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

FORM 10-Q

(Mark One)
☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the three month period ended March 31, 2024

or

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

For the transition period from to _______________ to ________________

Commission File Number: **001-36210**

LiqTech International, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**20-1431677**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Industriparken 22C, DK 2750 Ballerup, Denmark	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **+45 3131 5941**

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, $0.001 par value	**LIQT**	**The Nasdaq Stock Market LLC**

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 ☒ 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 such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of May 14, 2024, there were 5,807,340 shares of common stock, $0.001 par value per share, outstanding.

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES

Quarterly Report on Form 10-Q
For the Period Ended March 31, 2024

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FORWARD-LOOKING STATEMENTS

Certain statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" regarding the plans and objectives of management for future operations and market trends and expectations. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving the continued expansion of our business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future political, legislative, economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. This is especially underlined by the potential impacts from the prevailing macro-economic uncertainty on the Company, including the related effects to our business operations, results of operations, cash flows, and financial position. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. We undertake no obligation to revise or update publicly any forward-looking statements for any reason.

Forward-looking statements include, but are not limited to, statements concerning:

- Our ability to continue as a going concern;
- The impact from the prevailing geopolitical uncertainty including the war between Ukraine and Russia as well as the escalating conflict between Hamas and Israel in the Middle East;
- Operational exposure related to increased macro-economic uncertainty, risk of a prolonged period of inflationary pressure, potential energy shortages, and/or volatile energy and electricity prices across Europe;
- The resurgence of COVID-19 or similar global pandemics;
- Our dependence on a few major customers and the ability to maintain future relationships with one or more of these major customers;
- Our ability to operate with financial stability and secure access to external financing and adequate liquidity;
- Our ability to secure and source supplies of raw materials and key components in due time and at competitive prices;
- Our reliance on subcontractors or delivery of new machinery to develop sufficient manufacturing capacity to meet demand;
- Our ability to achieve revenue growth and penetrate new markets;
- Our dependence on the expertise and experience of our management team and the retention of key employees;
- Our reliance and access to qualified personnel to expand our business;
- Our ability to adapt to potentially adverse changes in legislative, regulatory and political frameworks;
- Changes in emissions and environmental regulations, and potential further tightening of emission standards;
- Our dependence on corporate or government funding for emissions control programs;
- Our ability to compete under changing governmental standards by which our products are evaluated;

- The exposure to potentially adverse tax consequences;
- The financial impact from the fluctuation and volatility of foreign currencies;
- The potential monetary costs of defending our intellectual property rights;
- Our ability to successfully protect our intellectual property rights and manufacturing know-how;
- The possibility of a dispute over intellectual property developed in conjunction with third parties with whom we have contractual relationships;
- The possibility that we could become subject to litigation that could be costly, limit or cancel our intellectual property rights or divert time and efforts away from our business operations;
- The potential negative impact to the sale of our products caused by technological advances of our competitors;
- The potential liability for environmental harm or damages resulting from technical faults or failures of our products;
- The possibility that an investor located within the United States may not be able to, or find it difficult to, enforce any judgments obtained in United States courts because a significant portion of our assets and some of our officers and directors may be located outside of the United States;
- The possibility that we may not be able to develop and maintain an effective system of internal control over financial reporting, leading to inaccurate reports of our financial results;
- The possibility of breaches in the security of our information technology systems;
- The liability risk of our compliance to environmental laws and regulations;
- The potential negative impact of more stringent environmental laws and regulations as governmental agencies seek to improve minimum standards; and
- The possibility that enforcement actions to suspend or severely restrict our business operations could be brought against the Company for our failure to comply with laws or regulations and the potential costs of defending against such actions.

Any forward-looking statement made by us herein speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2024 (Unaudited)	As of December 31, 2023
Assets		
Current Assets:		
Cash and restricted cash	$ 7,726,213	$ 10,422,181
Accounts receivable, net of allowance for doubtful accounts of $ 169,522 and $134,912 at March 31, 2024 and December 31, 2023, respectively	2,707,173	3,171,047
Inventories, net of allowance for excess and obsolete inventory of $ 792,354 and $867,458 at March 31, 2024 and December 31, 2023, respectively	5,509,889	5,267,816
Contract assets	2,848,985	2,891,744
Prepaid expenses and other current assets	618,861	337,391
Total Current Assets	19,411,121	22,090,179
Long-Term Assets:		
Property and equipment, net of accumulated depreciation of $ 12,085,314 and $11,828,200 at March 31, 2024 and December 31, 2023, respectively	7,285,707	9,007,166
Operating lease right-of-use assets	3,832,318	4,055,837
Deposits and other assets	522,027	470,349
Intangible assets, net of accumulated amortization of $ 572,142 and $558,555 at March 31, 2024 and December 31, 2023, respectively	86,284	114,593
Goodwill	228,611	233,723
Total Long-Term Assets	11,954,947	13,881,668
Total Assets	**$ 31,366,068**	**$ 35,971,847**

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of March 31, 2024 (Unaudited)	As of December 31, 2023
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	$ 2,163,172	$ 2,444,653
Accrued expenses	2,969,685	3,550,542
Current portion of finance lease obligations	445,726	590,550
Current portion of operating lease liabilities	500,613	531,355
Contract liabilities	553,985	382,647
Total Current Liabilities	6,633,181	7,499,747
Deferred tax liability	84,470	101,059
Finance lease obligations, net of current portion	1,943,609	2,879,932
Operating lease liabilities, net of current portion	3,333,295	3,527,082
Senior promissory notes payable, less current portion	4,834,051	4,688,011
Total Long-term Liabilities	10,195,425	11,196,084
Total Liabilities	16,828,606	18,695,831
Stockholders' Equity:		
Preferred stock; par value $0.001, 2,500,000 shares authorized, 0 shares issued and outstanding at March 31, 2024 and December 31, 2023	-	-
Common stock; par value $0.001, 50,000,000 shares authorized, 5,807,340 and 5,727,310 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	5,807	5,727
Additional paid-in capital	98,989,598	98,796,357
Accumulated deficit	(78,310,475)	(75,922,180)
Accumulated other comprehensive loss	(6,147,468)	(5,603,888)
Total Stockholders' Equity	14,537,462	17,276,016
Total Liabilities and Stockholders' Equity	**$ 31,366,068**	**$ 35,971,847**

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Revenue	$ 4,235,344	$ 4,011,519
Cost of goods sold	3,964,242	3,620,177
Gross Profit	271,102	391,342
Operating Expenses:		
Selling expenses	517,579	1,182,435
General and administrative expenses	1,544,731	1,058,949
Research and development expenses	254,812	342,619
Total Operating Expense	2,317,122	2,584,003
Loss from Operations	(2,046,020)	(2,192,661)
Other Income (Expense)		
Interest and other income	69,086	51,673
Interest expense	(71,719)	(12,001)
Amortization of discount on convertible note	(146,040)	(84,528)
Gain (Loss) on currency transactions	255,536	(166,278)
Gain (Loss) on sale of property and equipment	(463,577)	-
Total Other Income (Expense)	(356,714)	(211,134)
Loss Before Income Taxes	(2,402,734)	(2,403,795)
Income Tax Benefit	(14,439)	(14,292)
Net Loss	$ (2,388,295)	$ (2,389,503)
Basic and Diluted Loss Per Share	$ (0.41)	$ (0.42)
Basic and Diluted Weighted Average Common Shares Outstanding	5,804,702	5,653,574

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE LOSS (UNAUDITED)

	For the Three Months Ended March 31,	
	2024	**2023**
Net Loss	(2,388,295)	(2,389,503)
Other Comprehensive Income - Currency Translation, Net	(543,580)	408,596
Total Comprehensive Loss	$ (2,931,875)	$ (1,980,907)

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
For the periods ended March 31, 2024 and March 31, 2023

