



Aqua Metals, Inc.

First Quarter 2020 Results Call

April 30, 2020

CORPORATE PARTICIPANTS

Glen Akselrod, *Founder and President, Bristol Limited Capital*

Steve Cotton, *Chief Executive Officer and President*

Judd Merrill, *Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Colin Rusch, *Oppenheimer*

David Kanen, *KWM*

Charles Bellows, *White Pine Capital*

PRESENTATION

Operator

Good day, and welcome to the Aqua Metals First Quarter 2020 Results Conference Call.

All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key, followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star, then one on your telephone keypad. To withdraw your question, please press star, then two. Please note this event is being recorded.

I would now like to turn the conference over to Glen Akselrod, Investor Relations. Please go ahead.

Glen Akselrod

Thank you, Operator. Welcome to Aqua Metals' First Quarter 2020 Conference Call.

Earlier today, Aqua Metals released financial results for the quarter ended March 31, 2020. The release is available on the Investor section of the Company's website at www.aquametals.com. Joining us for today's call from Management is Steve Cotton, President and CEO, as well as Judd Merrill, Company's Chief Financial Officer.

During today's call, Management will be making forward-looking statement. Please refer to the Company's quarterly report on Form 10-Q filed today, April 30, for the summary of the forward-looking statements and the risk, uncertainties and other factors could cause actual results to differ materially from those forward-looking statements. Aqua Metals cautions Investors not to place undue reliance on any forward-looking statements. The Company does not undertake, and specifically disclaims, any obligation

to update or revise such statements to reflect new circumstances or unanticipated events as they occur, except as required by law.

With that said, I would like to turn the call over to Steve Cotton, CEO of Aqua Metals. Steve, please go ahead.

Steve Cotton

Thanks, Glen. Good afternoon, everyone, and welcome.

Despite the constraints on Aqua Metals and all businesses in the face of COVID-19 global pandemic, I'm happy to report that all Aqua Metals' employees are safe and we are operating our Company utilizing collaborative technologies quite effectively. We, like most businesses, are dealing with unexpected constraints that began in late Q1 in regards to the physical aspects of our operation.

Assuming the state of Nevada allows us to return to the Aqua Refinery in May, the expected net impact is a slight delay in deployment of our first V1.25L electrolyzer. We expect to begin operating the first V1.25L electrolyzer within six weeks, after we're able to recent to the facility, albeit later than we originally targeted. Despite the devastating fire on November 29, COVID-19, and our current uncertain economic time, Management has worked diligently to continue to implement our business plan in order to achieve future success for our Shareholders.

I would like to spend a couple of minutes to highlight a few of the specific foundational items Aqua Metals has already accomplished that will be the underpinnings for our go-forward capital-light equipment and licensing strategy.

First, \$180 million have been invested to-date to commercialize AquaRefining. We have already successfully demonstrated that our Aqua refinery brand 24 hours a day, seven days a week and with our electrolyzers running smoothly for a month at a time, which consistently produced 35,000 ultra-clear and cleanly manufactured ingots. These certified ingots were shipped to our partner, Clarios, the world's largest battery manufacture who then made production runs of batteries with Aqua-refined lead metal.

Therefore we believe that we will not need to build another demo plant and duplicate what is already been proven. In fact, if we had chosen to rebuild the plant, today we may have been in a position to raise new capital while dealing with the business challenged COVID-19 environment. The fact that we do not need to and were able to cut down on the burn rate significantly pre-COVID is already proving that our chosen strategy is resilient and correct.

Second, we've also established and continue to invest hundreds of thousands of dollars a year in strengthening our already very strong patent portfolio, a portfolio with global reach that is critical to protect and ultimately monetize as we accelerate our efforts towards deploying and licensing operations of AquaRefining technology.

Third, despite the setbacks from the fire and in the face of COVID-19 we believe that we have a plan for successfully securing the cash position of the Company. We project that our cash balance will continue to grow between insurance proceeds and smart asset disposition. Thus, we believe that we will have well over a year of runway to fund our continued efforts to get AquaRefining deployed into our first revenue producing customer location. We expect this will be a major value inflection point for our Shareholders.

