time to time pursuant to a writing executed by authorized representatives of each Party. The Parties acknowledge that Schedules A-1, F, O, P and Q are subject to further discussion and completion. The Parties agree to use their best commercial efforts to complete Schedules A-1, F, O, P, and Q by March 8, 2019.

Section 4. Term and Termination.

4.1

(a) **Initial Term**. This Agreement shall have an initial term of two (2) years, beginning on the Effective Date and ending on the second anniversary thereof ("***Initial Term***"). Following the end of the Initial Term, this Agreement shall be extended automatically by the Parties for additional one (1) year periods unless either Party delivers written notice of termination to the other

Party not later than one hundred eighty (180) days prior to the end of the then current term (the Initial Term and each such renewal to be known as the "***Term***").

(b) **Ten-Year Term Agreement**

The Parties acknowledge their intention to negotiate and enter into a longer-term agreement ("***Ten-Year Term Agreement"***) concerning Veolia's continued management and operation of the Facility. The Parties agree to use their good faith, commercial best-efforts to discuss and negotiate the Ten-Year Term Agreement that is generally consistent with the terms and conditions of this Agreement. On or before April 1, 2020, the Parties will meet under the purview of the OMM Steering Team to commence negotiations for the Ten-Year Term Agreement. The Parties agree to use their good faith, commercial best efforts to conclude such negotiations for the Ten-Year Term Agreement by September 30, 2020. The Parties presently contemplate that the Ten-Year Term Agreement will provide that:

i) The Re-Badge date will occur on the first day of the Ten-Year Term Agreement, and compensation to Veolia will account for the additional costs of long term employee benefits;

ii) The OMM Veolia Employees will be incorporated into the managing structure of the plant as necessary to ensure the plant's success;

iii) The position of the Veolia General Manager may be sunset and a senior Plant Manager will be appointed by Veolia, and approved by Aqua to run the plant;

iv) ***;
and

v) Compensation to Veolia will include a management fee commensurate with the level of performance by Veolia and Veolia's skill and ability that Veolia brings to ensure on-going superior and excellent performance that will be affordable to Aqua in meeting its profitability objectives related to CP1 financials, ***.

***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

(c) Design, Build and Licensing of Future Facilities and Related AR Modules and Technology. The Parties acknowledge their intention to negotiate and enter into a longer-term agreement ("***Long-Term Licensing and Future OMM Agreement"***) concerning Veolia's participation in the commercial licensing and the Management of future AquaRefining facilities to be developed by Aqua and its licensees. The Parties agree to use their good faith, commercial best-efforts to discuss and negotiate the Long-Term Licensing and Future OMM Agreement that is generally consistent with the terms and conditions of this Agreement, including the terms of Section 5.3, The Parties agree to use their good faith, commercial best-efforts to commence their discussion and negotiation of the Long-Term Licensing and Future OMM Agreement no later than December 31, 2019 and to enter into the Long-Term Licensing and Future OMM Agreement no later than June 30, 2020.

4.2 Termination. This Agreement may be terminated by either Party as follows:

(a) Veolia may elect to terminate the Agreement for any reason upon ten (10) days prior written notice to the other Party during the first six months following the Execution Date;

(b) Either Party may elect to terminate the Agreement upon ten (10) day's prior written notice to the other Party if Veolia has not delivered its written notice of assumption of duties pursuant to Section 5.1(a) by March 8, 2019;

(c) Either Party may elect to terminate the Agreement upon ten (10) day's prior written notice to the other Party upon the filing of a petition of bankruptcy by the non-terminating Party, or the adjudication of the non-terminating Party as bankrupt;

(d) Either Party may terminate this Agreement for a material breach of the Agreement by the other Party, including, without limitation, Veolia meeting Schedule B requirements and/or Customer meeting Schedule C and E requirements, provided that thirty (30) days' prior written notice of breach is provided to the breaching Party and the breaching Party fails to cure such breach within thirty (30) of receipt of the notice of breach (or such longer period, not to exceed sixty (60) days, if necessary provided the cure is started during the 30 day period).

(e) Veolia may elect to terminate the Agreement upon ten (10) days prior written notice in the event that Aqua fails to secure sufficient financing by September 30, 2019 to implement the expansion of the CP1 to a total of 32 AR Modules; and/or

(f) Veolia may elect to terminate the Agreement in the event that Aqua fails to provide the funding and support necessary for the Facility to achieve reasonably acceptable process safety performance and Aqua fails to cure such failure within 30 days after receipt of written notice from Veolia (or such longer period, not to exceed sixty (60) days, if necessary provided the cure is started during the 30 day period).

4.3 Consequences of Termination. Upon the termination or expiration of this Agreement, Veolia shall (i) reasonably assist in the prompt transition of the Facility's operations to Customer; (ii) complete performance of such portions of the Services that are not terminated, as requested by Aqua; and (iii) be paid for its Services through the effective date of termination.

Upon the termination or expiration of this Agreement, (i) each Party shall promptly comply with the provisions of Section 17(g) (regarding the return of all Confidential Information) and shall otherwise promptly return all data, work product and other materials belonging to the other Party; and (ii) Sections 6(f), 12-17, 19 and 22 shall survive any expiration or termination of this Agreement. Termination or expiration of this Agreement shall not affect any rights or liabilities accrued prior to such expiration or termination.

Notwithstanding the grounds for the termination or expiration of this Agreement, either Party may avail itself of any and all rights or remedies to which it is entitled hereunder, and at law and/or in equity; provided, however, that the exercise of all rights and remedies shall be subject to the overall limitations on liability in Section 19. The remedies granted to Veolia and Customer shall be cumulative, and action or inaction on one shall not be deemed to constitute an election or waiver of any other right or remedy to which a party may be entitled as to that or any other event of default.

Section 5. Services.

5.1 Mobilization and Staffing.

(a) On the Effective Date, Veolia will assume Management responsibility for the Facility utilizing Veolia Employees and Aqua Employees to provide the Services as described below. Veolia shall confirm its assumption of Management responsibility by delivering to Aqua no later than March 8, 2019 its written notice of assumption of Management pursuant to this Section 5.1(a).

(b) Within 90 days after the Effective Date, Veolia shall identify for Aqua any deficiencies, repairs and replacement items necessary to bring the Facility into compliance with Applicable Laws that were not disclosed to or discovered by Veolia prior to the Effective Date. Veolia shall identify the relative priority of such deficiencies, repairs and replacements, and the Parties shall enter into good faith discussions concerning the remediation of such deficiencies, repairs and replacements, including an equitable adjustment to the Commercial Plan, Annual Operations and Maintenance Budget and Annual Capital Budget by the OMM Steering Team. Until such time as the deficiencies, repairs and replacement items identified above are remedied or performed, Veolia shall have no liability for (i) damages, claims, liabilities, expenses or losses that arise out of the condition of the Facilities to the extent resulting from the item(s) that require the repairs and replacements, or (ii) its inability to meet its obligations under this Agreement to the extent resulting from the item(s) that require the repairs and replacements.

(c) During the Initial Term, Veolia will provide at its cost the Veolia Employees named in Schedule J (Veolia Employees) to perform the Services. Veolia Employees will include a Veolia General Manager whose duties with regard to Aqua Employees are described in Schedule N and elsewhere in this Agreement.

(d) As the employer of the Veolia Employees, Veolia will: (i) maintain all necessary personnel and payroll records for its employees; (ii) calculate their wages and withhold taxes and other government mandated charges if any; (iii) remit such taxes and charges to the appropriate government entity; (iv) pay net wages and fringe benefits, if any, directly to its employees; (v) provide workers' compensation insurance coverage in amounts as required by law;

(vi) continue to be responsible for Veolia Employees acting in the course and scope of their employment and in compliance with the policies and procedures of Veolia, including without limitation, compliance with employee handbooks, codes of business conduct, Applicable Laws, health and safety policies, environmental policies, and ethical guidelines; (vii) provide, implement and enforce health and safety plans covering the Veolia Employees, (viii) continue to perform employee reviews, salary adjustments, and disciplinary action if warranted up to and including termination; and (ix) maintain the level of staff provided for herein (Schedule K). Veolia shall be responsible for providing its employees with any required personal protective clothing and equipment. In rendering the Services hereunder, it is understood and agreed that Veolia Employees shall not be entitled to participate in any of Aqua's wage or employee benefit plans, including pension, 401K, profit sharing, retirement, deferred compensation, welfare, insurance, disability, bonus, vacation pay, severance pay, and any other similar plans, programs and agreements, whether reduced to writing or not. The Veolia General Manager and the Veolia Employees, while employed at the Facility hereunder, shall also comply with those Aqua policies and procedures applicable to Aqua's employees and designated by Aqua from time to time that do not conflict with the business objectives of this Agreement, including, without limitation, Aqua's insider trading policy, employee handbooks, codes of business conduct and Aqua's policies regarding confidentiality and assignment of inventions, disclosure controls and procedures. Veolia will require the Veolia General Manager and the Veolia Employees to acknowledge in writing the application of the terms of this Section 5.1(d).

(e) Aqua and Veolia have agreed to a delegation of authority to the Veolia General Manager to provide oversight and supervision of the Aqua Employees listed in Schedules L and M in accordance with the terms of this Agreement. Aqua shall be responsible to provide at its sole cost the Aqua Employees listed in Schedules L and M that are assigned to the supervision of the Veolia General Manager under this Agreement to allow Veolia to provide the Services under the Agreement. The Aqua Employees in the Contract Box (Schedule L) and Management Box (Schedule M) will report directly to the Veolia General Manager, and the Veolia General Manager shall direct the activities of the Aqua Employees in his or her reasonable discretion in accordance with the Coordination Guidelines described in Schedule N. Veolia shall be entitled to relief from any performance obligations, schedule relief and cost relief to the extent that Veolia's inability to meet such obligations results from Aqua's failure to provide the staffing required by Schedules L and M. Veolia shall not be responsible for any Losses arising from the supervision of or direction given to the Aqua Employees by Veolia or the Veolia General Manager except to the extent such Losses are directly caused by the material breach of this Agreement by Veolia or the negligence or willful misconduct of Veolia or the Veolia General Manager in connection with their supervision of or direction to the Aqua Employees.

(f) Veolia, at its option, will shadow and may interview some or all of the Aqua Employees, to confirm proficiency for a period in the 14-21 day window prior to the Effective Date. In the event that Veolia determines that a particular Aqua Employee is deficient or substandard as determined by Veolia in its reasonable discretion, then Aqua will provide at its expense a replacement Aqua Employee that is mutually acceptable to the Parties to perform the same role under this Agreement and Schedules L and/or M, as applicable, will be amended accordingly.