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	TOTAL
	Shares	Amount				
BALANCE, December 31, 2023	**5,727,310**	**5,727**	**98,796,357**	**(75,922,180)**	**(5,603,888)**	**17,276,016**
Common stock issued in settlement of RSUs	110,028	110	(110)	-	-	-
Tax withholdings paid related to stock-based compensation	(29,998)	(30)	30	-	-	-
Stock-based compensation	-	-	193,321	-	-	193,321
Currency translation, net	-	-	-	-	(543,580)	(543,580)
Net Loss	-	-	-	(2,388,295)	-	(2,388,295)
BALANCE, March 31, 2024	**5,807,340**	**5,807**	**98,989,598**	**(78,310,475)**	**(6,147,468)**	**14,537,462**
BALANCE, December 31, 2022	**5,498,260**	**5,498**	**96,975,476**	**(67,351,035)**	**(6,320,567)**	**23,309,372**
Common stock issued in settlement of RSUs	160,670	161	(161)	-	-	-
Stock-based compensation	-	-	157,173	-	-	157,173
Currency translation, net	-	-	-	-	408,596	408,596
Net Loss	-	-	-	(2,389,503)	-	(2,389,503)
BALANCE, March 31, 2023	**5,658,930**	**5,659**	**97,132,488**	**(69,740,538)**	**(5,911,971)**	**21,485,638**

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31, 2024	2023
Cash Flows from Operating Activities:		
Net Loss	$ (2,388,295)	$ (2,389,503)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation and amortization	541,375	617,932
Amortization of discount on convertible notes payable	146,040	84,528
Stock-based compensation	193,321	157,173
Amortization of right-of-use assets	135,382	138,699
Change in deferred tax asset / liability	(14,439)	(14,292)
Loss on sale of equipment	463,577	-
Changes in assets and liabilities:		
Accounts receivable	396,168	(379,330)
Inventory	(358,764)	(283,157)
Contract assets	(20,565)	(151,812)
Prepaid expenses and other current assets	(350,048)	(336,388)
Accounts payable	(231,373)	791,702
Accrued expenses	(513,197)	(433,045)
Operating lease liabilities	(136,339)	(138,699)
Contract liabilities	180,456	48,755
Assets held for sale	-	2,136
Net Cash used in Operating Activities	(1,956,701)	(2,285,301)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(389,443)	(87,470)
Proceeds from sale of property and equipment	941,230	-
Net Cash provided by (used in) Investing Activities	551,787	(87,470)
Cash Flows from Financing Activities:		
Payments on finance lease obligation	(1,009,437)	(98,945)
Net Cash used in Financing Activities	(1,009,437)	(98,945)
Effect of Foreign Currency exchange on cash	(281,617)	184,278
Net change in Cash and Restricted Cash	(2,695,968)	(2,287,438)
Cash and Restricted Cash at Beginning of Period	10,422,181	16,597,371
Cash and Restricted Cash at End of Period	$ 7,726,213	$ 14,309,933

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31,	
	2024	**2023**
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 69,610	$ (41,506)
Income Taxes	-	-
Non-cash financing activities		
Financed purchases of property and equipment	$ 77,988	$ -

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

LIQTECH INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Presentation

The condensed consolidated financial statements include the accounts of LiqTech International, Inc., (the "Company") and its subsidiaries. The terms "Company", "us", "we" and "our" as used in this report refer to the Company and its subsidiaries, which are set forth below in Item 2, management's discussion and analysis section. The Company engages in the development, design, production, marketing and sale of automated filtering systems, ceramic silicon carbide membrane applications and diesel particulate air filters in North America, Europe, Asia, Australia, and South America.

These interim consolidated financial statements are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). These Condensed Consolidated Financial Statements should be read in conjunction with our financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023. The results of operations for the period ended March 31, 2024 are not necessarily indicative of the operating results for the full year and are unaudited. In the opinion of management, all adjustments consisting of a normal recurring nature, necessary for a fair presentation have been included.

Consolidation – The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and its majority-owned subsidiary. All material intercompany transactions and accounts have been eliminated in the consolidation.

Reverse Stock Split – On May 26, 2023, the Company effected a 1-for-8 reverse split of its outstanding Common Stock, $ 0.001 par value ("Common Stock"). All outstanding Common Stock, warrants, and RSUs were adjusted to reflect the 1-for-8 reverse split, with respective exercise prices of the warrants proportionately increased. All stock and per share data throughout these condensed consolidated financial statements have been retroactively adjusted to reflect the reverse share split. The total number of authorized Common Stock was adjusted to reflect the 1-for-8 reverse split.

As a result of the reverse Common Stock split, an amount equal to the decreased value of Common Stock was reclassified from "Common Stock" to "Additional Paid-in Capital."

Functional Currency / Foreign Currency translation – The functional currency of LiqTech International, Inc., LiqTech USA, Inc. and LiqTech NA is the U.S. Dollar. The functional currency of LiqTech Holding, LiqTech Water, LiqTech Plastics, LiqTech Ceramics, LiqTech Water Projects and LiqTech Emission Control is the Danish Krone ("DKK"); and the functional currency of LiqTech China is the Renminbi ("RMB"). The Company's reporting currency is the U.S. Dollar for the purpose of these consolidated financial statements. The balance sheet accounts of the foreign subsidiaries are translated into U.S. Dollars at the period-end exchange rates, and all revenue and expenses are translated into U.S. Dollars at the average exchange rates prevailing during the three months ended March 31, 2024 and 2023. Translation gains and losses are deferred and accumulated as a component of other comprehensive income (loss) in stockholders' equity. Transaction gains and losses that arose from exchange rate fluctuations from transactions denominated in a currency other than the functional currency are included in the statement of operations as incurred.

Cash and Restricted Cash – The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of March 31, 2024 and December 31, 2023, the Company held $920,525 and $941,361, respectively, of restricted cash. The restricted cash is held as security by a local financial institution for ensuring a leasing facility and for payment guarantees issued for the benefit of customers in connection with prepayments of sales orders and for warranties after the delivery of products.

Accounts held in each U.S. institution are insured by the Federal Deposit Insurance Company ("FDIC") up to $250,000. At March 31, 2024 and December 31, 2023 the Company had $0 and $0 in excess of the FDIC insured limit, respectively.

Accounts Receivable – Accounts receivable consist of trade receivables arising in the normal course of business. The Company establishes an allowance for doubtful accounts that reflects the Company's best estimate of probable losses inherent in the accounts receivable balance. The Company determines the allowance based on known troubled accounts, historical experience, age, financial information that is publicly accessible and other currently available evidence.

The roll-forward of the allowance for doubtful accounts for the periods ended March 31, 2024 and December 31, 2023 is as follows:

	March 31, 2024	December 31, 2023
Allowance for doubtful accounts at the beginning of the period	$ 134,912	$ 59,559
Bad debt expense	37,717	82,066
Receivables written off during the periods	-	(10,298)
Effect of currency translation	(3,107)	3,585
Allowance for doubtful accounts at the end of the period	$ 169,522	$ 134,912

Inventory – Inventory directly purchased is carried at the lower of cost or net realizable value, as determined on the first-in, first-out method.

For inventory produced, standard costs that approximate actual costs, applying the FIFO method, are used to value inventory. Standard costs are reviewed at least annually by management or more often in the event that circumstances indicate a change in cost has occurred.

Work in process and finished goods include material, labor, and production overhead costs. The Company adjusts the value of its inventory to the extent management determines that the cost cannot be recovered due to obsolescence or other factors.

Inventory valuation adjustments for excess and obsolete inventory are calculated based on current inventory levels, movement, expected useful lives, and estimated future demand of the products and spare parts.

Contracts Assets / Liabilities – Contract assets are the Company's rights to consideration in exchange for goods or services and is recognized when a performance obligation has been satisfied but has not yet been billed. When the Company issues invoices to the customer and the billing is higher than the capitalized Contract assets, the net amount is transferred to Contract liabilities. Contract assets/liabilities are transferred to revenue and cost of goods sold when the right to consideration is unconditional and billed per the terms of the contractual agreement.

Contract assets also include unbilled receivables, which usually comprise the last invoice remaining after the delivery of the water treatment unit, where revenue is recognized at the transfer of control based upon signed acceptance of the water treatment unit by the customer. Most commonly this invoice is sent to the customer at commissioning of the product or no later than 12 months after the delivery. Also included in Contract assets are short-term receivables such as VAT and other receivables.

Leases – The Company has elected to not recognize lease assets and liabilities with an initial term of 12 months or less and to not separate lease and non-lease components. The Company's accounting for finance leases (formerly called capital lease obligations) remains substantially unchanged. Operating lease right-of-use ("ROU") assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate based on the information available at the commencement date is used in determining the present value. The Company will use the implicit rate when readily determinable. The operating lease ROU asset also includes prepaid lease payments reduced by accrued lease payments. The Company's lease terms may include options to extend or terminate the lease, for which the Company will reflect the change when it is reasonably certain that those options will be exercised. Operating lease cost for lease payments will be recognized on a straight-line basis over the lease term.