Fourth, as Judd will describe in more detail, we have vastly reduced and have plans to further reduce our cash burn rate to further extend our runway on our path to customer revenues and self-reliance.

Lastly, we have put in to motion our efforts to take the valuable learnings from our operations at the Aqua Refinery in the past to build a better, more efficient, higher throughput and cheaper electrolyzer with improved conversion cost per ton of lead produced. We believe that these key incremental and not fundamental improvements will further improve the electrolyzer's reliability, throughput, cost to deploy and cost to operate. We believe this will illustrate that AquaRefining is a robust compelling offering for the marketplace and customers to consider as we anticipate beginning the upgrading of \$20-plus billion lead recycling industry as a result in the near future.

The industry badly needs to become greener, cleaner and more sustainable and Aqua Metals has the potential to truly impact the energy storage marketplace to improve battery performance and life that our ultra-pure, Aqua-refined base metals will provide. This is why our employees, Shareholders, partners and potential licensing partners have shown tremendous historical excitement about our Company and these fundamentals have not changed. Previously, our communications mentioned what an equipment supply and licensing package would mean for Aqua Metals. But at this time, I want to take the opportunity to walk everyone through our proposed revenue plan.

We expect it to start with engagement in meaningful discussions with existing operators in the marketplace which we've already accomplished with Clarios, other partners and several other qualified candidates that currently operate battery recyclability.

The next step will be a sales proposal coupled with the base technical package. Once the prospect agrees with the proposal and technical package, we would expect to move on to a paid for engineering package, similar to architectural plans where a portion of the revenues could be recognized. This engineering package would be the first revenues we record for our licensing business, potentially range up to significantly over \$1 million depending, of course, on the size and scope of the application.

Once the engineering package is accepted, the next step would be to move forward with an equipment supply and licensing and services agreement. This agreement provides specific cost breakdown, engineering, furnishing, installing and commissioning of the Aqua Metals provided equipment and third-party equipment from Aqua Metals supplier partners such as the kiln and briquetting system. We expect revenues for equipment supply to potentially range from million to tens of millions of dollars and with healthy margin, the total value of which is of course dependent on size of the deployment. Once the equipment arrives on site, we would expect it to be services element to install, commission, witness test and gain customer acceptance. These services could add an additional source of healthy margin revenue.

Once the AquaRefining solution is up and running, we expect to collect a running royalty per ton of Aqua refined lead produced by that operation. The expected royalty would be based upon the inherent value of the clean process and economic and marketing benefit plus the premium value of the ultra-pure, Aqua refined lead itself which has already commanded up to a 10% premium over standard London Metal's Exchange pricing for millions of dollars of lead sold from our own Aqua Refinery. From a modest 15,000 ton a year AquaRefining facility, we could expect to see over \$1 million of running royalty per year. It's important to note that a large deployment of AquaRefining into an existing facility could exceed 100,000 tons a year of production.

I would also like to point out that due to the modular nature of our technology, our technology is compatible with smaller deployments that are below 15,000 tons per year. Day two of production and beyond could yield additional value add to other customer revenue opportunity. Potential additional revenue streams could include services, maintenance, contracts typical for equipment suppliers, future hardware upgrade to improve throughput, cost to operate, product quality, purity, capacity expansion, unwarranted parts and equipment replacement, overtime that are all opportunities for additional revenue when supporting our customers in the long run.

When we model baseline goals of achieving our first licensee deal expected by 2021, with additional expected licensees ramping up to at one to two per year clip for the coming few years, we see a significant opportunity to grow our top line revenue, profitability and cash generation which should contribute greatly to future Shareholder value. In addition to a licensed equipment supply model, there are other scenarios of monetizing our technology which we are also pursuing, inclusive of master licensing by a country or even a geography. Fortunately as this was always our long-term plan, we already built a significant multi-opportunity funnel of potential licensees in the latter half of 2019 pre-fire. We have seen a significant acceleration in interest from these and new potential licensees, with possible new strategic relationships after announcing our accelerated strategy earlier this year.