(g) As the employer of the Aqua Employees, Aqua will: (i) maintain all necessary personnel and payroll records for its employees; (ii) calculate their wages and withhold taxes and

other government mandated charges if any; (iii) remit such taxes and charges to the appropriate government entity; (iv) pay net wages and fringe benefits, if any, directly to its employees; (v) provide workers' compensation insurance coverage in amounts as required by law; (vi) except to the extent subject to the supervision and direction of the Veolia General Manager hereunder, continue to be responsible for Aqua Employees acting in the course and scope of their employment and in compliance with the policies and procedures of Aqua, including without limitation, compliance with employee handbooks, codes of business conduct, applicable laws, health and safety policies, environmental policies, and ethical guidelines; (vii) continue to perform employee reviews, salary adjustments, and disciplinary action if warranted up to and including termination; and (viii) maintain the level of staff provided for herein (Schedules L and M). Aqua shall be responsible for providing its employees with any required personal protective clothing and equipment. In rendering the Services hereunder, it is understood and agreed that Aqua Employees shall not be entitled to participate in any of Veolia's wage or employee benefit plans, including pension, 401K, profit sharing, retirement, deferred compensation, welfare, insurance, disability, bonus, vacation pay, severance pay, and any other similar plans, programs and agreements, whether reduced to writing or not. Aqua will require the Aqua Employees to acknowledge in writing the application of the terms of this Section 5.1(g).

(h) Veolia shall provide the Aqua Employees and Veolia Employees with: (i) a suitable workplace which complies with all applicable safety and health standards, statutes, and ordinances; (ii) all necessary information, training and safety equipment with respect to Regulated Substances; and (iii) adequate instructions, assistance, and supervision. Aqua shall provide the necessary funding and support to allow Veolia to provide the forgoing. Veolia shall perform its supervision and oversight consistent with the policies of Aqua, and Aqua will take whatever steps are reasonably required at its expense to remedy any health, safety and environmental violations of Applicable Laws or adverse conditions at the Facility identified by Veolia at the Facility that materially impact the health and safety of the Veolia Employees and Aqua Employees.

(i) Notwithstanding any other terms of this Agreement to the contrary, Veolia shall have the right to effect removal of Aqua Employees or Veolia Employees from the Facility for the reasons set forth below. Additionally, either Party may request that, subject to the approval of the OMM Steering Team, any of the other Party's employees be removed from his or her assignment at the Facility due to any of the reasons listed below:

(i) Gross neglect of duty;

(ii) Disorderly conduct, use of abusive or offensive language, quarreling, intimidation by words or actions or fighting;

(iii) Theft, vandalism, immoral conduct or any other criminal action;

(iv) Selling, consuming, possessing, or being under the influence of intoxicants, including alcohol, unauthorized prescription medication, or illegal substances while on assignment;

(v) Immediate concern that an employee cannot do their job safely;

(vi) Failure to act in accordance with any applicable policies of Aqua or Veolia; or

(vii) Other reasons that adversely affect the performance of the Services.

In the event the Aqua Employees are so removed, Aqua shall immediately remove and replace the Aqua Employee(s), and Aqua will separately handle its employment relationship with the affected Aqua Employee(s). In the interim, Veolia shall be entitled to relief from its performance obligations to the extent impacted by the removed Aqua Employee(s) and/or the vacant position until replacement Aqua Employee(s) are provided.

(j) Nevada Statutory Employee Coverage.

(i) Veolia Employees. Aqua and Veolia agree that the work to be performed by Veolia under this Agreement is part of Aqua's trade, business and occupation and is an integral part of and essential to Aqua's ability to generate goods, products and services, and that Aqua is a statutory employer of the Veolia General Manager and any other Veolia Employees located at the Facility within the meaning of Section 616A.230 of the Nevada Revised Statues and any successor provisions and within the meaning of any other provisions of Nevada law. Irrespective of Aqua's status as a statutory employer of the Veolia General Manager and all other Veolia Employees located at the Facility, Veolia shall remain responsible for the payment of Nevada workers' compensation benefits and all other employee benefits and wages to Veolia Employees and shall not be entitled to seek contribution and indemnification for any such payments or benefits from Aqua.

(ii) Aqua Employees. Aqua and Veolia agree that Aqua's provision of Aqua Employees under this Agreement is part of Veolia's trade, business and occupation and is an integral part of and essential to Veolia's ability to generate goods, products and services, and that Veolia is a statutory employer of Aqua's employees assigned to operate the Facility within the meaning of Section 616A.230 of the Nevada Revised Statues and any successor provisions and within the meaning of any other provisions of Nevada law. Irrespective of Veolia's status as a statutory employer of the Aqua Employees located at the Facility, Aqua shall remain responsible for the payment of Nevada workers' compensation benefits and all other employee benefits and wages to the Aqua Employees and shall not be entitled to seek contribution and indemnification for any such payments or benefits from Veolia.

(k) Indemnity for Employee Claims

(i) Veolia specifically agrees to protect, defend, indemnify and hold the Aqua safe and harmless from claims of personal injury, disease or damage, including wrongful death, suffered by Veolia Employees arising from any cause, except to the extent caused by the sole negligence or willful misconduct of Aqua.

(ii) Aqua specifically agrees to protect, defend, indemnify and hold Veolia safe and harmless from claims of personal injury, disease or damage, including wrongful death, suffered by Aqua Employees arising from any cause, except to the extent caused by the sole negligence or willful misconduct of Veolia.

(l) If after one year of the Effective Date Customer redirects a Franchise employee, Aqua will provide a competent replacement employee, to be mutually agreed by the Parties. Such replacement employee will be present at the Facility to allow at least a two (2) month overlap with the incumbent Aqua employee.

5.2 OMM Services.

(a) Veolia shall provide Services for the on-going mobilization of staff, development of operations programs, start-up of new equipment, and ongoing operation and maintenance of the Facility in accordance with this Agreement, including the Annual Capital Budget, Annual Operations and Maintenance Budget and Commercialization Plan. Services, as further specified in Schedule B, shall include, but be limited to, (i) adjustments to Facility operating parameters to achieve production of Products as agreed by the OMM Steering Team and as defined in Schedule D, given the design and actual capacity and capabilities of the Facility; (ii) testing, monitoring, and recording on readings sheets and operator logs; (iii) achieving and maintaining CP1 process feed and flow rates and developing improved process control; (iv) troubleshooting and correction of process performance deviations; (v) routine maintenance services up to the Annual Capital Budget and Annual Operations and Maintenance Budget; (vi) Products packaging and load out; and (vii) routine and emergency communication with Customer designated staff.

(b) The Parties will develop and mutually approve an Annual Capital Budget, Annual Operations and Maintenance Budget and Commercialization Plan, which shall be subject to the approval of the OMM Steering Team. The Annual Capital Budget, Annual Operations and Maintenance Budget and Commercialization Plan for calendar year 2019 are attached hereto as Schedules O, P and Q, respectively, and the OMM Steering Team shall use its good faith best efforts to approve the Annual Capital Budget, Annual Operations and Maintenance Budget and Commercialization Plan for future calendar years no later than December 15 of the prior year. The Veolia General Manager will be responsible for the implementation of the approved Annual Capital Budget, Annual Operations and Maintenance Budget and Commercialization Plan. The Annual Capital Budget will be sufficient to address up-time and reliability improvements to achieve the Commercialization Plan and address all reasonable safety upgrades identified by Veolia. The OMM Steering Team shall conduct quarterly reviews and assessments of the Annual Capital Budget, Annual Operations and Maintenance Budget and Commercialization Plan and conduct such changes as the OMM Steering Team may approve.

(c) The Services shall be performed by personnel of Veolia who are qualified, competent and experienced in the tasks to which they are assigned, and shall include a dedicated staff, off-site technical support and necessary materials.

(d) As provided in Schedule R, the Veolia General Manager shall be responsible for the execution of the Commercialization Plan and the costs incurred, procurement of Raw Materials and equipment and execution of capital projects, subject to the terms of this Agreement. All procurements and other expenses to be incurred, and all contracts, agreements, orders or the like, to be directed by the Veolia General Manager subject to Schedule R and where necessary subject to the written authorization (which can be provided by electronic mail) of an appropriate Aqua officer or employee as designated by Aqua from time to time. Any such procurements,

contracts, agreements, orders or the like in the name of Aqua shall be at the direction of the Veolia General Manager but signed or issued by an appropriate Aqua officer or employee and administered in accordance with Aqua's standard procurement and contracting process. Nether the Veolia General Manager nor any other Veolia Employee shall be authorized to execute any contract, agreement, order or the like in the name of Aqua or that otherwise binds Aqua. At the close of each month, production, costs and capital will be reviewed by the Veolia General Manager in the monthly OMM Steering Team meeting.

(e) Aqua shall be responsible for the negotiation and sale, including the transportation for sale, of all Products under the oversight of the OMM Steering Team.

(f) The Veolia General Manager shall be responsible for initiating, maintaining and supervising safety precautions and programs in connection with the performance of this Agreement, including appropriate precautions and programs for areas in and around the Facility. Attached hereto as Schedule G is a site-specific health and safety plan agreed to by the parties. The Veolia General Manager shall give appropriate notices on the safety of persons or property (or their protection from damage, injury or loss), including such applicable notices required under the Federal Occupational Safety and Health Act. The Parties shall remove from employment at the Facility their respective personnel who are unfit or incompetent or otherwise not skilled in the tasks assigned to them.

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(h) Subject to the restrictions in Section 5.2(d), the Veolia General Manager shall be responsible for recommending and managing all decisions concerning the selection and designation of transportation services and disposal sites and disposal services for Customer's residuals, secondary materials, byproducts or other wastes produced by, stored at, and/or removed from the Facility, which will be subject to the approval of and contracted for by Aqua. The Veolia General Manager shall be responsible for preparing all manifests or other documentation required for the proper handling and/or disposal of such residuals, secondary materials, byproducts or other wastes produced by, stored at, and/or removed from the Facility in accordance with Applicable Laws, however all such manifests and other documentation shall be signed by Customer and solely under the Customer's registration identification number(s), if such identification number(s) are required (collectively "**Waste Disposal**").

***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

(i) Veolia shall provide reports and updates to the Customer as the Customer may reasonably request from time to time, including documentation of all data and work product relating to Veolia's management and operation of the Facility and all processes, Improvements and Know How developed or implemented by Veolia with respect to the Facility or the Aqua Technology. Given the importance of the Veolia General Manager to Aqua, including its public disclosure obligations, the Veolia General Manager shall report to and communicate with Aqua management and the Board with the same transparency and duty as would an executive officer of Aqua.

(j) In addition to the other responsibilities of Customer set forth in this Agreement, Customer shall have the responsibilities and perform the obligations set forth in Schedule C.

5.3 Right of First Refusal; Agreement to Collaborate.

(a) The Parties agree to use their good faith, commercial best-efforts to discuss and negotiate the Long-Term Licensing and Future OMM Agreement that is generally consistent with the terms and conditions of this Agreement and that shall also provide for Veolia's exclusive right of first refusal (**"ROFR"**) as provided in subsection (b) and (c) below to (i) serve as an operations and management service provider to Aqua and its licensees with respect to future AquaRefining facilities and ***. The Parties agree to use their good faith, commercial best-efforts to commence their discussion and negotiation of the Long-Term Licensing and Future OMM Agreement no later than December 1, 2019 and to enter into the Long-Term Licensing and Future OMM Agreement no later than June 30, 2020.