Property and Equipment – Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed for financial statement purposes on a straight-line basis over the estimated useful lives of the assets, which range from three to ten years.

Long-lived Assets – The Company assesses the impairment of long-lived assets when events or changes in circumstances indicate that the carrying value of the assets or the asset grouping may not be recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant under-performance of a business or product line in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in its use of the assets. The Company measures the recoverability of assets that will continue to be used in its operations by comparing the carrying value of the asset grouping to its estimate of the related total future undiscounted net cash flows. If an asset grouping's carrying value is not recoverable through the related undiscounted cash flows, the asset grouping is considered to be impaired. The impairment is measured by comparing the difference between the asset grouping's carrying value and its fair value.

Goodwill and Intangible Assets – The purchase price of an acquired company is allocated between intangible assets and the net tangible assets of the acquired business, with the residual purchase price recorded as goodwill. The determination of the value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

Acquired intangible assets with determinable useful lives are amortized on a straight-line or accelerated basis over the estimated periods benefited, ranging from one to ten years. Customer relationships and other non-contractual intangible assets with determinable lives are amortized over periods of five years.

The Company evaluates the recoverability of long-lived assets by comparing the carrying amount of an asset to estimated future net undiscounted cash flows generated by the asset. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. The evaluation of recoverability involves estimates of future operating cash flows based upon certain forecasted assumptions, including, but not limited to, revenue growth rates, gross profit margins, and operating expenses over the expected remaining useful life of the related asset. A shortfall in these estimated operating cash flows could result in an impairment charge in the future.

Goodwill is not amortized but is evaluated annually for impairment at the reporting unit level or when indicators of a potential impairment are present. The Company estimates the fair value of the reporting unit using the discounted cash flow and market approaches. Forecasts of future cash flows are based on the Company's best estimate of future net sales and operating expenses, using primarily expected category expansion, pricing, market segment fundamentals, and general economic conditions.

Revenue Recognition – The Company records revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers." Revenue is recognized upon the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five-step approach: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as a performance obligation is satisfied.

The Company sells products throughout the world, and sales by geographical region are as follows for the three months ended March 31, 2024 and 2023:

	% Distribution		For the Three months Ended March 31,	
	2024	2023	2024	2023
Americas	28%	9%	$ 1,197,197	$ 333,530
Asia-Pacific	8%	11%	342,961	451,895
Europe	63%	77%	2,650,915	3,099,785
Middle East & Africa	1%	3%	44,271	126,309
	100%	100%	$ 4,235,344	$ 4,011,519

The Company's sales by product line are as follows for the three months ended March 31, 2024 and 2023:

	% Distribution		For the Three Months Ended March 31,	
	2024	2023	2024	2023
Water	37%	36%	$ 1,548,666	$ 1,434,919
Ceramics	42%	35%	1,806,336	1,409,372
Plastics	21%	29%	880,342	1,167,228
Corporate	-%	-%	-	-
	100%	100%	$ 4,235,344	$ 4,011,519

For Water (systems and aftermarket), Ceramics (diesel particulate filters and membranes), and Plastics (components), revenue is recognized when performance obligations specified within the terms of a contract with the customer are satisfied, which occurs when control of the product transfers to the customer or when services are rendered by the Company. The majority of the Company's sales contracts contain performance obligations satisfied at a point in time when title along with risks and rewards of ownership have transferred to the customer. This generally occurs when the product is shipped or accepted by the customer. Revenue for service contracts is recognized as the services are provided. Revenue is measured as the amount of consideration expected to be received in exchange for transferring the goods or providing services. The satisfaction of performance obligations under the terms of a revenue contract generally gives rise to the right to receive payment from the customer. The Company's standard payment terms vary by the type and location of the customer and the products or services offered. Generally, the time between when revenue is recognized and when payment is due is not significant. Pre-payments received prior to satisfaction of performance obligations are recorded as a Contract liability. Considering the relatively short time between revenue recognition and receipt of payment, financing components do not exist between the Company and its customers.

For contracts with customers that include multiple performance obligations, judgment is required to determine whether performance obligations specified in these contracts are distinct and should be accounted for as separate revenue transactions for recognition purposes. For such arrangements, revenue is allocated to each performance obligation based on its relative standalone selling price. Standalone selling prices are generally determined based on the prices charged to customers or using expected cost-plus margin.

System sales are recognized when the Company transfers control to the customer based upon sales and delivery conditions specified in the sales contract. This typically occurs upon shipment of the system from the production facility but can also occur upon other agreed delivery terms. In connection with the completion of the system, it is normal procedure to issue a FAT (Factory Acceptance Test) asserting that the customer has accepted the performance of the system as it is being shipped from our production facility in Hobro, Denmark. As part of the performance obligation, the customer is normally offered commissioning services (final assembly and configuration at a place designated by the customer), and this commissioning is therefore considered a second performance obligation and is valued at cost, with the addition of a standard gross margin. This second performance obligation is recognized as revenue at the time the commissioning services are rendered together with the cost incurred. Part of the invoicing to the customer is also attributed to the commissioning, and at transfer of the control of the system (i.e., the first performance obligation), this portion is recognized as a Contract liability.

Aftermarket sales represent parts, extended warranties, and maintenance services. For the sale of aftermarket parts, the Company transfers control and recognizes revenue when parts are shipped to the customer. When customers are given the right to return eligible parts and accessories, the Company estimates the expected returns based on an analysis of historical experience. The Company adjusts estimated revenues at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed. The Company recognizes revenue for extended warranty and maintenance agreements based on the standalone selling price over the life of the contract.

The Company has received long-term contracts for grants from government entities for the development and use of silicon carbide membranes in various water filtration and treatment applications and historically in the installation of various water filtration systems. We measure the transfer of control of the performance obligation on long-term contracts utilizing the cost-to-cost measure of progress, with cost of revenue including direct costs such as labor and materials. Under the cost-to-cost approach, the use of estimated costs to complete each performance obligation is a significant variable in the process of determining recognized revenue and a significant factor in the accounting for such performance obligations. The timing of when we bill our customers is generally dependent upon advance billings terms, milestone billings based on completion of certain phases of the work, or when services are provided or products are shipped. Projects with performance obligations recognized over time that have costs and estimated earnings recognized to date in excess of cumulative billings are reported on our balance sheet as Contract assets. Projects with performance obligations recognized over time that have cumulative billings in excess of costs and estimated earnings recognized to date are reported on our balance sheet as Contract liabilities.

The roll-forward of Contract assets / liabilities for the periods ended March 31, 2024 and December 31, 2023 is as follows:

	March 31, 2024	December 31, 2023
Cost incurred	$ 3,492,545	$ 3,225,728
Unbilled project deliveries	547,047	582,557
VAT	184,150	329,980
Other receivables	173,945	92,619
Prepayments	(2,026,550)	(1,688,427)
Deferred Revenue	(76,137)	(33,360)
	$ 2,295,000	$ 2,509,097
Distributed as follows:		
Contract assets	$ 2,848,985	$ 2,891,744
Contract liabilities	(553,985)	(382,647)
	$ 2,295,000	$ 2,509,097

Advertising Cost – Costs incurred in connection with advertising of the Company’s products are expensed as incurred. Advertising costs are included in sales expenses, and total advertising costs for the three-month periods ended March 31, 2024 and 2023 were $13,821 and $32,599, respectively.

Research and Development Cost – The Company expenses research and development costs as incurred. Included in operating expense for the three-month periods ended March 31, 2024 and 2023 were research and development costs of $ 254,812 and $342,619, respectively.

Income Taxes – The Company accounts for income taxes in accordance with FASB ASC Topic 740, Accounting for Income Taxes. This statement requires an asset and liability approach with respect to accounting for income taxes.

Income/(Loss) Per Share – The Company calculates earnings (loss) per share in accordance with FASB ASC 260, Earnings Per Share. Basic earnings per common share (EPS) are based on the weighted average number of shares of Common Stock outstanding during each period. Diluted earnings per common share are based on shares outstanding (computed as under basic EPS) and potentially dilutive common shares. Potential shares of Common Stock included in the diluted earnings per share calculation include in-the-money stock options, RSUs and warrants that have been granted but have not yet been exercised.

Stock Awards – During the years presented in the accompanying consolidated financial statements, the Company has granted stock awards. The Company accounts for stock awards in accordance with the provisions of FASB ASC Topic 718, Compensation – Stock Compensation.