Lastly, I also want to point that this Management team has a proven track record of gritty, lean, entrepreneurial successes throughout our careers that we draw from. With the support of our Board and partners and Shareholders, we're seeking another successful outcome for Aqua Metals by drawing from our successes to-date, coupled with our sheer determination to see through our vision of commercializing our innovative market and planet changing AquaRefining technology.

I'll now hand it over Judd to review our Q1 financials. Go ahead, Judd.

Judd Merrill

Thank you, Steve. As of March 31, 2020, cash and working capital balances were \$6.4 million and \$11.5 million respectively, which includes a \$9.9 million insurance proceeds receivable, actual expected insurance cost we anticipated to be higher.

On March 25, 2020, we entered into a memorandum of agreement with Veritex in regards to our loans and we have agreed on the allocation of insurance proceeds with proceeds allocated to Veritex that we used to pay off amounts outstanding under the loan, which is approximately \$8.7 million as of the date of this report, inclusive of approximately \$500,000 prepayment penalty netted against a \$1 million CD collateral.

As of March 31, 2020, the Company had received a total of \$10 million insurance payment as a result of the fire damage; \$2.5 million was received in December 2019 and the remaining \$7.5 million was received in Q1 of 2020. As I stated previously, we have recorded insurance receivable of \$9.9 million, in line with GAAP accounting regulation which limits the amount of insurance receivable we can recognize on our book. We believe that the replacement value of the equipment and the plant lost or damaged in the fire could be as much as \$37 million and that's excluding any business interruption cost recovery.

In Q4 of 2019, as a result of fire, we wrote off approximately \$22.4 million fixed assets that were damaged. No assets were written off in Q1 of 2020. Assets on our balance sheet as of March 31, 2020 that were not affected by the fire totaled approximately \$38 million in book value, including the battery breaker, the melting kettle, the kiln, filter presses, mixing and storage tanks, water recovery system and the building, infrastructure and the land.

As of March 31, 2020, Veritex has received \$2.7 million of insurance proceeds from our insurance carriers, which has been set aside in an escrow account to be used to pay off the note. This \$2.75 million is recognized as other asset on our balance sheet. Upon receiving the remaining insurance proceeds, the loan will be paid off. We anticipate that this will be completed over the next three to six months.

Revenue from the three months ended March 31, 2020 decreased approximately 96% compared to the three months ended March 31, 2019. This decrease is due to the fire that took place and subsequent shut

down during the first quarter of 2020. The plant will not be in production during 2020 except for limited testing of our improved electrolyzers.

Product sales during the first quarter of 2019 consisted of high purity lead from our AquaRefining process, as well lead bullion, lead compounds and plastics. Cost of product sales includes raw material supplies or related costs, salaries and benefits, consulting and outside services cost, depreciation and amortization cost, insurance, travel and overhead cost. Cost of product sales decreased approximately 69% for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. Cost of product sales were lower in 2020 due to the suspension of production due to the fire.

General and administrative expenses decreased by approximately 41% for the three months ended March 31, 2020 compared to the three months ended March 31, 2019. The most significant drivers of these decreases were non-cash expenses related to the suspension of operation, maintenance and management activities associated with the Veolia agreement. We also have reduced other general and administrative expenses such as payroll and services expense. We expect to decrease general and administrative expenses during the year as we accelerate our move to a capital light strategy.

For the three months ended March 31, 2019, we had \$1 million of non-cash expense related to Veolia agreement. For three months ended March 31, 2020, the Company had a net loss of \$4.4 million or a negative \$0.07 per diluted share, as compared to a net loss of \$11.7 million or negative \$0.27 per diluted share for the three months ended March 31, 2019.

Cash flows used in operating activities for the three months ended March 31, 2020 and 2019 was \$4.3 million and \$6.3 million respectively. Included in cash outflow from operations was approximately \$2.3 million for outstanding payables and for general working capital purposes.