(b) Aqua agrees that Veolia shall have the exclusive right of first refusal to (A) serve as an operations and management service provider to Aqua, under terms generally consistent with the terms and conditions of this Agreement, with respect to future AquaRefining facilities to be developed directly by Aqua and ***. If Aqua determines that it has a good faith interest in pursuing the direct development of an additional AquaRefining facility, it shall advise Veolia of its plans (" ***ROFR Notice***"). Within twenty-one (21) days of receiving the ROFR Notice, Veolia shall provide Aqua with written notice stating its expression of interest (" ***Expression of Interest***") in providing Management and Services to the additional facility. If Veolia provides such Expression of Interest within the required timeframe, then Aqua shall provide or make available to Veolia, upon Veolia first entering into an appropriate nondisclosure and confidentiality agreement, such information in the possession or control of Aqua as Veolia may reasonably request concerning the additional facility ("***Due Diligence Materials***"). For a period of sixty (60) days following the date that Aqua provides or makes available to Veolia the Due Diligence Materials, Veolia and Aqua shall use their good faith best efforts to enter into a comprehensive binding agreement in principle for Veolia's provision of Management and Services to the additional facility. In the event Veolia fails to provide its Expression of Interest or the Parties fail to enter into the letter of intent on a timely basis, Aqua shall be allowed to pursue the development of the additional facility without the involvement of Veolia.

***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

(c) In addition, Aqua will include Veolia in the marketing of any potential licensing of the Aqua Technology to third parties for such party's development of an AquaRefining facility with the goal of assisting Veolia in obtaining an engagement by the licensee to serve as operations and management service provider for such facility, ***. Veolia acknowledges and agrees that its participation in the management of any such licensed facility, ***, is subject to the agreement of the licensee and that Aqua shall not be obligated to abandon a proposed commercially reasonable licensing opportunity or modify the proposed terms of a commercially reasonable licensing arrangement in order to accommodate Veolia's interest in serving as operations and management service provider for such facility. ***

(d) The Parties agree that the rights of first refusal set forth in Sections 5.3(b) and 5.3(c) shall continue and remain effective until the earlier of (1) such time as the Parties enter into the Long-Term Licensing and Future OMM Agreement that addresses the ROFR provisions, (2) such time as Aqua terminates this Agreement in accordance with Section 4.2(b), (c) or (d), or (3) the tenth anniversary of the date of this Agreement.

5.4 OMM Steering Team. The Parties will designate two executives from each of their respective companies that will provide oversight to the Veolia General Manager and the on-going Management of the Facility under this Agreement. The OMM Steering Team shall resolve issues that arise on a timely basis. The OMM Steering Team shall operate under the following rules:

(i) The OMM Steering Team will hold regular meetings no less than once a month, at which the OMM Steering Team and the Veolia General Manager will review costs, capital expenditures, production and performance of objectives versus the Commercialization Plan, including a rolling forecast of production versus sales commitments called a Sales and Operations Plan (S&OP);

(ii) A special meeting of the OMM Steering Team can be called by any member of the OMM Steering Team on 24 hours' notice delivered by email to each member at the members' regular work email address, provided that such notice states the purpose or purposes for which the meeting is called and provides for a call-in number by which members can participate by phone;

(iii) Unless agreed to or waived by all members of the OMM Steering Team, the only business that can be conducted at a special meeting of the OMM Steering Team is the business set forth in the notice of special meeting;

(iv) Members of the OMM Steering Team may attend by conference telephone or similar communications equipment as long as all persons participating in the meeting can speak with and hear each other;

***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

(v) Three members of the OMM Steering Team shall constitute a quorum for the transaction of business at any meeting of the OMM Steering Team and all approvals and resolutions of the OMM Steering Team shall require the approval of a majority of the members present at such meeting;

(vi) The OMM Steering Team can take action by way of unanimous written approval of all members, which written approval can be provided by way of email; and

(vii) Each Party can substitute designated members of the OMM Steering Team from time to time by way of written notice to the other Party.

The Steering Team will meet within 30 days of the Execution Date and formalize its operating process in writing, provided that such process shall incorporate and otherwise be consistent with (i) through (vii) above. In the event of deadlock among the OMM Steering Team on any matter put before the OMM Steering Team, the deadlock shall be broken and the deciding vote cast by an executive committee of the members of the Board of Aqua. The executive committee shall be made of up of three members of the Board, each of whom shall be independent within the meaning of Rule 5605(a)(2) of the Nasdaq Listing Rules.

5.5 Board Observation Rights.

(a) During the term of this Agreement, Veolia shall have the right to designate a non-voting observer (the "***Board Observer***") to receive notice of and attend all meetings (whether in person, telephonic or electronic) of the Board for the purposes of permitting the Board Observer to have current information with respect to the affairs of Aqua and the actions taken by the Board. The Board Observer shall be an employee of Veolia or its Affiliates. The Board Observer appointed pursuant to this Section 5.5 shall have the right to receive advance copies of all agenda materials and other documents distributed to directors in connection with any meeting and all matters proposed to the Board for their unanimous consent, and all minutes of the proceedings of Aqua, subject to Section 5.5(b). In no event shall the Board Observer: (i) be deemed to be a member of the Board; (ii) have the right to vote on any matter under consideration by the Board or otherwise have any power to cause Aqua to take, or not to take, any action; or (iii) except as expressly set forth in this Agreement, have or be deemed to have, or otherwise be subject to, any duties (fiduciary or otherwise) to Aqua or its stockholders or any duties (fiduciary or otherwise) otherwise applicable to the directors of Aqua. Veolia shall designate the Board Observer in writing, who shall be an officer or employee of Veolia, and shall not change the Board Observer more than once during any 12-month period except with the Board's consent or the discontinuation of such Board Observer's employment with Veolia. To the extent that Veolia's Board Observer is no longer employed by Veolia or its Affiliates, or if Veolia wishes to replace the Board Observer and designate a different employee of Veolia or its Affiliates to be the Board Observer, Veolia shall consult with Aqua and the parties agree to work together in good faith to find a mutually acceptable replacement; provided, however, that Veolia shall ultimately have the discretion to name such replacement. Veolia's rights under this Section 5.5 shall be subject to the Board Observer's execution of an appropriate nondisclosure agreement with Aqua and the Board Observer's compliance with Aqua's insider trading policies applicable to the members of the Board.

(b) Notwithstanding Section 5.5(a), the Chairman of the Board (the "***Chairman***") shall have the right (in his or her reasonable discretion) to exclude any Board Observer from a portion of a meeting of the Board and withhold information pertaining to such portion of a meeting, if the Chairman determines in good faith that (i) such portion of the meeting relates to conflict of interest matters between Aqua and Veolia, or (ii) the attendance of such Board Observer would violate any obligation of Aqua to maintain the confidentiality of information discussed at such meeting, or could cause Aqua to lose the protection of the attorney-client privilege or any other privilege that Aqua would otherwise be entitled to assert. In the event the Chairman determines to exclude a Board Observer from a Board meeting, the Board shall provide notice to such Board Observer of such meeting, the portions thereof during which the Board Observer will be excluded, and the basis and reason the Chairman determined to exclude such Board Observer.

Section 6. Performance Standards.

(a) Veolia shall perform the Services in accordance with Prudent Industry Practices which includes acceptable levels of quality operations and production, including the production of on spec product, housekeeping and safety, in compliance with Applicable Laws.

(b) Veolia shall produce AR Lead and Products for sale by Aqua, subject to the Annual Capital Budget and Commercialization Plan at volume production schedule as agreed on a quarterly basis with Aqua, with specifications for the Products as defined as in Schedule D.

(c) The Parties agree that Veolia's primary objective in providing the Services hereunder is to maximize and optimize the commercialization of AR Lead and Products in accordance with the Annual Capital Budget and Annual Operations and Maintenance Budget and while complying with Applicable Laws, including, but not limited to Environmental Laws and all Governmental Approvals. Schedule E compensation has been developed to align both Parties financially in the objective.

(d) In an event of a Change of Law or Uncontrollable Circumstance that affects the performance, operation, maintenance or repair of the Facility, or the standards and conditions governing Product discharged from the Facility:

(i) Veolia shall comply with such Change of Law, but such Change of Law shall not modify or expand the Performance Standard; and

(ii) The Customer will be responsible for all costs associated with: (A) any modifications to the Facility mutually agreed to in writing by the Parties, and the Parties will negotiate and mutually agree to necessary and applicable modifications to the Performance Standard in light of the Change of Law or Uncontrollable Circumstance and make equitable adjustments to Veolia's scope of work, compensation and other terms. Upon completion of such negotiation, the Parties shall execute a written amendment to this Agreement. The Customer will be solely responsible for the costs to achieve compliance with Environmental Laws and other Applicable Laws, and to achieve desired performance standards.

(e) Veolia shall not be liable for its failure to meet its performance obligations and warranties under this Agreement to the extent such failure is the result of Aqua's failure to

timely and materially meet its obligations under this Agreement and Aqua providing Veolia with full access to the Facility.

(f) **ALL WARRANTIES MADE BY VEOLIA ARE LIMITED TO THOSE SET FORTH IN THIS AGREEMENT AND ARE THE SOLE AND EXCLUSIVE WARRANTIES OF VEOLIA UNDER THIS AGREEMENT. VEOLIA MAKES NO OTHER WARRANTIES OR GUARANTEES WHATSOEVER, EXPRESSED OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR OR INTENDED PURPOSE, WHICH IMPLIED WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED BY VEOLIA AND WAIVED BY CUSTOMER.**

EXCEPT TO THE EXTENT CAUSED BY VEOLIA'S NEGLIGENCE, WILLFUL MISCONDUCT OR BREACH OF THIS AGREEMENT, IN NO EVENT SHALL VEOLIA BE LIABLE OR RESPONSIBLE FOR ANY DEFECTS OR DEFICIENCIES (LATENT OR PATENT), LIMITATIONS, FAILURES, BREAKAGES, DESTRUCTION, DETERIORATION OR CASUALTY OF THE FACILITY OR THE CUSTOMER'S SITE, AND CUSTOMER AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS VEOLIA FROM AND AGAINST ANY AND ALL DAMAGES, CLAIMS AND CAUSES OF ACTION CAUSED BY, ARISING FROM OR RELATED TO SUCH MATTERS, OTHER THAN AND TO THE EXTENT CAUSED BY VEOLIA'S NEGLIGENCE, WILLFUL MISCONDUCT OR BREACH OF THIS AGREEMENT.

The provisions of this Section 6 shall survive the expiration or termination of this Agreement.

Section 7. Access.

The Customer shall provide, at no cost to Veolia, and hereby grants Veolia right of access and use at all times until the termination or expiration of the Agreement (and for a term of 10 days thereafter with regard to any removal of any Veolia property from the Facility) to the Facility as shall be reasonably necessary for Veolia to effectively perform the Services and otherwise address its rights and obligations hereunder ("***Necessary Access***" or "***Access***").

Section 8. Change of Scope.

A change in scope of Services may occur when and as Veolia's costs of providing Services under this Agreement materially change as a result of: (i) significant change in Facility operations, personnel qualifications or staffing or other cost to the extent such is the result of Uncontrollable Circumstances; or (ii) Customers' request of Veolia, and Veolia's consent, to provide additional Services. Changes in the scope of the Services may be accomplished only by a written instrument signed by authorized representatives of each Party, stating the parties' mutual agreement as to: the change in the scope of the Services; the adjustment, if any, in the Compensation; and the adjustment, if any, in the time for performing the Services.