Fair Value of Financial Instruments – The Company accounts for fair value measurements for financial assets and liabilities in accordance with FASB ASC Topic 820. The authoritative guidance, which among other things, defines fair value, establishes a consistent framework for measuring fair value and expands disclosure for each major asset and liability category measured at fair value on either a recurring or non-recurring basis. Fair value is defined as the exit price, representing the amount that would either be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the guidance establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Unless otherwise disclosed, the fair value of the Company's financial instruments including cash, accounts receivable, other receivables, prepaid expenses, accounts payable, accrued expenses, and senior promissory notes payable approximate their recorded values due to their short-term maturities.

Accounting Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets including accounts receivable; allowance for doubtful accounts; contract assets; reserve for excess and obsolete inventory; depreciation and impairment of property, plant and equipment; goodwill; liabilities including contract liabilities and contingencies; the disclosures of contingent assets and liabilities at the date of the financial statements; and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Recent Accounting Pronouncements – Recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

NOTE 2 – GOING CONCERN

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America, which contemplate continuation of the Company as a going concern; however, the Company has incurred significant recent losses, which raises substantial doubt about the ability of the Company to continue as a going concern for a period of one year from the issuance of these financial statements. There is no assurance that the Company will be successful in executing the proposed cost reductions, strategy, and profitability improvement measures, thus achieving profitable operations. The financial statements do not include any adjustments that might result from the realization of these uncertainties.

We continue to analyze various alternatives, including potentially obtaining debt or equity financings or other arrangements. Our future success depends on our ability to restore profitability and raise capital as needed. We cannot be certain that raising additional capital, whether through selling additional debt or equity securities or obtaining a line of credit or other loan, will be available to us or, if available, will be on terms acceptable to us. If we issue additional securities to raise funds, these securities may have rights, preferences, or privileges senior to those of our common stock, and our current shareholders may experience dilution. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our current development programs, reduce operating costs, forego future development and other opportunities, or even terminate our operations.

As of March 31, 2024, the Company had cash and cash equivalents of $ 7,726,213, net working capital of $ 12,777,940, an accumulated deficit of $78,310,475, and total assets and liabilities of $ 31,366,068 and $16,828,606, respectively.

NOTE 3 - INVENTORY

Inventory consisted of the following on March 31, 2024, and December 31, 2023:

	March 31, 2024	December 31, 2023
Furnace parts and supplies	$ 53,969	$ 55,177
Raw materials	3,253,365	3,301,526
Work in process	1,415,130	1,271,458
Finished goods and filtration systems	1,579,779	1,507,113
Reserve for obsolescence	(792,354)	(867,458)
Net Inventory	$ 5,509,889	$ 5,267,816

Inventory valuation adjustments for excess and obsolete inventory are calculated based on current inventory levels, movements, expected useful lives, and estimated future demand for the products.

NOTE 4 - LEASES

The Company leases certain vehicles, real property, production equipment and office equipment under lease agreements. The Company evaluates each lease to determine its appropriate classification as an operating lease or finance lease for financial reporting purposes. The majority of our operating leases are non-cancelable leases for production and office space in Hobro, Aarhus and Copenhagen, Denmark.

During the three months ended March 31, 2024, cash paid for amounts included for the measurement of finance lease liabilities was $ 1,088,658, and the Company recorded finance lease expenses in other income (expenses) of $56,428.

During the three months ended March 31, 2024, cash paid for amounts included for the measurement of operating lease liabilities was $203,886, and the Company recorded operating lease expense of $ 202,929.

Supplemental balance sheet information related to leases as of March 31, 2024 and December 31, 2023 was as follows:

	March 31, 2024	December 31, 2023
Operating leases:		
Operating lease right-of-use assets	$ 3,832,318	$ 4,055,837
Operating lease liabilities – current	$ 500,613	$ 531,355
Operating lease liabilities – long-term	3,333,295	3,527,082
Total operating lease liabilities	$ 3,833,908	$ 4,058,437
Finance leases:		
Property and equipment, at cost	$ 4,008,672	$ 5,443,287
Accumulated depreciation	(942,430)	(877,578)
Property and equipment, net	$ 3,066,242	$ 4,565,709
Finance lease liabilities – current	$ 445,726	$ 590,550
Finance lease liabilities – long-term	1,943,609	2,879,932
Total finance lease liabilities	$ 2,389,335	$ 3,470,482
Weighted average remaining lease term:		
Operating leases	8.1	8.3
Finance leases	3.9	4.3
Weighted average discount rate:		
Operating leases	6.7%	6.7%
Finance leases	5.5%	6.0%

Maturities of lease liabilities at March 31, 2024 were as follows:

	Operating Lease	Finance Lease
2024 (remaining 9 months)	$ 567,016	$ 441,565
2025	687,527	584,993
2026	677,000	549,384
2027	677,000	1,062,543
2028	553,994	75,437
Thereafter	1,770,905	127,162
Total payment under lease agreements	4,933,442	2,841,084
Less imputed interest	(1,099,534)	(451,749)
Total lease liability	$ 3,833,908	$ 2,389,335

NOTE 5 - LINES OF CREDIT

In connection with certain orders, we provide the customer a working guarantee, a prepayment guarantee or a security bond. For that purpose, we have a guaranteed credit line of EUR 850,000 (approximately $905,000) secured by a cash deposit. As of March 31, 2024, the Company no longer has any outstanding working guarantees issued to customers against this credit line.

NOTE 6 – LONG-TERM DEBT

Senior Promissory Notes

On June 22, 2022, the Company issued and sold Senior Promissory Notes in an aggregate principal amount of $ 6.0 million (the “Notes”) and issued warrants to purchase 531,250 shares of Common Stock to affiliates of Bleichroeder L.P., 21 April Fund, L.P., and 21 April Fund, Ltd. (together, the “Purchasers”), pursuant to a note and warrant purchase agreement entered into with the Purchasers (the “Note and Warrant Purchase Agreement”). The warrants issued in this transaction have an exercise price of $5.20 per share, a term of five years and are exercisable for cash at any time.

The Notes originally had a term of 24 months and do not bear interest during this period. If the Notes are not repaid on or before the second anniversary of issuance, however, the Notes will thereafter bear interest of 10% per annum, which will increase by 1% each month the Notes remain unpaid, up to a maximum of 16% per annum, payable monthly.

Additionally, as part of the transaction, the Company issued 28,846 warrants to the placement agent. The warrants issued in this transaction have an exercise price of $5.20 per share, a term of five years and are exercisable for cash at any time.

As a result, the Company recorded an initial debt discount of $ 695,749, based on the relative fair value of the warrants and Notes issued. The Company determined the fair value of the warrants by using the Black-Scholes Option Pricing Model, with the following assumptions: expected term of 2.5 years, stock price of $3.44, exercise price of $5.20, volatility of 80.8%, risk-free rate of 3.13%, and no forfeiture rate. The debt discount will be accreted according to the effective interest method over the contractual term of the Notes. The warrants qualified for equity classification and were reported within Additional Paid-In Capital.

On October 13, 2023, the Company and the Purchasers entered into an amendment to the Note and Warrant Purchase Agreement (the “Amendment”) and Allonge No. 1 to each of the Notes (collectively, the “Allonges”) effective as of September 30, 2023, pursuant to which the Company and the Purchasers extended the maturity date of the Notes from June 20, 2024, to January 1, 2026 (the “Extension”). As consideration for the Extension, simultaneously with the entry into the Amendment and Allonges, the Company issued to the Purchasers additional warrants to purchase an aggregate of 531,250 shares of Common Stock at an exercise price of $ 5.20 per share, subject to adjustment as provided therein (the “2023 Warrants”). The 2023 Warrants are exercisable at any time prior to the five-year anniversary of the initial exercise date of September 30, 2023. The Amendment qualifies as a modification and entitles the Purchasers to registration rights with respect to the shares of Common Stock issuable upon exercise of the 2023 Warrants pursuant to the existing Registration Rights Agreement, dated June 22, 2022, by and between the Company and the Purchasers.

As a result of the amendment, the Company recorded an initial debt discount of $ 1,193,206, based on fair value of the warrants issued. The Company determined the fair value of the warrants by using the Black-Scholes Option Pricing Model, with the following assumptions: expected term of 5.0 years, stock price of $3.89, exercise price of $5.20, volatility of 73.66%, risk-free rate of 4.60%, and no forfeiture rate. The debt discount will be accreted according to the effective interest method over the contractual term of the Notes. The warrants qualified for equity classification and were reported within Additional Paid-In Capital.