Our monthly cash burn rate, which includes monthly plant expenses and corporate overheads during the quarter was approximately \$800,000 per month as compared to approximately \$2 million per month in the prior year. This decrease was the result of significant action taken after the November 2019 fire event. We anticipate that cash burn rate will continue decreasing as we move forward in 2020 which will help us to improve our cash run rate.

Net cash provided by investing activities for the three months ended March 31, 2020 was \$3.1 million and consisted primarily of \$4.7 million insurance proceeds, offset by \$1.6 million of purchases of property, plant and equipment.

As of March 31, 2020, we had collected a total of \$10 million insurance proceeds and in addition, just this week the insurance carrier confirmed the intent to make payment of additional \$2.5 million. This completes all payments for insurance layer number two, as we discussed in our March 30 press release. We've already been rigorously pursuing payment for the third layer of insurance and have been communicating with the fourth layer. We've submitted detailed business claims, included invoices, quotes, assessments, drawings and pictures to the insurance provider which represents a significant portion of our insurance claims for equipment and building damage. We will continue to provide additional details and supporting documents in the coming weeks. We're also submitting business interruption claim that we anticipate will be several millions of dollars. We expect to see additional payments in the coming months and we'll update you as proceed are received.

We believe we are in a position of strength with respect to meeting the Company's future forward goal. We intend to seek funds primarily from insurance proceeds and from the sale of equipment that is not required for accelerating capital light strategy. In addition, we have submitted loan applications for funding through the FDA's Payroll Protection Program. We're hopeful to receive payment and will report the

results of our applications in the near future. Based on these expectations and our current strategy, we do not anticipate any need to seek other sources of cash in the near term future.

With that, I'll turn it back to Steve for closing remarks.

Steve Cotton

Thanks, Judd. In conclusion, we believe that our accelerated shift to a capital light equipment supply services and AquaRefining licensing model has put Aqua Metals in a position of strength during these uncertain times with a promising outcome. Based on the production levels of the Aqua Refinery pre-fire, we feel we have derisked the technology execution portion of the investment and while we execute on the V1.25L electrolyzers and our partnership licensee discussion, the opportunity for returns for Aqua Metals is significant as compared to our past years of capital heavy efforts which fortunately put us into our current position of strength.

I'll now turn it over to the Operator to facilitate the Q&A session.

Operator

We will now begin the question-and-answer session. To ask a question, you may press star, then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star, then two. At this time, we will pause momentarily to assemble our roster.

The first question comes from Colin Rusch of Oppenheimer. Please go ahead.

Colin Rusch

Thanks so much, guys. As you're talking with these inbound license opportunities, are you looking at opportunities outside of the lead recycling market? You know that you certainly have another set of opportunities from different material seekers that go through the process. Can you give a sense of whether that's an option or not at this point with these potential customers?

Steve Cotton

Sure, Colin. We do receive inquiries for things that aren't requiring lead acid batteries as feedstock. A couple of them have been interesting and they're mining related and taking a lead molecule based mining product and putting it through our process. But for the most part, all the prospective licensees and targets that we are going for is lead acid batteries as a feedstock.

Colin Rusch

Great, and then, when you look at the V1.25L deposits, do you have all the components on hand to build those tools? Is there any supply chain risk or how can you (inaudible) comfortable with mitigation efforts or continuity efforts with all the components that you need to prove out those components?

Steve Cotton

Fortunately, Colin, we have the materials on site and we, pre-COVID-19 lockdown, were able to even get a fair bit of the infrastructure to support the first electrolyzer that we'll be putting in within weeks after our return and don't foresee any parts supply chain problems. There are some additional updates to those electrolyzers that we will make throughout the process as we roll in another electrolyzer to—through the

rest of the remainder of the year. Thus far, we haven't see any supply chain issues with those items either and everything seems to be dependent more upon our getting back into the facility and running them.