Section 9. Compensation.

(a) In consideration for Veolia's performance of the Services during the Term, the Customer shall issue to Veolia shares ("***Shares***") of the Customer's $0.001 par value common stock ("***Common Stock***") and warrants ("***Warrants***") to purchase shares of Common Stock as set forth on Schedule E ("***Service Fee***").

(b) Veolia is responsible for the payment of federal and state payroll taxes and for contributions for unemployment insurance, old age pensions, annuities, retirement, and other benefits, imposed under any provision of any law, and measured by remuneration paid or payable by Veolia to employees of Veolia engaged in the Services or in any operation incidental thereto. Veolia shall be responsible for all taxes incurred by it in connection with its provision of the Services and receipt of the Service Fee.

(c) Veolia is acquiring the Shares, Warrants and shares of Common Stock underlying the Warrants (collectively, the "***Securities***") solely for its own account for investment purposes and not with a view to, or for offer or sale in connection with, any distribution thereof. Veolia acknowledges that the Securities are not registered under the Securities Act of 1933, as amended ("***Securities Act'***), or any state securities laws, and that the Securities may not be transferred or sold except pursuant to the registration provisions of the Securities Act of 1933, as amended, or pursuant to an applicable exemption therefrom and subject to state securities laws and regulations, as applicable.

(d) Veolia understands that the certificates representing Securities will bear the following legend: "THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR BLUE SKY LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES OR BLUE SKY LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE COMPANY MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE COMPANY TO THE EFFECT THAT ANY PROPOSED TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES OR BLUE SKY LAWS."

(e) Veolia represents that it is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D, as promulgated under the Securities Act.

(f) Veolia acknowledges and agrees that the Customer has made available to Veolia (through EDGAR, the Customer's website or otherwise) all SEC Documents, as well as all press releases or investor presentations issued by the Customer through the date of this Agreement that are included in a filing by the Customer on Form 8-K or clearly posted on the Customer's website. Veolia further acknowledges that Veolia and its advisors have been given the opportunity to ask questions of, and receive information from Aqua, concerning Aqua as Veolia and its advisors have determined necessary or desirable in making an election to acquire the Securities.

Section 10. Compliance with Applicable Laws.

(a) Veolia agrees to keep posted all notices required under workers' compensation laws and other Applicable Laws of any Government Body having jurisdiction over the Services and the Facility. Except as expressly provided to the contrary in the Agreement, all permits, clearances, releases, certificates and special conditions, (collectively, "***Permits***"), necessary to perform the Services shall be supplied by the Customer and the Permits issued as of the date of this Agreement are provided in Schedule F. Veolia shall comply with all terms and conditions within each Permit to the extent a true and correct written copy of such Permit was provided to Veolia prior to the Effective Date or in a timely fashion following the issuance of any Permits after the Effective Date. Permits first disclosed in writing to Veolia after the Effective Date that materially change Veolia's cost or scope of Services shall be treated as if they were a change of scope to which the provisions of Section 8 shall apply.

(b) Veolia shall provide Services in compliance with Applicable Law, and Veolia shall cause the Veolia Employees and Veolia's agents, subcontractors and representatives entering upon Customer's premises in connection with the Services to comply in all material respects with all Applicable Laws. Veolia and Aqua shall work together to cause the Aqua Employees to comply in all material respects with all Applicable Laws, but Aqua shall be responsible for any acts or omissions of the Aqua Employees in contravention of Applicable Law except to the extent directly caused by Veolia's material breach of this Agreement or Veolia's negligent or willful misconduct in the supervision or direction of the Aqua Employees. Notwithstanding anything to the contrary herein, and without mitigating Veolia's duty to comply with Applicable Laws, nothing in this provision shall alter, expand or increase Veolia's obligations with respect the Performance Standard under Section 6. Prior to the Effective Date, Customer will demonstrate compliance with OSHA regulations, and be in good standing with respect to the site environmental permits and others permits as they may apply.

Section 11. Insurance.

11.1 Veolia Insurance. Throughout the term of this Agreement, Veolia shall procure and maintain the following insurance coverages:

	Coverage	Policy Limits
(i)	Workers' Compensation Policy and Statutory Employer's Liability Insurance;	$1,000,000 per accident, disease and aggregate
(ii)	Commercial General Liability Policy, including contractual liability;	$1,000,000 per occurrence/general aggregate
(iii)	Business Automobile Liability Policy (including owned, non-owned, and hired vehicles) combined single limit; and	$1,000,000 combined single limit
(iv)	Property Policy covering Veolia's owned, leased or rented equipment, tools or other personal property.	

All such Veolia policies shall name the Customer as an additional insured as respects liability arising from work or operations performed by or on behalf of Veolia including, without limitation, the acts or omissions of the Veolia Employees.

11.2 **Aqua Insurance**. Throughout the term of this Agreement, Veolia shall procure and maintain the following insurance coverages:

	Coverage	Policy Limits
(i)	Workers' Compensation Policy and Statutory Employer's Liability Insurance (including Alternate Employer Endorsement WC 00 03, or equivalent, with Veolia listed as Alternate Employer);	$1,000,000 per accident, disease and aggregate
(ii)	Commercial General Liability Policy, including contractual liability;	$1,000,000 per occurrence/general aggregate
(iii)	Business Automobile Liability Policy (including owned, non-owned, and hired vehicles) combined single limit; and	$1,000,000 combined single limit
(iv)	Property Policy covering Aqua's owned, leased or rented buildings, machinery, equipment, tools or other personal property.	

All such Aqua policies shall name Veolia as an additional insured as respects liability arising from work or operations performed by or on behalf of Aqua including, without limitation, the acts or omissions of the Aqua Employees.

11.3 **Common Insurance Terms**. Each Party shall waive its and its insurer(s) rights of subrogation as respects any claims covered, or which should have been covered, by valid and collectible insurance including any deductibles or self-insurance maintained thereunder, except each Party expressly agrees not to cause itself or its insurer(s) to waive any rights of subrogation and/or contribution against the other Party under any workers' compensation and employers' liability insurance, or similar social insurance in accordance with law which may be applicable. Each Party shall provide the other party at least thirty (30) days prior written notice with respect to cancellation or non-renewal, provided, however, that ten (10) days prior written notice shall be provided if cancellation is due to non-payment of premium of any such policy. Upon request, each Party shall furnish the other party with certificates of insurance evidencing the preceding coverages. To the extent of liabilities assumed by a Party under the Agreement and only as respects claims or liabilities to the extent caused by such Party's acts or omissions, the above policies shall be primary and not excess to any insurance carried by the other Party.

Section 12. **Indemnification**.

(a) Subject to all applicable provisions hereunder, Veolia shall defend, indemnify and hold harmless Customer, its directors, members, managers, officers, employees and agents (the "***Customer Indemnified Parties***") from and against any Losses to the extent caused by the breach of this Agreement by Veolia or any negligent or willful misconduct by Veolia, its agents, employees, officers or subcontractors, including any Losses arising under and to the extent directly caused by

Veolia's negligent or willful misconduct in the supervision or direction of the Aqua Employees. Nothing in this provision shall alter or expand the Performance Standard.

(b) Subject to all applicable provisions hereunder, Customer shall defend, indemnify and hold harmless Veolia, its directors, members, managers, officers, employees and agents (the "***Veolia Indemnified Parties***") from and against any Losses to the extent caused by the breach of this Agreement by Aqua or the negligent or willful misconduct by Customer, or any Customer employees, representatives, officers, contractors or agents, including the Aqua Employees, except to the extent, and to such degree, that, in each case, such Losses are directly caused by the breach of this Agreement by Veolia or the negligent or willful misconduct of Veolia or the Veolia Indemnified Parties or Veolia's negligence or willful misconduct in the supervision or direction of the Aqua Employees.

(c) Veolia shall not be responsible under the above indemnities for the actions or inaction of the Aqua Employees except to the extent that Losses arising from the actions or inaction of the Aqua Employees are the result of Veolia's breach of this Agreement or Veolia's negligent or willful misconduct in the supervision or direction of the Aqua Employees.

Section 13. <u>Environmental Indemnification</u>.

(a) Subject to all applicable provisions hereunder, Customer shall defend, indemnify and hold harmless the Veolia Indemnified Parties from and against any Losses arising out of or related to:

(i) any Environmental Conditions on, in, under, across or at the Facility existing before and as of the Effective Date of this Agreement or, if after the Effective Date, except and to the extent and degree such Environmental Conditions are directly caused by the negligent or willful misconduct of Veolia;

(ii) any Release or threatened Release of Regulated Substances from the Facility, or any location used for the storage, treatment, disposal or beneficial use of Product, sludge, secondary materials, byproducts, Regulated Substances or any other materials produced, used, transported, disposed or in any other manner handled by Customer at the Facility to the extent and degree caused by Customer's non-compliance with Environmental Law or negligent or willful misconduct; or

(iii) any violations of Environmental Laws related to the Facility caused by Customer not meeting its obligations in this Agreement, except to the extent, and to such degree, that in each case, such violation of Environmental Laws is directly caused by the breach of this Agreement by Veolia or the negligent or willful misconduct of a Veolia Indemnified Party or Veolia's negligence or willful misconduct in the supervision or direction of the Aqua Employees.

(b) Subject to all applicable provisions hereunder, Veolia shall defend, indemnify, and hold harmless the Customer Indemnified Parties from and against any Losses related to:

(i) fines and civil penalties imposed by any Government Body for violations of Environmental Laws directly caused by the breach of this Agreement by Veolia or the negligent or willful misconduct of Veolia or a Veolia Indemnified Party or by Veolia's negligence or willful misconduct in the supervision or direction of the Aqua Employees;

(ii) any Release or threatened Release of Regulated Substances from the Facility, or any location used for the storage, treatment, disposal or beneficial use of Product, sludge, secondary materials, byproducts, Regulated Substances or any other materials produced, used, transported, disposed or in any other manner handled by Veolia at the Facility to the extent and degree caused by Veolia's non-compliance with Environmental Law, or the negligent or willful misconduct of Veolia or a Veolia Indemnified Party;

(iii) any Environmental Conditions on, in, under, across or at the Facility existing after the Effective Date of this Agreement to the extent and degree such Environmental Conditions are caused by Veolia's non-compliance with Environmental Law, or the negligent or willful misconduct of Veolia or a Veolia Indemnified Party.

(c) For the avoidance of doubt, Veolia shall have no liability regarding Environmental Conditions which existed at the Facility or were caused by events having occurred before the Effective Date.

Section 14. Patent Infringement.

Notwithstanding any of the other indemnities, releases or legal protections contained in this Agreement, each Party agrees to indemnify, defend and hold the other Party harmless from any Losses asserted by or arising in favor of any entity for infringement or alleged infringement of any patents, copyrights, or trademarks, or misappropriation or misuse of any trade secrets or other Confidential Information, related to indemnifying Party, its subcontractors' or agents', use of any processes, compositions, equipment, articles of manufacture, or computer software related to this Agreement, the Facility or the Services provided hereunder, other than Losses directly caused by the breach of this Agreement by the Party seeking indemnification or the negligent or willful misconduct of a Veolia Indemnified Party or a Customer Indemnified Party, as the case may be.