The components of notes payable are as follows:

	March 31, 2024	December 31, 2023
Senior Promissory Notes	$ 6,000,000	6,000,000
Less: unamortized debt discount	(1,165,949)	(1,311,989)
Senior Promissory Notes payable	$ 4,834,051	$ 4,688,011
Current portion of Senior Promissory Notes payable	-	-
Senior Promissory Notes payable, less current portion	4,834,051	4,688,011
Senior Promissory Notes payable	$ 4,834,051	$ 4,688,011

For the three months ended March 31, 2024 and 2023, the Company recognized interest expense of $ 0 and $0, respectively, and $146,040 and $84,528, respectively on the Senior Promissory Notes related to the amortization of debt issuance costs.

NOTE 7 – AGREEMENTS AND COMMITMENTS

Contingencies – From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business.

Product Warranties – The Company provides a standard warranty for its systems, generally for a period of one to three years after customer acceptance. The Company estimates the costs that may be incurred under its standard warranty programs and records a liability for such costs at the time product revenue is recognized.

In addition, the Company sells an extended warranty for certain systems, which generally provides a warranty for up to four years from the date of commissioning. The specific terms and conditions of the warranties vary depending upon the product sold and the country in which the installation occurred. Revenue received for the sale of extended warranty contracts is deferred and recognized in the same manner as the costs incurred to perform under the warranty contracts.

The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Factors that affect the warranty liability include the number of units sold, historical and anticipated rates of warranty claims and the cost per claim.

Changes in the Company's current and long-term warranty obligations included in accrued expenses on the balance sheet, as of March 31, 2024 and December 31, 2023, were as follows:

	March 31, 2024	December 31, 2023
Balance at January 1	$ 629,100	$ 898,072
Warranty costs charged to cost of goods sold	47,455	115,401
Utilization charges against reserve	-	(408,234)
Foreign currency effect	(13,955)	23,861
Balance at the end of the period	$ 662,600	$ 629,100

NOTE 8 – EARNINGS PER SHARE

Basic and diluted net income (loss) per common share is determined by dividing net income (loss) by the weighted average number of shares of Common Stock outstanding during the period. For the periods where there is a net loss, stock options, warrants and Restricted Stock Units ("RSUs") have been excluded from the calculation of diluted net loss per common share because their effect would be anti-dilutive. Consequently, the weighted average number of shares of Common Stock used to calculate both basic and diluted net loss per common share are the same for the reported periods.

As of March 31, 2024, the Company had 405,298 RSUs, 3,390,008 prefunded warrants, and 1,091,346 warrants, all exercisable for shares of Common Stock

As of March 31, 2023, the Company had 354,114 RSUs, 3,390,008 prefunded warrants, and 560,096 warrants, all exercisable for shares of Common Stock

NOTE 9 – STOCKHOLDERS' EQUITY

Common Stock – The Company has 50,000,000 authorized shares of common stock, $ 0.001 par value ("Common Stock"). As of March 31, 2024 and 2023, respectively, there were 5,807,340 and 5,658,930 shares of Common Stock issued and outstanding.

Voting – Holders of common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors, and do not have any right to cumulate votes in the election of directors.

Dividends – Subject to the rights and preferences of the holders of any series of preferred stock, if any, which may at the time be outstanding, holders of Common Stock are entitled to receive ratably such dividends as our Board of Directors from time to time may declare out of funds legally available.

Liquidation Rights – In the event of any liquidation, dissolution or winding-up of affairs, after payment of all of our debts and liabilities and subject to the rights and preferences of the holders of any outstanding shares of any series of our preferred stock, the holders of Common Stock will be entitled to share ratably in the distribution of any of our remaining assets.

Other Matters – Holders of common stock have no conversion, preemptive or other subscription rights, and there are no redemption rights or sinking fund provisions with respect to our common stock. All of the issued and outstanding shares of common stock on the date of this Annual Report are validly issued, fully paid and non-assessable.

Preferred Stock – Our Board of Directors has the authority to issue preferred stock in one or more classes or series and to fix the designations, powers, preferences and rights, qualifications, limitations or restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any class or series, without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control without further action by the stockholders and may adversely affect the voting and other rights of the holders of Common Stock.

The Company has 2,500,000 authorized shares of preferred stock, $ 0.001 par value. As of March 31, 2024, there were no preferred shares issued and outstanding.

Reverse Stock Split – On May 26, 2023, the Company effected a 1-for-8 reverse split of its outstanding Common Stock, $ 0.001 par value ("Common Stock"). All outstanding Common Stock, warrants, and RSUs were adjusted to reflect the 1-for-8 reverse split, with respective exercise prices of the warrants proportionately increased. All stock and per share data throughout these condensed consolidated financial statements have been retroactively adjusted to reflect the reverse share split. The total number of authorized Common Stock was adjusted to reflect the 1-for-8 reverse split.

As a result of the reverse stock split, an amount equal to the decreased value of Common Stock was reclassified from "Common Stock" to "Additional Paid-in Capital."

Stock Issuances

Since January 1, 2024, the Company has made the following issuances of Common Stock:

On January 3, 2024, the Company issued 24,500 shares of Common Stock to settle RSUs. The RSUs were valued at $ 73,500 for services provided by the Board of Directors in 2023. The Company recognized the stock-based compensation of the award over the requisite service period during the year ended December 31, 2023.

On January 3, 2024, the Company issued 85,528 shares of Common Stock to settle RSUs. The RSUs were valued at $ 289,672 for services provided by management in 2023. The Company recognized the stock-based compensation of the award over the requisite service period during the year ended December 31, 2023. In connection with the issuance, 29,998 shares of Common Stock, with a total value of $ 102,567, were retired to settle tax withholdings associated with stock-based compensation.

Warrants

On May 17, 2022, the Company entered a warrant purchase agreement with existing stockholders to purchase 3,803,133 shares of Common Stock at an offering price of $3.992 per prefunded warrant, which represents the offering price of $ 4.00 per share of the Company's Common Stock less the $0.008 per share exercise price for each pre-funded warrant. The warrants represented gross proceeds of approximately $ 15,182,075 as part of the Company's public offering of Common Stock and pre-funded warrants totaling $23,000,000 before underwriting discounts, commissions, and offering expenses payable by the Company.

On June 22, 2022, the Company completed a private placement of Senior Notes in an aggregate principal amount of $ 6,000,000 and warrants to purchase 531,250 shares of Common Stock of the Company to affiliates of Bleichroeder L.P., 21 April Fund, L.P., and 21 April Fund, Ltd. (together, the "Purchasers"), pursuant to a note and warrant purchase agreement (the "Note and Warrant Purchase Agreement"). Additionally, as part of the transaction, the Company issued 28,846 warrants to the placement agent. All warrants issued in this transaction have an exercise price of $ 5.20 per share, a term of five years, and are exercisable for cash at any time.

On October 13, 2023, the Company entered into an amendment to the Note and Warrant Purchase Agreement effective as of September 30, 2023, pursuant to which the Company and the Purchasers extended the maturity date of the Notes from June 20, 2024, to January 1, 2026 (the "Extension"). As consideration for the Extension, the Company issued to the Purchasers additional warrants to purchase an aggregate of 531,250 shares of Common Stock at an exercise price of $5.20 per share. The warrants are exercisable at any time prior to the five-year anniversary of the initial exercise date of September 30, 2023.

The following is a summary of the periodic changes in warrants outstanding for the three months ended March 31, 2024 and 2023:

	2024	2023
Warrants outstanding at January 1	5,021,354	4,490,104
Warrants issued in connection with public offering and private placement	-	-
Exercises and conversions	-	-
Warrants outstanding at March 31	5,021,354	4,490,104

Stock-based Compensation

In 2013, the Company's Board of Directors adopted a Share Incentive Plan (the "Incentive Plan"). Under the terms and conditions of the Incentive Plan, the Board of Directors is empowered to grant RSUs to officers, directors, and consultants of the Company. At March 31, 2024, 52,082 RSUs were granted and outstanding under the Incentive Plan. Directors of the Company receive share compensation consisting of annual grants of $36,750 ($73,500 for the Chairman of the Board) in RSUs per annum with one-year vesting.

In 2022, the Company's Board of Directors adopted an Equity Incentive Plan (the "2022 Incentive Plan"). Under the terms and conditions of the 2022 Incentive Plan, the Board of Directors is empowered to grant RSUs to officers and directors of the Company. At March 31, 2024, 353,216 RSUs were granted and outstanding under the 2022 Incentive Plan.