Colin Rusch

Okay, that's (inaudible). Then finally, you've been working with some representation related to the insurance companies and appreciate the detail in terms of your progress at this point. Relative to your expectations, where are you, and are you still engaged with that person to help us through this process and the insurance recovery?

Judd Merrill

Hi, Colin, this is Judd. We've hired Greenspan (phon) and they're still working with us and represent us. They are public (inaudible) and they are assisting us in insurance collections and it's a process and we always wanted to go as fast as possible. But I think it's going as good as it could and can. We've made progress and we've delivered a lot of information to them and they have to go through that. I know they're looking at it and the carriers have actually done a pretty good job of getting through a lot of that information. That's why we get these progress payment.

We continue down that path and it seems to be working and we'll get additional payments and keep giving them additional details. I think, from our perspective, we're moving along as expected.

Colin Rusch

Perfect. Thanks a lot, guys.

Operator

The next question comes from David Kanen of KWM. Please go ahead.

David Kanen

Hi, guys. Lot of my questions have been answered already, just through the press release and through Colin. But just so I understand correctly, the outlook on additional cash proceed. We've collected \$10 million so far. There's \$27 million remaining under the insurance and that excludes business interruption, correct?

Judd Merrill

Yes, so the way it worked out is we've internally identified up to about \$37 million in just property and equipment and the plant and clean up type expenses. We've submitted to the insurance carrier almost all of that, plus \$30 million of just details, the additional information that we have to get to them. That is what they're going through right now. Then we submitted some preliminary estimates on the business interruption. We don't have a lot of detail we can share yet on that. But that's the next phase as well that we'll submitting to them.

David Kanen

Okay, so about \$27 million in insurance proceeds that we estimate we can collect, we don't know what the BI is going to be and then there's some asset disposals. Can you just take me through that, when you say asset disposals? I'm assuming potentially the plant and property and then is there any equipment there as well and if could give me a total number on what that is, just a ball park?

Steve Cotton

Sure, Dave. Steve here. On the asset disposition side, we don't need, for example, a lot of the chiller systems that we had that were fortunately spared because they were outside side of the building AquaRefining area and weren't affected by fire. That's the standard three piece (phon) of equipment as an example and there's other assets like that throughout the plant that we won't need as we progress forward. Fortunately, we'll be able to run the electrolyzers off of the significant supply of prepaid for pre-broken batteries and digested AquaRefining concentrates.

There's other equipment that we won't necessarily need anytime soon as we run the electrolyzers off of that concentrate and don't have to run other parts of the plant. That plant and equipment could be worth millions of additional dollars in sum. There's the, ultimately as we've transitioned towards the capital light model with the licensees running AquaRefining in production facilities, we won't need the full size Aqua refinery after we prove out the V1.25L electrolyzers. That opens up opportunities later in the year and into next year for considering the appropriate asset disposition of land, plant and building or sub parts of that depending upon how we ultimately decide to do that.

That's, basically when you add it all up, tens of millions of dollars of opportunity for us, to harvest that cash and put it back into the capital light business on top of the insurance collections, on top of our cash position.

David Kanen

Okay, and then I see you made quite a bit of progress in reducing the burn rate in Q1. Now with, let's say at the halfway point or exiting the year, Judd, what will be the burn rate on an annualized basis, if you will? A year-end run rate once we get into the second half of the year, let's say?

Judd Merrill

Yes, so the guidance that we've been giving is that we're at currently at about \$800,000 a month and we're doing some things to try to get that down. We haven't given any guidance on where we'll end the year. But we expect there are some things that are contingent on helping that. If there are some costs related to just keeping the plant up and running and some other things that, as we progress throughout the year and we decide where these things fit into, the go-forward strategy may actually help reduce some of the cost. We haven't given any guidance on where we think we'll end up, but we're doing some things to try to get that burn rate down and being proactive about it.

David Kanen

Okay, so in the back half of the year, will we be at a lower burn rate than we were in the first half? Is that a safe assumption?

Judd Merrill

Yes, I think that's safe, and that's what we're expecting internally and what we're working towards.