Section 15. Provisions Applicable to Indemnities.

The following procedures shall govern any claims for indemnification under this Agreement:

(a) Upon obtaining actual knowledge thereof, the Party claiming a right to indemnification shall promptly give the indemnifying Party written notice of the incurrence of any Losses or the assertion of any claim that will likely result in a claim by it for indemnity pursuant to this Agreement. The notice shall describe with reasonable detail the nature of such Losses or claim to the extent known, and shall include copies of any written documentation substantiating such Losses or from the Party asserting any claim. The failure of an indemnified Party to give any notice required under this section shall not affect any of such Party's rights under this section except and to the extent that such failure is actually prejudicial to the rights and obligation of the indemnifying Party.

(b) The indemnifying Party shall have the right to assume the defense of any such claim. Upon assumption of such defense by the indemnifying Party, the indemnified Party may participate in the defense of such claim at the indemnified Party's sole expense.

(c) The indemnifying Party shall not be liable for any settlement entered into by the indemnified Party without the indemnifying Party's prior written consent, which shall not be unreasonably withheld, delayed or conditioned. If the indemnifying Party assumes the defense of a third-party claim, no compromise or settlement of such third-party claim may be effected by the indemnifying Party without the indemnified Party's consent, unless: (i) there is no finding or admission of liability or fault on the part of the indemnified Party without the indemnified Party's written permission; (ii) the sole relief provided is monetary damages that are paid in full by the indemnifying Party; and (iii) the indemnified Party shall have no liability with respect to any compromise or settlement of such third-party claims effected without its consent.

(d) The indemnity obligations provided in this Agreement shall survive the expiration or termination of this Agreement.

Section 16. No Title.

At no time shall Veolia be deemed to have taken title to any (i) influent, Raw Material, Product, or untreated water, wastewater or material, (ii) Regulated Substances, (iii) sludge, (iv) solids, (v) secondary materials, (vi) byproducts, (vii) wastes of any type or classification, (viii) any other materials or substances processed, in process, used, transported, stored, or otherwise handled at the Facility, or (ix) any combination thereof**.** This section shall survive the expiration or termination of this Agreement.

Section 17. Confidentiality.

(a) The provision of this section shall apply in the event that the Parties have not entered (or, during the term of this Agreement, do not enter) into a separate mutual confidentiality agreement that is applicable to the Parties' relationship and Services hereunder.

(b) Veolia or Customer may from time to time disclose to the other Party confidential information relating to the Services and the terms of this Agreement, including without limitation, Know-How, Trade Secret Information. reports, analyses, plans, proposals, know-how, formulas, compositions, processes, documents, designs, sketches, photographs, graphs, drawings, specifications, equipment, samples, customer lists, and pricing information ("***Confidential Information***"). As used in this Agreement, "***Receiving Party***" means the Party receiving Confidential Information (and its Affiliates), and "***Disclosing Party***" means the Party disclosing Confidential Information (and its Affiliates). As a condition to being furnished with such Confidential Information, both Parties agree (and shall timely cause their Representatives) to treat the Confidential Information in accordance with the terms of this Agreement.

(c) The Receiving Party will use the Confidential Information disclosed to it by the Disclosing Party solely with respect to the Services to be performed for the Facility, and it will be kept confidential by the Receiving Party, provided, however, that the Receiving Party may disclose such Confidential Information or portions thereof to those of its and its Affiliates' directors,

officers, employees, and advisors who need to know such Confidential Information (the persons to whom such disclosure is permissible being collectively called "***Representatives***"), it being understood that prior to the disclosure of any such Confidential Information, those Representatives will be informed by the Receiving Party of the confidential nature of such Confidential Information and shall be directed by the Receiving Party not to disclose such Confidential Information to any person other than the Receiving Party and its Representatives. Each Receiving Party shall be responsible to the Disclosing Party for any breach of the obligations of this Section by its Representatives. The term "***person***" as used throughout this Agreement will be interpreted broadly to include, without limitation, any corporation, company, partnership, other entity or individual.

(d) Unless specifically provided otherwise herein, neither Party will disclose Confidential Information of the other to any third party, or use such Confidential Information for any purpose other than as specified herein, without the express written consent of the Disclosing Party. Each Party will use at least the same degree of care to avoid disclosure of Confidential Information as it uses with respect to its own Confidential Information, but in no event less than a reasonable standard of care.

(e) Either Party may disclose Confidential Information to the extent required by Applicable Law or order of a court of competent jurisdiction, provided that, in such event, the Receiving Party shall provide the Disclosing Party prompt, advance notice of such requirement to allow intervention (and shall cooperate with the Disclosing Party) to contest or minimize the scope of the disclosure (including through application for a protective order) and provide the Disclosing Party with a copy of the proposed disclosure in sufficient time to allow reasonable opportunity to comment thereon.

(f) Either Party may seek injunctive relief to enforce its rights under this Section.

(g) Except as otherwise provided in this Section 17, the term "Confidential Information" does not include information: (i) generally available to or known to the public; (ii) which the Receiving Party can prove was previously known to or owned by the recipient; (iii) which the Receiving Party can prove was independently developed by the recipient outside the scope of this Agreement by employees or contractors who had no access to any relevant Confidential Information; or (iv) lawfully disclosed by a third party to the recipient.

(h) The Parties agree to keep all Confidential Information confidential in accordance with the provisions of this Section 17 during the term of this Agreement and for a period of ten (10) years following the termination or expiration of the Agreement. Each Party shall, within a reasonably prompt period of time following termination or expiration of this Agreement, return all confidential or proprietary information received from the other Party under the terms of this Agreement.

(i) Either Party may disclose the existence of the project, contra-Party name, and general descriptive information of the project in as required by law and in brochures, trade publications, internal publications and other media, provided that neither Party shall make a public disclosure of this Agreement prior to the initial disclosure by the Customer. Neither Party shall make any other disclosures without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.

(j) Veolia acknowledges that it may receive from time to time material nonpublic information concerning the Customer and other parties involved with the Customer. Veolia, on behalf of itself and its Representatives, acknowledges that it is familiar with the Federal securities laws and regulations concerning the use and disclosure of material nonpublic information and represents and covenants that it shall act, and take all reasonable measures to ensure that its Representatives act, in strict accordance with such laws and regulations at all times, including Veolia's agreement that the Veolia General Manager and the Veolia Employees shall be required to adopt and act in accordance with the Customer's formal policy concerning insider trading.

(k) The covenants contained in this Section 17 shall survive the termination or expiration of this Agreement.

Section 18. Uncontrollable Circumstances.

In the event either Party is rendered unable, wholly or in part, to carry out its respective obligations under this Agreement, except for any obligations to make payment or comply with Applicable Laws, due to circumstances beyond its reasonable control, including, without limitation:

(i) an act of God, landslide, lightning, earthquake, tornado, flood, hurricane, blizzard, fire, explosion, failure to possess sufficient property rights, acts of the public enemy, war, blockade, sabotage, insurrection, riot or civil disturbance;

(ii) delays, failures to act, the preliminary or final order of any Government Body;

(iii) any Change of Law;

(iv) labor disputes, strikes, work slowdowns or work stoppages (excluding labor disputes, strikes, work slowdowns or work stoppages by employees of Veolia);

(v) loss of or inability to obtain service from a utility necessary to furnish power for the operation and maintenance of the Facility;

(vi) acts of third parties or other circumstances beyond the reasonable control of either Party;

(vii) delays or other impacts to Veolia's Services resulting from the acts or omissions of Customer, or of its third-party contractors, representatives and agents performing work or services at the Facility including, without limitation, any delays caused by the failure of Customer to perform its duties and obligations set forth in this Agreement; and/or

(viii) the discovery of any existing Regulated Substance at the Facility that impacts, or may potentially impact, performance of the Services not known to Veolia as of the Effective Date or the presence of which was caused by the breach of this Agreement by Veolia or the negligent or willful misconduct of Veolia or any Veolia Indemnified Party or Veolia's negligence or willful misconduct in the supervision or direction of the Aqua Employees (collectively "***Uncontrollable Circumstances***"), then the affected obligations of such Party shall be suspended during the period of the Uncontrollable Circumstances. Every reasonable effort shall be made by the Parties to avoid delay and limit any period during which such obligations might be suspended. In the event of an

Uncontrollable Circumstance, Veolia shall be entitled to an equitable adjustment in the Service Fee in relation to the performance of the Services.

The provisions of this Section 18 shall survive the expiration or termination of this Agreement.

Section 19. Limitation of Liability.

(a) To the fullest extent permitted by law and notwithstanding any other provision of this Agreement, Veolia's liability for performance or non-performance of any obligation arising under the Agreement (whether arising under breach of contract, tort, strict liability, or any other theory of law or equity), including but not limited to its indemnity obligations specified in Section 12 and Section 13 of the Agreement and inclusive of the amount of any proceeds of insurance actually received by Customer pursuant to Section 11, shall be limited to an amount not to exceed Five Million Dollars ($5,000,000.00). Veolia shall be allowed to satisfy any liabilities to Aqua by remitting Shares and Warrants received by Veolia at the then current market value as follows: (i) the market value of the Shares shall be the volume weighted average price of the Shares over the twenty (20) trading days prior to the date remitted and (ii) the value of the Warrants shall be calculated using the Black-Scholes method as of the date remitted. "***Veolia's liability***" shall mean the aggregated total Losses that Customer may seek against Veolia and Veolia Group combined, whether under this Agreement, any documents related to or arising from this Agreement, or any combination thereof, as limited by this Section.

(b) UNDER NO CIRCUMSTANCES SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR OTHER DAMAGES OTHER THAN ACTUAL DIRECT DAMAGES PROVIDED, HOWEVER, THAT VEOLIA SHALL BE RESPONSIBLE FOR THE PAYMENT OF ANY PENALTIES OR FINES LEVIED BY A GOVERNMENT BODY AND DIRECTLY CAUSED BY VEOLIA'S NEGLIGENCE OR WILLFUL MISCONDUCT OR A BREACH OF THIS AGREEMENT. ANY PROTECTION AGAINST LIABILITY FOR LOSSES OR DAMAGES AFFORDED ANY INDIVIDUAL OR ENTITY BY THESE TERMS SHALL APPLY WHETHER THE ACTION IN WHICH RECOVERY OF DAMAGES IS SOUGHT IS BASED ON CONTRACT, TORT (INCLUDING SOLE, CONCURRENT OR OTHER NEGLIGENCE AND STRICT LIABILITY OF ANY PROTECTED INDIVIDUAL OR ENTITY), INDEMNITY, STATUTE OR OTHERWISE. TO THE EXTENT PERMITTED BY LAW, ANY STATUTORY REMEDIES WHICH ARE INCONSISTENT WITH THESE TERMS ARE WAIVED.

(c) The provisions of this Section 19 shall survive the expiration or termination of this Agreement.

Section 20. Intentionally Omitted.

Section 21. Dispute Resolution.