The Company recognizes compensation costs for RSU grants to directors and management based on the stock price on the date of the grant.

The Company recognized stock-based compensation expense related to RSU grants of $ 193,321 and $157,174 for the three-month periods ended March 31, 2024 and 2023, respectively. On March 31, 2024, the Company had $1,198,062 of unrecognized compensation cost related to non-vested stock grants.

A summary of the status of the RSUs as of March 31, 2024 and changes during the period are presented below:

	March 31, 2024		
	Number of units	Weighted Average Grant-Date Fair value	Aggregated Intrinsic Value
Outstanding, December 31, 2023	314,461	$ 3.46	$ -
Granted	298,967	3.51	-
Vested and settled with share issuance	(110,028)	(3.30)	-
Forfeited	(98,102)	(3.54)	
Outstanding, March 31, 2024	405,298	$ 3.52	$ -

NOTE 10 - SIGNIFICANT CUSTOMERS / CONCENTRATION / DISAGGREGATED REVENUE

The following table presents customers accounting for 10% or more of the Company's revenue:

	For the Three Months Ended March 31,	
	2024	2023
Customer A	22%	*%

* Zero or less than 10%

The following table presents customers accounting for 10% or more of the Company's Accounts receivable:

	March 31, 2024	December 31, 2023
Customer B	20%	22%
Customer C	*%	13%

* Zero or less than 10%

As of March 31, 2024, approximately 97% of the Company's assets were located in Denmark, 1% were located in the U.S., and 2% were located in China. As of December 31, 2023, approximately 98% of the Company's assets were located in Denmark, 0% were located in the U.S., and 2% were located in China.

NOTE 11 – SEGMENT REPORTING

The Company operates in three segments: Water, Ceramics and Plastics.

Segment information for the business areas is as follows:

	For the Three Months Ended March 31,	
	2024	2023
Revenue		
Water	$ 1,548,666	$ 1,434,919
Ceramics	1,806,336	1,409,372
Plastics	880,342	1,167,228
Corporate	-	-
Total consolidated Revenue	4,235,344	4,011,519

	For the Three Months Ended March 31,	
	2024	2023
Income (Loss)		
Water	$ (434,488)	$ (463,475)
Ceramics	(978,673)	(561,684)
Plastics	(273,768)	(66,061)
Other	(701,366)	(1,298,283)
Total consolidated Loss	(2,388,295)	(2,389,503)

	As of	
Total Assets	March 31, 2024	December 31, 2023
Water	$ 9,265,195	$ 9,432,991
Ceramics	13,080,143	14,550,872
Plastics	875,450	759,745
Other	8,145,280	11,228,239
Total consolidated Assets	$ 31,366,068	$ 35,971,847

NOTE 12 - SUBSEQUENT EVENTS

None

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this quarterly report. In addition, the following discussion should be read in conjunction with our annual report on Form 10-K filed with the U.S. Securities and Exchange Commission on March 22, 2024 and the financial statements and notes thereto. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Overview

LiqTech International, Inc. is a clean technology company that provides state-of-the-art gas and liquid purification products by manufacturing ceramic silicon carbide filters and membranes as well as developing industry-leading and fully automated filtration solutions and systems. For more than two decades, we have developed and manufactured products of re-crystallized silicon carbide. We specialize in three business areas: ceramic membranes for liquid filtration systems, ceramic diesel particulate filters (DPFs) to control soot exhaust particles and black carbon emission from diesel engines, and plastic components for usage across various industries. Using nanotechnology, we develop proprietary products using patented silicon carbide technology. Our products are based on unique silicon carbide membranes that facilitate new applications and improve existing technologies. We market our products from our offices in Denmark and through local representatives and distributors. The products are shipped directly to customers from our production facilities in Denmark.

The terms “LiqTech”, “we”, “our”, “us”, the “Company” or any derivative thereof, as used herein, refer to LiqTech International, Inc., a Nevada corporation, together with its direct and indirect wholly owned subsidiaries, which we collectively refer to herein as our “Subsidiaries”.

At present, we conduct our operations in the Kingdom of Denmark. Our Danish operations are located in the Copenhagen area, Hobro, and Aarhus.

Our Strategy

Our strategy is to leverage our core competencies in material science, advanced filtration, and systems integration, creating differentiated products with compelling value propositions to penetrate attractive end markets with regulatory and ESG tailwinds. Essential imperatives associated with our strategy include the following:

- **Develop and reinforce new products and applications to provide clean water and reduce pollution.** We currently provide water filtration systems for commercial pool owners, scrubber technology providers, shipowners, and ship operators as well as tailored filtration systems for oil & gas operators and services companies. We are expanding our range of products to better leverage existing customer relationships and develop new relationships within the oil & gas, marine, chemical, and other industries.

- **Better penetrate existing end markets where our value proposition is strong.** We have successfully sold products and installed systems into several end market segments--including automotive/transportation, clean water and pool filtration, marine, industrial wastewater, chemicals/petrochemicals, and oil & gas applications. We are focused on targeting and developing new customers in these end markets while working with distributors, agents, and partners to access other important geographic markets.

- **Develop new end markets for our core products and applications** . Our existing products and systems are relevant for and valuable to other end markets, and we regularly evaluate opportunities to develop strategic partners to perfect new applications and validate associated value propositions.

Results of Operations

The financial information below is derived from our unaudited condensed consolidated financial statements included elsewhere in this report.

The following table sets forth our revenues, expenses and net loss for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,					
					Period to Period Change	
	2024	As a % of Sales	2023	As a % of Sales	Variance	Percent %
Revenue	4,235,344	100.0%	4,011,519	100.0%	223,825	5.6%
Cost of goods sold	3,964,242	93.6	3,620,177	90.2	344,065	9.5
Gross Profit	271,102	6.4	391,342	9.8	(120,240)	(30.7)
Operating Expenses						
Selling expenses	517,579	12.2	1,182,435	29.5	(664,856)	(56.2)
General and administrative expenses	1,544,731	36.5	1,058,949	26.4	485,782	45.9
Research and development expenses	254,812	6.0	342,619	8.5	(87,807)	(25.6)
Total Operating Expenses	2,317,122	54.7	2,584,003	64.4	(266,881)	(10.3)
Loss from Operation	(2,046,020)	(48.3)	(2,192,661)	(54.7)	146,641	(6.7)
Other Income (Expense)						
Interest and other income	69,086	1.6	51,673	1.3	17,413	33.7
Interest (expense)	(71,719)	(1.7)	(12,001)	(0.3)	(59,718)	497.6
Amortization discount, convertible note	(146,040)	(3.4)	(84,528)	(2.1)	(61,512)	72.8
Gain (loss) on currency transactions	255,536	6.0	(166,278)	(4.1)	421,814	(253.7)
Gain (loss) on sale of fixed assets	(463,577)	(10.9)	-	-	(463,577)	-
Total Other Income (Expense)	(356,714)	(8.4)	(211,134)	(5.3)	(145,580)	69.0
Loss Before Income Taxes	(2,402,734)	(56.7)	(2,403,795)	(59.9)	1,061	0.0
Income Tax Benefit	(14,439)	(0.3)	(14,292)	(0.4)	(147)	1.0
Net Loss	(2,388,295)	(56.4)	(2,389,503)	(59.6)	1,208	(0.1)

Revenue

Revenue for the three months ended March 31, 2024 was $4,235,344 compared to $4,011,519 for the same period in 2023, representing an increase of $223,825 or 6%. The favorable change was attributable to an increase in sales of DPFs and ceramic membranes of $396,964 and an increase in deliveries of liquid filtrations systems and aftermarket sales of $113,747, partly offset by a decline in plastics products of $286,886. The uptick in DPFs and ceramic membranes sales was attributed to focused sales efforts beginning from late 2023 that generated elevated activity in the current year. The increase in liquid filtration system sales was mainly attributed to the delivery of an oil & gas pilot system to North America, albeit offset by reduced deliveries of marine orders. The decline in plastic products relates solely to a large one-off sale that was recorded in 2023, without recurrence in the current year.