Either Party may seek resolution of any claimed breach of this Agreement through non-binding mediation if such dispute has not been resolved by the Parties within twenty (20) days after notice has been given to both Parties containing reasonable information regarding the nature of the dispute. Notice of the demand for mediation for any dispute shall be sent to the other Party to this Agreement, and shall be made within a reasonable time after such Party is permitted to mediate the dispute as provided herein. All mediation proceedings shall take place in New York, New York, and shall be conducted in accordance with rules mutually determined by the Parties. The mediator shall be an individual mutually selected by Customer and Veolia, which individual shall unless otherwise mutually agreed by the parties (i) have at least ten (10) years experience in the discipline which is the subject of the dispute, and (ii) be an attorney whose ten (10) years of experience has been in the realm of litigating issues which are the subject of the dispute. Each Party shall be responsible for and bear its own costs and expenses, including attorney fees, incurred in connection with the mediation. The Parties shall share equally the fees of the mediator and any other incidental common fees incurred in connection with the mediation. If the Parties fail to arrive at a mutually agreeable resolution to the dispute within sixty (60) days after notice requesting mediation (or such other reasonable amount of time as the Parties may agree), the Parties shall then be entitled to proceed with litigation. The prevailing Party in any such litigation shall be entitled to recover its reasonable attorney's fees and court costs in connection with such litigation.

Section 22. Ownership of Data and Work Product.

(a) **Existing Ownership of Data and Work Product**. Except as may be expressly provided for in this Section 22, Veolia and Customer agree and stipulate that nothing in this Agreement is intended to convey any rights of ownership to either Party in, or in any way related to, the Intellectual Property Rights or Know-How of the other Party. Both Parties agree and hereby stipulate that, except as may be expressly provided for in this Section 22, neither Party acquires, or may acquire, any rights to, or licenses to use, express or implied, the other Party's Intellectual Property as a result of Services hereunder unless expressly stated in a written agreement signed by authorized representatives of each of the Parties.

(b) **Ownership Generally.** The Parties agree that, as between the Parties, Aqua will retain all right, title and interest in, and sole and exclusive ownership of, the Aqua Technology and any and all other Intellectual Property Rights or Know-How (to the extent the Know-How is Confidential Information) that were conceived, developed, owned or controlled by Aqua as of or prior to the Execution Date, and Veolia will retain all right, title and interest in, and sole and exclusive ownership of, any and all Intellectual Property Rights or Know-How (to the extent the Know-How is Confidential Information) that were conceived, developed, owned or controlled by Veolia as of or prior to the Execution Date. Each Party further acknowledges and agrees that, subject to this Section 22, no rights or licenses to the other Party's Intellectual Property Rights or Know-How are granted by either Party by way of this Agreement to the other Party, whether expressly or by implication or estoppel.

(c) **Aqua Improvements and Inventions**. The Parties agree that, as between the Parties, all Improvements, and any other inventions, Intellectual Property Rights or Know-How (to the extent the Know-How is Confidential Information) relating to the Aqua Technology that are

conceived or developed by either Aqua or Veolia after the Execution Date of this Agreement, whether conceived or developed solely by or on behalf of Aqua, solely by or on behalf of Veolia, or jointly by Aqua and Veolia (collectively, the " ***Developed Aqua Technology***"), shall belong to and be solely and exclusively owned by Aqua, and Veolia agrees to assign, and hereby does irrevocably assign, to Aqua all right, title and interest in and to the Developed Aqua Technology; provided, that if the Developed Aqua Technology is conceived or developed solely by or on behalf of Veolia and does not relate to AquaRefining (a " ***Veolia Improvement***"), then Veolia will own the Veolia Improvement and Veolia shall be deemed to have granted to Aqua a worldwide, royalty free, non-transferrable (other than to licensees of Aqua and any successor in a change of control or sale of Aqua) and perpetual license to use such Intellectual Property Rights or Know-How in its operations and the operations of Aqua's licensees and successors. At either party's request, during and after the term of this Agreement, the parties will assist and cooperate with one another in all respects (and will cause any personnel and subcontractors to assist and cooperate with one another in all respects), and give testimony and execute documents (and cause its personnel and subcontractors to give testimony and execute documents), and take such further acts as may be reasonably requested by either party to enable Aqua to acquire, transfer, maintain, perfect and enforce its rights in and to the Developed Aqua Technology as provided above; provided, that each party will pay all reasonable out-of-pocket costs and expenses incurred by other party to provide such assistance and cooperation described above. Veolia agrees to carry out and enforce with its officers, employees, agents and consultants all assignment of invention agreements reasonably necessary to assign all right, title and interest in and to the Developed Aqua Technology to Aqua as contemplated hereunder.

(d) **Prohibition on Introduction of Veolia Intellectual Property Rights or Know-How**. Veolia shall not disclose to Aqua or incorporate into the AquaRefining or lead recycling processes or operations at the Facility any of the Intellectual Property Rights or Know-How (to the extent the Know-How is Confidential Information) owned by Veolia, except with the prior written agreement of Aqua, which Aqua may withhold in its sole and absolute discretion. If Veolia incorporates any of its Intellectual Property Rights or Know-How (to the extent the Know-How is Confidential Information) into the AquaRefining or lead recycling processes at the Facility without the prior written agreement of Aqua, then Veolia shall be deemed to have granted to Aqua a worldwide, royalty free, non-transferrable (other than to licensees of Aqua and any successor in a change of control or sale of Aqua) and perpetual license to use such Intellectual Property Rights or Know-How in its operations and the operations of Aqua's licensees and successors.

(e) **Survival**. The provisions of this Section 22 shall survive the expiration or termination of this Agreement.

Section 23. Standstill Agreement.

(a) **Standstill**. As additional consideration of the Customer's issuance of the Shares and the Customer's agreements under this Agreement, Veolia agrees that, unless approved in advance by the Board, from and after the date of this Agreement until the expiration of the Standstill Period (as defined herein), Veolia, will, and Veolia will cause each of its Affiliates and use reasonable efforts to cause all other persons under its control or direction not to, directly or indirectly, alone or in concert with others, in any manner:

(1) propose or publicly announce or otherwise disclose any intention to propose or enter into or agree to enter into, singly or together with any other person, directly or indirectly, (i) any merger, business combination, acquisition or other similar transaction relating to the assets or securities of the Customer or any of its subsidiaries, (ii) any restructuring, recapitalization, reorganization or similar transaction with respect to the Customer or any of its subsidiaries or (iii) any tender or exchange offer, or share exchange, for or involving, the Common Stock, whether or not such transaction involves a change-in-control of the Customer;

(2) initiate or engage in any solicitation of proxies or written consents to vote or withhold from voting) any securities of the Customer having the power whether contractual, organic, conditional or otherwise ("voting securities"), or conduct any precatory or other non-binding referendum with respect to any voting securities of the Customer, or assist or participate in any solicitation of proxies or written consents with respect to any voting securities of the Customer, or otherwise become a "participant" in a "solicitation" (as such terms are defined in Instruction 3 of Item 4 of Schedule 14A and Rule 14a-1 of Regulation 14A, respectively, under the Exchange Act), to vote any securities of the Customer in opposition to any published recommendation or proposal of the Board made to all of the Customer's stockholders;

(3) acquire, offer or propose to acquire, or agree to acquire, directly or indirectly, whether by purchase (private or open-market), tender or exchange offer, through the acquisition of control of another person, by forming or joining a partnership, limited partnership, syndicate or other group (including any group of persons that would be treated as a single "person" under Section 13(d) of the Exchange Act), through swap or hedging transactions or otherwise, any (i) interests in any of the Customer's indebtedness, or (ii) economic ownership of any Common Stock (including any rights decoupled from the underlying securities of the Customer), except pursuant to this Agreement;

(4) advise, encourage or influence any person with respect to the voting of (or execution of a written consent in respect of), or disposition of, any securities of the Customer, other than in accordance with a published recommendation made by the Board to all of the Customer's stockholders;

(5) form, join or in any other way participate in any "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to the Common Stock;

(6) enter into any discussions, negotiations, agreements or understandings with any person or entity with respect to any of the foregoing, or advise, assist, knowingly encourage or seek to persuade any person to take any action or make any statement with respect to any of the foregoing, or otherwise take or cause any action or make any statement inconsistent with any of the foregoing;

(7) make any request, submit any proposal or take any action to amend the terms of this Section 23, or challenge the validity or enforceability of any of the provisions of this Section 23, other than through non-public communications with the Board that would not be reasonably determined to require or result in public disclosure obligations for any party;

(8) take, or solicit, cause or encourage others to take, any action that require disclosure by Veolia pursuant to Item 4 of Schedule 13D under the Exchange Act; or

(9) otherwise take, or solicit, cause or encourage others to take, any action inconsistent with the foregoing.

it being understood that nothing in this Section 23 shall restrict or prohibit the Veolia Nominee from taking any action, or refraining of taking any action, if any, which he or she determines, in his or her reasonable discretion, is necessary to fulfill his or her duties as a member of the Board.

(b) **Termination of Standstill**. For purposes of this Agreement, "***Standstill Period***" shall mean the period commencing on the date of this Agreement and ending on the one-year anniversary of termination or expiration of this Agreement.

Section 24. Miscellaneous Provisions.

(a) **Assignment**. Neither Party may assign, convey or transfer this Agreement, or any part thereof, without the prior written consent of the other Party, provided that Aqua shall be allowed to assign its rights hereunder in connection with a change of control, sale of the company or sale of the Facility. Any attempt to assign or transfer this Agreement in violation of this provision will be voidable by the other Party.

(b) **Bills and Liens**. Veolia shall not permit any lien or charge to attach to the Services, the Facility or the Customer's site arising from the Veolia scope of services; but if any does so attach, Veolia shall promptly procure its release or shall bond over the lien, and indemnify Customer against all damage and expense incident thereto.

(c) **Construction**. This Agreement will be construed as if prepared jointly by the Parties, and the Parties agree and stipulate that (i) the language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and (ii) they will not allow any uncertainty or ambiguity to be interpreted against either Party.

(d) **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

(e) **Entire Agreement**. This Agreement represents the entire agreement between Veolia and the Customer related to the Services hereunder, and supersedes all prior or contemporaneous negotiations, proposals, purchase orders, representations or agreements related to the Services, whether written or oral. This Agreement may be amended, altered or modified only by a written instrument signed by authorized representatives of each Party.

(f) **Governing Law**. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to conflicts of law principles. The state and federal courts located in Wilmington, Delaware shall be the exclusive venue for the resolution of all litigation disputes between the Parties and the Parties accept the jurisdiction of such courts.

(g) **Notices**. All notices required or desired to be given hereunder to either Party shall be effective if given by personal delivery, electronic mail or by nationally recognized overnight delivery company, if addressed or the following addresses:

If to Veolia:

James Pawloski, EVP & COO
Veolia North America Regeneration Services, LLC
4760 World Houston Parkway, Suite 100
Houston, Texas 77032
Email: james.pawloski@veolia.com

with copy to:

Stuart Thomas, Vice President Operations
Veolia North America Regeneration Services, LLC
131 Continental Drive, Suite 300
Newark, Delaware 19713
Email: stuart.thomas@veolia.com

and

Email: GeneralCounsel@veolia.com

If to Customer:

Stephen Cotton, President
Aqua Metals, Inc.
2500 Peru Drive
McCarren, Nevada 89434
Email: Steve.Cotton@aquametals.com

with copy to:

Daniel K. Donahue
Greenberg Traurig, LLP
3161 Michelson Drive, Suite 1000
Irvine, California 92612
Email: donahued@gtlaw.com

Either Party may change its address for the purpose of this Section by giving written notice of such change to the other Party. Notices delivered personally or by electronic mail shall be deemed given as of actual receipt. Notices given by overnight delivery company shall be deemed given as of the date and time of delivery indicated on the delivery company's receipt.

(h) **Publicity.** Except as required by law, each Party agrees that it will not issue or release for publication any press release, article, advertising or other publicity matter in any form (including print, electronic, or interview) relating to other Party, the services, or this Agreement without first obtaining the prior written consent of the other Party, which may be withheld at their sole discretion. In this regard, Veolia acknowledges and agrees that Aqua is a publicly-listed company and will be required to provide comprehensive disclosure in its SEC filings and public communications concerning its relationship and agreements with Veolia. Veolia agrees that its written approval hereunder of any text for inclusion in any SEC filing or other public communication may be repeated in substantially the same form without the need to obtain further written approval form Veolia hereunder in the absence of a material change to Veolia's relationship or agreements with Aqua. Aqua will provide Veolia with copies of all such filings and public communications.

(i) **Recruitment of Employees.** During the term of this Agreement, and for one year following the final termination or expiration hereof, neither Party shall directly solicit or recruit or employ any employee of the other for employment, nor shall either Party induce any employee of the other party to leave his or her employ for any reason, unless mutually agreed to by both Customer and Veolia in writing. Notwithstanding the preceding sentence, neither Party shall be prohibited from employing any person who (i) contacts the Party on the person's own initiative and without any direct solicitation of such person by the other Party, (ii) responds to general advertisements in the media, (iii) is independently presented to such Party by an employment agency, or (iv) any combination thereof. In addition, Aqua shall not be prohibited from employing any person who was at one time an Aqua Employee and was subsequently Re-Badged as a Veolia Employee.

(j) **Section Headings**. The section headings appearing in this Agreement have been inserted for the purpose of convenience and ready reference. They do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the sections to which they appertain, and they shall not for any purpose affect the interpretation of this Agreement.

(k) **Severability**. In case any provision of this Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected.

(l) **Third Party Beneficiaries**. The provisions of this Agreement are intended for the sole benefit of Customer and Veolia, and there are no intended third party beneficiaries of this Agreement other than assignees identified in this Agreement.

(m) **Authority**. The undersigned individuals certify that they are competent and authorized to enter into this Agreement on behalf of the Party for whom he or she purports to sign.

[Signatures on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Aqua Metals, Inc.

By: /s/ Stephen Cotton
Stephen Cotton
President and Chief Executive Officer

Veolia North America Regeneration Services, LLC

By: /s/ James Pawloski
James Pawloski
EVP & COO

Schedule A - Facility Description

The Facility shall include the equipment, piping, pumps, chemical feed and storage systems, tanks, lift stations, buildings, controls, and instrumentation specified within the following reference documents:

1. Facility represents a partially completed physical rendering of CP1, described more in detail in Schedule A1 - owned by Aqua Metals, located in at TRIC, or McCarran, Nevada.
2. The completed Facility will include modifications to produce the mass flow capacities described in Schedule
3. Aerial or Pictorial View of Site (location in TRIC)
4. Facility Description
    a. Battery breaking, Elutriation, conveyors and collection equipment
    b. Wet end equipment including desulphurization, digestion, and filtration
    c. Electrolysis partially completed, including the electrolizers, rectifiers, and conveyors.
    d. Lead Briquetting operating equipment
    e. Water treatment partially completed and still to be commissioned.
    f. Lead refining including lead pumps and the casting line
    g. 12 acres - total property
    h. Permitted Production – 29,200 metric tons/ yr AR Lead and Products
    i. Rail Capacity – none currently
    j. Truck Loading Capacity with two receiving and two shipping dock doors
    k. Electrical substations and transformers to support a 16 module plant operations
    l. Road Access - no truck restrictions
    m. Scales including a large truck scale, and multiple in process pallet scales
    n. Building Staging for raw materials inventory – 330 metric tons

SCHEDULE A-1

CP1 Description

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule B - Operations Scope of Work

The Veolia scope of operations and maintenance services are specified in this schedule.

A. **Project Phase Services**: Veolia will lead all project plan reviews for operational review comments during the planning, design and installation phases.

B. **Mobilization and Onboarding of Facility Employees**: Veolia will interview the existing Facility employees in preparation for their possible transfer to Veolia employment at Re-Badging. All such persons must satisfy Veolia's hiring policies, procedures and requirements in order to be employed by Veolia, and Veolia shall have no liability or responsibility for persons that are not hired by Veolia for any reason at Veolia's sole discretion.

C. **Post Mobilization**: Following the Effective Date, Veolia will work directly with the Aqua Metals Human Resources Director on an as needed basis to continue the hiring process to increase the staff to support the Commercialization Plan. Veolia will conduct training for new and existing staff, review and finalize Standard Operating Procedures (SOP) development, Process control management program and asset management program development as approved by Customer.

D. **Employees**: Veolia will provide for staffing to manage, operate and maintain the plant as specified below.

1. Personnel: Salaries, including, but not limited to, required payroll taxes and workers' compensation expenses, overtime, benefits, personal safety equipment, and uniforms will be provided for the following Veolia Employees, at Veolia's expense:
2. VP /GM: On-site and dedicated to region, to support the on-site project manager/lead operator and manage support resources from Veolia;
3. Technical support, off-site from corporate support staff, including field engineers and technicians, process engineers, start-up engineering personnel, and maintenance technicians coordinated by project manager. Technical support as part of the base scope assumes the Facility meets the expected production and reliability requirements of the Parties. Additional off-site technical support may be provided, subject to the mutual agreement of the Parties, to improve the Facility but is considered out-of-scope and is billed separately according to Schedule E.
4. Environmental and/or health and safety support, off-site from corporate staff, as required to support health and safety program and routine audits.

E. **Maintenance**: Veolia will manage the maintenance program and provide labor and materials for preventive and routine corrective maintenance, as specified below:

1. Maintenance Management Program: Veolia will supply a maintenance management program to track preventive maintenance and corrective maintenance. The MMS system will be maintained to schedule maintenance activities, track completion dates, and provide detail on work order notes, subcontracted services, tracking of warranties and warranty claims, and parts and materials detail. In addition the maintenance management system will provide documentation of work performed in an organized manner that will be made available to Customer on demand. Veolia will also monitor and, if necessary, modify preventive maintenance procedures based on Facility performance.

2. Subcontracted Maintenance: Non-routine corrective maintenance requiring specialized trades or major equipment overhauls, if required, may be provided by a local subcontractor network, subject to the mutual agreement of the Parties.

3. Spare Parts Inventory: Veolia will manage the spare parts inventory as practicably required to maintain reliable Facility operation. Customer to provide all spare parts and any spare parts as recommended by Veolia and approved by the Customer.

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F. **Environmental Sampling, Testing, and Reporting**: Veolia will operate the Facility according to the Air Permit Requirements and assist the Customer in meeting the sampling required for Air Permit, though Customer is responsible for all costs or Environmental Testing.

G. **Operations Plan**: Veolia will develop and maintain an operations plan for the Facility that will be routinely updated. Off-site resources will be provided for plan development, technical assistance and quality assurance. The following is included:

1. Training: preliminary training, orientation, and refresher training programs;

2. Process Control Plan: Veolia will support the development of an automation plan and options to improve process control at the Facility.

3. Operations, Inspection and Reading Logs: documentation, standard operating procedures and archives of Facility performance records and activities;

4. Monitoring and Record keeping includes:
   - Raw Material inventory and shipments received by shift
   - Raw material calculated usage by shift
   - Production tonnage and product specification by shift
   - Raw material efficiency (ratio of Acid : Product Sulfate and Ammonia: Product)
   - Monthly utility usage including natural gas and power
   - Monthly efficiency summary including raw materials and utilities and off-specification tonnage.

5. Communication: daily communication interface, emergency communication procedures, and monthly reporting and performance review procedures.

Schedule C - Customer Representations and Responsibilities

Customer represents and warranties that:

1) All equipment and process operations at the Facility have been maintained, repaired and replaced by Aqua and are currently running and in good condition and repair, and the Facility process as planned to run according to CP1 design will meet OSHA standards and has the necessary environmental permits from the State of Nevada, EPA and all other relevant regulatory agencies.
2) All necessary OSHA procedures are up to date and in compliance, operations documentation is current and meets applicable OSHA standards.
3) All environmental permits are in good standing (need a list of any required actions)
4) No pending or known legal action for environmental, employment, or Intellectual Property
5) All data supplied to Veolia is accurate and reflects the performance of the TRIC facility
6) The process as practiced at the Facility does not infringe the intellectual property of another person or company

The Customer scope of services and responsibilities pursuant to this Agreement are specified in this schedule as follows:

1) Establish and review with Veolia a quarterly plan to effect progress to achieve full commercialization of the CP1 process. The quarterly plan will include operations and maintenance budget to include staffing, production targets, planned maintenance events and any other issues which may affect the plant operational efficiencies.

2) As managed and administered by Veolia, the Customer will be financially responsible for the supply of battery cores, electrical power, natural gas, potable water, sanitary/septic and raw materials including all chemicals.

3) Provide all vehicles required to operate and maintain the facility including maintenance, lease fees, insurance and fuel.

4) Provide access to the Facility.

5) Provide the required Aqua Employees listed in Schedules M and N

6) Provide, maintain and renew all permits

7) Prepare, sign and submit all required environmental reports, permit renewals/fees, and pay any 3rd party services including audits, laboratory analysis, etc.

8) Provide regulatory monitoring and reporting related to the Facility with input from Veolia

9) Fund and/or perform all of the obligations of Aqua under this Agreement in a timely manner

10) Supply of phone and internet lines.

11) All decisions, authorizations, actions and any and all other such responsibilities including but not limited to payment for the cost(s) associated with all waste and disposal.

12) Signed agreements from transportation companies and nearby companies to allow the shipping in of raw materials and product from the Facility via Barge, Rail or Trucks, if applicable.

13) Pay for all laboratory supplies and equipment calibration costs.

14) Provide any reasonable safety related capital improvements as detailed by Veolia's Safety Group or any changing Federal or State safety standards. These include but are not limited to:

Schedule D - Product Specifications

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule E - Compensation

This section summarizes the compensation to be paid to Veolia for its provision of the Services, during the Initial Term.

I. INITIAL TERM

Veolia will supply four (4) Full Time Equivalents (FTE) to be located at the Facility and up to two (2) additional FTEs leveraged to support the operations and commercialization to achieve the Commercialization Plan.

Significant technology evaluation, travel expense, mobilization services and transition costs have been incurred by Veolia in this project over the last 12 months, and these costs will continue to be incurred and absorbed by Veolia through the Effective Date.

After Effective date, additional mobilization and employee transition expense is expected to last 6-9 months, and Veolia will be responsible for these costs.

Employee relocation, temporary living expenses, and significant travel expense will be incurred by Veolia for Veolia Employees and will be substantial starting prior to and following for many months after the Effective Date. Veolia will be responsible for all these costs related directly to Veolia Employees.