Gross Profit

Gross profit for the three months ended March 31, 2024 was $271,102 (or 6.4% gross margin) compared to gross profit of $391,342 (or 9.8% gross margin) for the same period in 2023, representing a decrease of $120,240, or 31%, and a decrease in gross margin of 3.4 percentage points. This decline in gross profit can be attributed to the revenue mix. Specifically, the deployment of the containerized oil & gas pilot system contributed to lower-than-usual margins, reflecting a strategic decision aimed at demonstrating and documenting the efficiency of our technology. Furthermore, both efforts to strengthen the workforce to accommodate growth and the hedge against the cost of energy and critical raw materials contributed to the decline. The decline in gross profit was partly offset by decreased depreciation as well as continued initiatives aimed at optimizing manufacturing processes which have improved profitability within DPF and ceramic membrane production. Included in the gross profit was depreciation of $451,644 and $614,592 for the three months ended March 31, 2024, and 2023, respectively.

Expenses

Total operating expenses for the three months ended March 31, 2024 were $2,317,122, representing a decrease of $266,881, or 10%, compared to $2,584,003 for the same period in 2023.

Selling expenses for the three months ended March 31, 2024 were $517,579 compared to $1,182,435 for the same period in 2023, representing a decrease of $664,856, or 56%. The decrease in selling expenses is mainly explained by the release of bonus provisions for 2023, as well as reductions in travel costs, marketing expenses, and expenses related to external sales consultancy services. Furthermore, the comparable period in 2023 was affected by bonus payouts, which was partially offset by the release of bonus provisions classified as general and administrative expenses.

General and administrative expenses for the three months ended March 31, 2024 were $1,544,731 compared to $1,058,949 for the same period in 2023, representing an increase of $485,782, or 46%. The comparable period in 2023 was affected by the release of bonus provisions, whereas the actual bonus payouts were classified as selling expenses. Furthermore, the change was attributable to increased legal expenses, insurance costs, and recruitment expenses associated with the CFO transition for the three months ended March 31, 2024. Included in general and administrative expenses were non-cash compensation of $193,321 and $157,173 for the three months ended March 31, 2024 and 2023, respectively.

The following is a summary of non-cash compensation:

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Compensation for vesting of restricted stock awards issued to the Board of Directors	$ 55,125	$ 51,124
Compensation for vesting of restricted stock awards issued to management	138,196	106,049
Total Non-Cash Compensation	**$ 193,321**	**$ 157,173**

Research and development expenses for the three months ended March 31, 2024 were $254,812 compared to $342,619 for the same period in 2023, representing a decrease of $87,807, or 26%. The change is attributable to more focused R&D efforts with fewer ongoing projects combined with a decrease in the average number of employees engaged in research and development activities, as the Company streamlined and centralized the R&D function.

Other Income (Expenses)

Other Income (Expenses) for the three months ended March 31, 2024 was $(356,714) compared to $(211,134) for the comparable period in 2023, representing a decrease of $145,580, or 69%. The decrease was attributable to the non-cash loss associated with the sale of fixed assets and increased interest expenses incurred due to the acquisition of leased equipment throughout the remaining financial year of 2023. Additionally, we incurred increased amortization cost due to the extension of the maturity date for the senior promissory notes, with additional warrants issued as consideration for the extension. The decrease in Other Income (Expenses) was offset by a gain on currency transactions due to the EUR/DKK depreciation against the USD during the period.

Net Loss

Net loss for the three months ended March 31, 2024 was $(2,388,295) compared to $(2,389,503) for the comparable period in 2023, representing a reduction in net loss of $1,208.

The change was primarily attributable to savings in operation expenses of $266,881, offset by a decrease in gross profit of $120,240, the non-cash loss on sale of fixed assets, and increased interest expenses and amortization costs.

Liquidity and Capital Resources

On September 30, 2023, the Company proactively addressed the maturity of the $6 million senior promissory notes, extending the original maturity from June 2024 to January 2026 with terms and conditions that are generally aligned with the original agreement dated on June 22, 2022.

Based on current projections, which are subject to significant uncertainties--including the duration and severity of global macroeconomic issues, geopolitical instability, commodity price volatility, and continued global supply chain disruptions--the Company believes that the cash on hand, as well as ongoing cash generated from operations, will be sufficient to cover its capital requirements and committed investments for the next 12 months.

Continued market uncertainty and reduced order intake caused by weakening global macroeconomic conditions, recession, or a resurgence of the COVID-19 pandemic, however, could unfavorably impact the Company's ability to generate positive cash flow and thereby significantly reduce its profitability and liquidity position.

While the Company anticipates that its proactive measures will be sufficient to protect the business over the coming 12 months, the Company cannot predict the specific duration and severity of the unfavorable market dynamics that may adversely affect the business. In the future, the Company may experience reduced or changed demand for its products and services, especially if there is a global recession, structural shift in regulation, or the continuation of escalating interest rates that adversely impacts the investment decisions of our customers.

The Company has historically satisfied its capital and liquidity requirements through offerings of equity instruments, internally generated cash from operations and our available lines of credit. On March 31, 2024, we had cash of $7,726,213 and net working capital of $12,777,940, and on December 31, 2023, we had cash of $10,442,181 and net working capital of $14,590,432. On March 31, 2024, our net working capital had decreased by $1,812,492 compared to December 31, 2023, mainly as a result of a reduction in cash and cash equivalents.

In connection with certain orders, we provide the customer a working guarantee, a prepayment guarantee or a security bond. For that purpose, we maintain a guaranteed credit line of EUR 850,000 (approximately $905,000). The credit line is secured by a cash deposit.

Going Concern and Management's Plans

The financial statements included herein for the period ended March 31, 2024, were prepared under the assumption that we would continue our operations as a going concern, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of business. As of March 31, 2024, we had cash and cash equivalents of $7,726,213, net working capital of $12,777,940, an accumulated deficit of $78,310,475, and total assets and liabilities of $31,366,068 and $16,828,606, respectively. We have incurred losses from continuing operations, used cash in our continuing operations, and remain dependent on external financing to fund operations. These conditions raise substantial doubt about our ability to continue as a going concern for one year after the date the financial statements are issued. The financial statements included elsewhere herein do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

The Company has initiated substantial cost reductions and profitability improvement measures to help right-size the business and develop a clear and sustainable path to profitability, further underpinned by an updated strategy and onboarding of key executives. There can be no assurance, however, that the Company will be able to obtain any sources of funding. Such additional funding may not be available or may not be available on reasonable terms, and in the case of equity financing transactions, could result in significant additional dilution to our stockholders. If we do not obtain required additional equity or debt funding, our cash resources could be depleted and we could be required to materially reduce or suspend operations, which would likely have a material adverse effect on our business, stock price, and our relationships with third parties with whom we have business relationships, at least until additional funding is obtained. If we do not have sufficient funds to continue operations, we could be required to seek bankruptcy protection or other alternatives that could result in our stockholders losing some or all of their investment.

Senior Promissory Notes

On June 22, 2022, the Company issued and sold Senior Promissory Notes in an aggregate principal amount of $6.0 million (the "Notes") and issued warrants to purchase 531,250 shares of Common Stock to affiliates of Bleichroeder L.P., 21 April Fund, L.P., and 21 April Fund, Ltd. (together, the "Purchasers"), pursuant to a note and warrant purchase agreement entered into with the Purchasers (the "Note and Warrant Purchase Agreement"). The warrants issued in this transaction have an exercise price of $5.20 per share, a term of five years and are exercisable for cash at any time.

The Notes originally had a term of 24 months and do not bear interest during this period. If the Notes are not repaid on or before the second anniversary of issuance, however, the Notes will thereafter bear interest of 10% per annum, which will increase by 1% each month the Notes remain unpaid, up to a maximum of 16% per annum, payable monthly.

Additionally, as part of the transaction, the Company issued 28,846 warrants to the placement agent. The warrants issued in this transaction have an exercise price of $5.20 per share, a term of five years and are exercisable for cash at any time.

As a result, the Company recorded an initial debt discount of $695,749, based on the relative fair value of the warrants and Notes issued. The Company determined the fair value of the warrants by using the Black-Scholes Option Pricing Model, with the following assumptions: expected term of 2.5 years, stock price of $3.44, exercise price of $5.20, volatility of 80.8%, risk-free rate of 3.13%, and no forfeiture rate. The debt discount will be accreted according to the effective interest method over the contractual term of the Notes. The warrants qualified for equity classification and were reported within Additional Paid-In Capital.