1. Veolia Sweat Equity Provisions for the Initial Term.

Veolia will be compensated by the issuance of 2,350,000 shares ("Shares") of common stock in Aqua Metals, Inc. ("Common Stock") delivered in eight (8) equal stock tranches (each a "Tranche") of 293,750 shares over the two-year Interim Term period, starting with the delivery of the first Tranche on the Effective Date, and the delivery of a Tranche on the next seven (7) three-month anniversaries of the Effective Date. The number of Shares in any Tranche shall be subject to adjustment as set forth in Section 2 below.

After one year following the Effective Date, Veolia will be granted Warrants, with an expiration date of 10 years, giving Veolia the right to purchase an additional 2,000,000 shares of Common Stock at a strike price of $5.00 per share (as proportionally adjusted for stock combinations, subdivisions, and the like).

After two years following the Effective Date, Veolia will be granted Warrants, with an expiration date of 10 years, giving Veolia the right to purchase an additional 2,000,000 shares of Common Stock at a strike price of $7.00 per share (as proportionally adjusted for stock combinations, subdivisions, and the like).

Veolia will provide Aqua with instruction on where to deliver the Common Stock for the account of Veolia, which may be directed to an appropriate SEC Rule 10b5-1 plan broker account owned by Veolia.

2. Share Adjustments.

(a) If the Company, at any time during the Initial Term, shall issue (an "***Issuance***") any shares of common stock for cash consideration, other than shares of common stock issued pursuant to a stockholder approved equity incentive plan, at a price per share ("***Offering Price***") less than $2.41 (as proportionally adjusted for stock combinations, subdivisions, and the like), the number of Shares to be issued in the first Tranche following the date of the Issuance shall be adjusted upward to a share amount equal to the product of multiplying 293,750 by a fraction, the numerator of which shall be the number of shares of the common stock outstanding immediately prior to the Issuance plus the number of additional shares of common stock sold in the Issuance and the denominator of which shall be the number of shares of the common stock outstanding immediately prior to the Issuance plus the number of additional shares of common stock which the aggregate offering price of the Issuance would purchase at an offering price of $2.40 per share.

(b) The market value of each Tranche shall not exceed $1.25 million. For purposes of determining the market value of any Tranche, the Parties shall refer to the VWAP over the twenty (20) trading days prior to the Issuance of such Tranche (" ***20-Day VWAP***"). If the 20-Day VWAP exceeds $4.25, then the shares issuable in the relevant Tranche shall be reduced to a Share amount equal to the quotient arrived at by dividing $1.25 million by the 20-Day VWAP. For purposes of this subpart (b), the term "***VWAP***" shall mean, for any date, the price determined by the first of the following clauses that applies: (a) if the common stock is then listed on a stock exchange or trading market other than the OTC Bulletin Board or OTC Market, the daily volume weighted average price of the common stock for such date (or the nearest preceding date) on the principal stock exchange or trading market on which the common stock is then listed for trading as reported by Bloomberg Financial L.P. (based on a trading day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time); or (b) if the OTC Bulletin Board or OTC Market is the principal trading market, the volume weighted average price of the common stock for such date (or the nearest preceding date) on the OTC Bulletin Board or OTC Market; or (c) in all other cases, the fair market value of a share of common stock as determined by the Board in good faith.

Schedule F - CP1 Details, Timeline and Plans

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule G - Contractor Safety Requirements

Veolia shall prepare a site and project specific contractor safety plan which meets all State and Federal requirements for the health and safety of all Employees specifically to address minimally the following regulatory requirements:

Hazard Communication Standard- 29 CFR 1910.1200
Housekeeping- 29 CFR 1910.22 and/or 29 CFR 1926.25
Hand and Power Tools- 29 CFR 1926 Subpart I
Mechanized Equipment- 29 CFR 1926 Subpart O
Trenching and Shoring- 29 CFR 1926 Subpart P
Traffic Control- 29 CFR 1926 Subpart O
Fall Protection- 29 CFR 1926 Subpart M and/or
29 CFR 1926 Subpart XPPE- 2
9 CFR 1910 Subpart I
Lock-out/ Tag-out- 29 CFR 1910.147
Hot Work- 29 CFR 1910 Subpart Q
Environmental- 29 CFR 1910 Subpart J
Occupational Health- 29 CFR 1910 Subpart K

The Safety plan shall include the following sections:

SAFETY AND EMERGENCY CONTACT
ACCIDENT/INCIDENT INVESTIGATION
TRAINING
OCCUPATIONAL HEALTHOCCUPATIONAL HEALTH AND SAFETY POLICY
PLANNING

- Hazard identification, Risk Assessment and Control of Risks
- Project Scope of Works
- Major Work Activities
- Hazard Management Overview
- Legal and other requirements
- Objectives and targets

IMPLEMENTATION

- Responsibility and Accountability
- Project Director
- Project Manager
- H&S Manager
- Employees / Contractors
- Training and Competency
- Consultation, communication and reporting
- Documentation and Data Control
- Hazard Identification, Risk Assessment and Risk Control
- Emergency Preparedness and Response

MONITORING AND MEASUREMENT

- General: Inspection and Maintenance
- Workplace Inspections
- Inspection, testing and tagging of office Electrical Equipment and Fire Suppression
- Systems.
- Personal Protective Equipment
- General Work Equipment
- Health Surveillance
- Incident Investigation, Corrective and Preventative Action
- Records and Records Management
- Occupational Health and safety Management System Auditing
- Management Review

HAZARD SPECIFIC REQUIREMENTS

- Lifting gear
- Cranes
- Preparing, erecting and dismantling of form works
- Scaffolding, ladders and planks
- Structural Steel Erection
- Temporary electrical wiring and equipment
- Trenching and Excavations
- Use of explosives in road works
- Fire Precautions
- Tunneling
- Climatic Conditions
- Working near Water Courses
- Storage and Handling of Chemicals

LIST OF ATTACHMENTS

DOCUMENT CONTROL SHEET

SPILL REPORTING to FDEP

Schedule H - Permits

The Permits to be provided by Customer shall include the regulatory and operational permits needed to Operate and Maintain the Facility. These include:

PERMIT	DETAILS
Air Permit	AP5051-711
Written Determination	Permit for the recycling of hazardous waste by Written Determination revision 5
Future	TBD

Schedule I - Storage and Handling Agreement Responsibilities

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule J - CP1 Plan Raw Material Specifications / Usage

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule K - Veolia Employees

On-site:

- Veolia General Manager: Located in Reno, and will have full autonomous operating responsibility for the Management of the Facility and all Veolia responsibilities. All Veolia Employees persons will report to the Veolia General Manager, as well as all the Aqua Employees in the Contract Box and the Management Box.
- Project Engineer(s): some will be on site and some off- site but dedicated to the project. Focus on process and maintenance.
- Process Scientists, Process Control and Engineers: some will be on site and some off- site but dedicated to the project. Focus on process and maintenance
- O&M Operations Professionals: Will be located on/ off site and providing support on as needed basis.
- Administrative Support, off-site from corporate support staff;
- Onsite Project Manager: Located in Reno and dedicated to Facility, to provide management of on-site team with all respects related to Capital Management, oversee EH&S, QA/QC, Asset Management, Operations plan.
- Technical support, on-site dedicated and off-site from corporate support staff, including field engineers and technicians, process engineers, start-up engineering personnel, and maintenance technicians coordinated by project manager. Technical support
- Environmental and/or health and safety support, on-site dedicated and off-site from corporate staff, as required to support health and safety program and routine audits.

Schedule L - Aqua Contract Box (58)

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule M - Aqua Management Box (23)

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule N

Coordination by Veolia and Aqua in Managing Aqua Employees

Pursuant to the Operations, Maintenance and Management Agreement, Veolia has agreed to use the services of the Aqua Employees to operate, maintain and manage the Facility. The Parties understand and acknowledge that Aqua Employees are the employees of Aqua and will continue to be subject to Aqua's continued administration, control and supervision of Aqua's policies and procedures, including without limitation and as applicable, employee handbooks, codes of business conduct, compliance with applicable laws, health & safety policies, environmental policies, and ethical guidelines. Notwithstanding any other provision herein, in no event shall Veolia be deemed the employer, individually or jointly, of the Aqua Employees.

All disciplinary or adverse actions with respect to any personnel managed by Veolia shall be performed: (i) by Aqua with respect to Aqua Employees in accordance with Aqua's personnel policies and Applicable Laws, based upon information and recommendations provided by Veolia, (ii) by Veolia, with respect to Veolia Employees in accordance with Veolia's personnel policies and Applicable Laws.

The parties recognize that nothing in this Agreement shall give Veolia the right to hire or fire Aqua Employees, to discipline Aqua Employees or to enforce any agreements, policies or procedures that Aqua may have with respect to Aqua Employees. Except as required to comply with this Agreement, Veolia will not enforce any agreements, policies or procedures that Aqua may have with respect to Aqua Employees.

Payment of Accrued Vacation and Sick Time Amount. In the event an Aqua Employee retires during the Term of this Agreement, Aqua shall be responsible for the cost of such retiring Aqua Employee, including the Aqua Employee's accrued vacation and sick time benefits, if any, through the Aqua Employee's date of retirement.

Schedule O - Initial Annual Capital Budget

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule P - Initial Annual Operations and Maintenance Budget

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule Q - Initial Commercialization Plan

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***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

Schedule R
Approval Limits of Costs, Capital, Purchasing and Contracts

The Veolia General Manager will have authority limits up to and including the limits as defined below.

Notwithstanding anything herein, all expenditures of cost and capital exceeding *** will require the approval of the Veolia General Manager and may require additional approvals as defined below in the Approval Limit Table.

Authority for any spending above these limits must be obtained prior to execution by either an Aqua officer, the OMM Steering Team, or both, as the case may be.

Table R.1 Approval Limits Table **Approval Limit Item**	**OMM Team Authority Limit. Any spending amounts above the limits set below will require Aqua company officer authorization**
All Operating and Maintenance expense, including personnel overtime, Purchases and contracts necessary to execute the Monthly Cost Budget, as defined in Commercialization Plan – except as further defined below	105% of monthly budget
Purchasing contract	***
Purchasing contract over one year	***
Purchase of any one-time expenditure, equipment or material on cost	***
Capital project authorization – single project	***
Any single capital project equipment purchase	***

***Text has been omitted as confidential information pursuant to pursuant to Item 601(b)(10)(iv) of Regulation S-K.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

Section 302 Certification

I, Stephen Cotton, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Aqua Metals, Inc.;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fiscal quarter presented in this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

By: /s/ *Stephen Cotton*

Stephen Cotton, President
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

Section 302 Certification

I, Judd Merrill, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Aqua Metals, Inc.;

2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fiscal quarter presented in this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2019

By: /s/ Judd Merrill

Judd Merrill, CFO (Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Aqua Metals, Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Stephen Cotton, President, and Judd Merrill, CFO, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By:	/s/ *Stephen Cotton*	Dated:	May 9, 2019
	Stephen Cotton		
Title:	President (Principal Executive Officer)		
By:	/s/ Judd Merrill	Dated:	May 9, 2019
	Judd Merrill		
Title:	CFO (Principal Financial Officer)		

This certification is made solely for the purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.