On October 13, 2023, the Company and the Purchasers entered into an amendment to the Note and Warrant Purchase Agreement (the “Amendment”) and Allonge No. 1 to each of the Notes (collectively, the “Allonges”) effective as of September 30, 2023, pursuant to which the Company and the Purchasers extended the maturity date of the Notes from June 20, 2024, to January 1, 2026 (the “Extension”). As consideration for the Extension, simultaneously with the entry into the Amendment and Allonges, the Company issued to the Purchasers additional warrants to purchase an aggregate of 531,250 shares of Common Stock at an exercise price of $5.20 per share, subject to adjustment as provided therein (the “2023 Warrants”). The 2023 Warrants are exercisable at any time prior to the five-year anniversary of the initial exercise date of September 30, 2023. The Amendment qualifies as a modification and entitles the Purchasers to registration rights with respect to the shares of Common Stock issuable upon exercise of the 2023 Warrants pursuant to the existing Registration Rights Agreement, dated June 22, 2022, by and between the Company and the Purchasers.

As a result of the amendment, the Company recorded an initial debt discount of $1,193,206, based on fair value of the warrants issued. The Company determined the fair value of the warrants by using the Black-Scholes Option Pricing Model, with the following assumptions: expected term of 5.0 years, stock price of $3.89, exercise price of $5.20, volatility of 73.66%, risk-free rate of 4.60%, and no forfeiture rate. The debt discount will be accreted according to the effective interest method over the contractual term of the Notes. The warrants qualified for equity classification and were reported within Additional Paid-In Capital.

Cash Flows

Three months ended March 31, 2024 compared to three months ended March 31, 2023

Cash flows from operating activities for the period ending March 31, 2024 derived from the net loss for the period, adjusted for non-cash items and changes in assets and liabilities. Cash flows from operating activities for the three months ended March 31, 2024 were $(1,956,701), representing an improvement of $328,600 compared to cash flows from operating activities of $(2,285,301) for the three months ended March 31, 2023. The cash flows from operating activities for the period consists mainly of the net loss of $(2,388,295) adjusted for depreciation and other non-cash-related items of $1,465,256 as well as a reduction in accrued expenses of $513,197 due to a reduction in accrued payroll, partly offset by a decrease in accounts receivable of $396,168 as a result of effective collection efforts.

Cash flows from investing activities were $551,787 for the three months ended March 31, 2024 as compared to $(87,470) for the three months ended March 31, 2023, representing an improvement of $639,257. The investing activities include proceeds from the sales of production equipment in Ballerup, offset by general purchases of production equipment to continue optimizing production throughput.

Cash flows from financing activities were $(1,009,437) for the three months ended March 31, 2024 compared to $(98,945) for the three months ended March 31, 2023, representing a decrease of $910,492. The decrease was mainly driven by the repayment of lease agreements in connection with the sales of production equipment in Ballerup as mentioned above.

Off Balance Sheet Arrangements

As of March 31, 2024, we had no off-balance sheet arrangements. We are not aware of any material transactions that are not disclosed in our consolidated financial statements.

Significant Accounting Policies and Critical Accounting Estimates

The methods, estimates, and judgments that we use in applying our accounting policies have a significant impact on the results that we report in our consolidated financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. Our most critical accounting estimates include:

- The assessment of revenue recognition, which impacts revenue and cost of sales;
- the assessment of allowance for product warranties, which impacts gross profit;
- the assessment of collectability of Accounts receivable, which impacts operating expenses when and if we record bad debt or adjust the allowance for doubtful accounts;
- the assessment of recoverability of long-lived assets, which impacts gross profit or operating expenses when and if we record asset impairments or accelerate their depreciation;
- the recognition and measurement of current and deferred income taxes (including the measurement of uncertain tax positions), which impact our provision for taxes;
- the valuation of inventory, which impacts gross profit; and
- the recognition and measurement of loss contingencies, which impact gross profit or operating expenses when we recognize a loss contingency, revise the estimate for a loss contingency, or record an asset impairment.

Recently Enacted Accounting Standards

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see “Note 1: Recently Enacted Accounting Standards” in the accompanying Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are not required to provide quantitative and qualitative disclosures about market risk because we are a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the design and effectiveness of our internal controls over financial reporting and disclosure controls and procedures (pursuant to Rule 13a-15(b) and (c) under the Exchange Act) as of the end of the period covered by this Quarterly Report. A weakness is a control deficiency, or combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a misstatement of the registrant's financial statements will not be prevented or detected on a timely basis.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2024, were not effective as of the period covered by this Quarterly Report due to material weaknesses in internal controls over financial reporting. For more information on material weaknesses identified by management, please reference our Form 10-K filed on March 22, 2024, for the year ended December 31, 2023.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Remediation Initiatives

In response to the identified material weaknesses, our management, with oversight from the Company's Audit Committee, has been and will continue to dedicate necessary resources to enhance the Company's internal control over financial reporting and remediate the identified material weaknesses. As an example of such remediation, the Company in 2023 hired additional employees into the finance department, and the Company implemented a new ERP system along with other IT programs to help reinforce its controls and processes, and these investments are an important step in the remediation of the material weaknesses. During 2022, the Company introduced an updated Delegation of Authority, with the overall purpose to provide clarity for all employees on the extent to which they can commit the Company and at the same time provide the Company with assurance that decisions about agreements are made by the appropriate functions and employees. Lastly, the Company has started the process of redesigning and ensuring documentation of all processes and procedures related to the financial reporting process to ensure the effective design and operation of process-level controls.

While management believes that the steps that have been taken and plan to take will improve the overall system of internal control over financial reporting and will remediate the identified material weaknesses, these material weaknesses cannot be considered fully remediated until the applicable relevant controls operate for a sufficient period of time.

Limitations on the Effectiveness of Internal Controls

An internal control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

While management believes that the steps that we have taken and plan to take will improve the overall system of internal control over financial reporting and will remediate identified material weaknesses, the material weaknesses cannot be considered remediated until the applicable relevant controls operate for a sufficient period of time.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. For a description of contingencies, see “Note 7 – Agreements And Commitments”.

ITEM 1A. RISK FACTORS

Not required for a “smaller reporting company.”

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Insider Trading Plans

During the quarter ended March 31, 2024, no director or Section 16 officer adopted, modified, or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

3.1	Articles of Incorporation, as amended as of November 13, 2023	Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K as filed with the SEC on March 22, 2024
3.2	Amended and Restated Bylaws	Incorporated by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on May 15, 2012
31.1	Certifications of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certifications of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002	Furnished herewith
32.2	Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 of the Sarbanes-Oxley Act Of 2002	Furnished herewith
101. INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)	Provided herewith
101. CAL	Inline XBRL Taxonomy Extension Calculation Link base Document	Provided herewith
101. DEF	Inline XBRL Taxonomy Extension Definition Link base Document	Provided herewith
101. LAB	Inline XBRL Taxonomy Label Link base Document	Provided herewith
101. PRE	Inline XBRL Extension Presentation Link base Document	Provided herewith
101. SCH	Inline XBRL Taxonomy Extension Scheme Document	Provided herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	Provided herewith

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LiqTech International, Inc.

Dated: May 14, 2024

/s/ Fei Chen
Fei Chen, Chief Executive Officer
(Principal Executive Officer)

Dated: May 14, 2024

/s/ Phillip Massie Price
Phillip Massie Price, Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Fei Chen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of LiqTech International, Inc.;

2. Based on my knowledge, this 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(s)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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual 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(s) 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 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 14, 2024	By:	*/s/ Fei Chen*
	Name:	Fei Chen
	Title:	President and Chief Executive Officer and Principal Executive Officer

Exhibit 31.2

OFFICER'S CERTIFICATE
PURSUANT TO SECTION 302

I, Phillip Massie Price, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2024 of LiqTech International, Inc.;

2. Based on my knowledge, this 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(s) 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 most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual 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(s) 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 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 14, 2024

By: */s/ Phillip Massie Price*
Name: Phillip Massie Price
Title: Interim Chief Financial Officer and Principal Financial and Accounting Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LiqTech International, Inc. (the " Company") on Form 10-Q for the period ended March 31, 2024 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to her knowledge:

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

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

Date: May 14, 2024

By: */s/ Fei Chen*
Name: Fei Chen
Title: President & Chief Executive Officer and Principal Executive Officer

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of LiqTech International, Inc. (the " Company") on Form 10-Q for the period ended March 31, 2024 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

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

Date: May 14, 2024

By: */s/ Phillip Massie Price*
Name: Phillip Massie Price
Title: Interim Chief Financial Officer and Principal Financial and Accounting Officer

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.