David Kanen

Okay, so right now, we're at a burn run rate of about \$9.5 million annualized. Is it possible to get that to about \$6 million a year once we get in the back half of the year or is that a little bit too aggressive?

Judd Merrill

Well, I think it's doable. But there's work to do and obviously we want to try to get it as low as we can because we want to focus primarily just on the licensing opportunities. Again, we haven't given any specific guidance other than the \$800,000. But I think as we move into summertime and into Q3 we'll be able to give everybody updates.

David Kanen

Okay, I mean, unfortunately part of the legacy or the history of the Company has been—because we were in a very capital intensive business, which obviously we're turning the page on, going to licensing and capital light, but there was this constant need to raise capital. Is it safe to say that, going forward, that our capital needs are going to be sufficient or do you think that sometime this year we're going to need to go out and raise capital again?

Steve Cotton

Dave, this is Steve. I'd definitely say the latter. We had a significant runway no matter how we model it, between the insurance collections and the asset dispositions with the transition to capital light. Ultimately overtime when we don't have to mount the big aircraft carrier at the plant that we won't need any longer, that will be a significant impact to reducing the burn because there are just minimum cost associated with that, like electrical and gas and security and all those kinds of things. We'll see likely a reduction in burn rate with a significant step function reduction once we get to the first licensee and can operate by assembling modules at a smaller space with office space and assembly space.

I'll note that we did assemble all 16 modules for ourselves when we were still in Alameda, California in about 5,000 square foot area. It doesn't take much space. The future looks very positive in terms of the fixed overhead associated with facilities in the long run. But we do need the plant to continue the electrolyzer work to get the product into licensable form. But while we're doing that, we still think we can reduce the burn, as Judd was mentioning.

David Kanen

Okay, great. Then as far as the licensing, I'm sorry to monopolize here, but there was a lot of information. Yes, I was surprised that there is a pipeline, if you will, that caught me off guard, which is great. But could you take me through what the pipeline looks like, what kind of interest are you getting for what kind of entities at this point. Any color on how many and then also you gave a breakdown earlier in the call about the different components of this licensing strategy that will generate revenue, for example equipment and I missed part of it. I was multi-tasking, so my apologies. But if you can just go through—there's an equipment component, what would be the margins there? I'm assuming there are some professional services or engineering that would generate revenue and then also based on the size of the plant, you talked about a small plant, a large plant, what the potential is for royalties? If you can just go through that again, I'd appreciate that.

Steve Cotton

Sure, so in terms of the sales funnel and engagement that we have with prospective licensees and partners that will help us to achieve licensees through those partnerships has grown in its nature and we've seen the sales funnel grow from our own efforts, prior to leading up to the fire event, where we were already engaged with several players across the globe, ranging from Asia Pacific market to North America.

Of course, Clarios and also some European opportunities and South American opportunities and we're talking to the various licensees about projects ranging from AQUAFIT, which is deploying AquaRefining at their existing facility, to either expand the production or capacitize the production or to the improve the emission standards and the quality of the lead. We've talked to a couple that are doing greenfield builds of battery recycling facilities in the Asia Pacific region that would design AquaRefining right into a net new build which is very interesting.

We've talked to potential licensees about processing the dust that comes out of the bag houses or the flu systems through those bag houses that is tens of tons per day and a significant size plant that is another application for AquaRefining to an existing facility.

There is multiple applications on the table, as I mentioned earlier, (inaudible). There's a lot out there and we've seen a significant tick up since we've announced our acceleration towards the licensing strategy, that we've seen a lot of inbound inquiries in addition to the engagements we already have.

Then to answer your other question on the licensing, just to boil it down, it starts with—the first revenue starts with the engineering package and that package is the design services for the customer to accept, then order the equipment off of, just like you hire an architect to design a building. There's a significant fee associated with that which is high margin services revenue. Once the customer agrees, we build out that bill of materials in detail and they procure the equipment and we provide the equipment not only from Aqua Metals, but also from our supplier partners and get revenue from that as well as services revenue.

Then once the equipment is commissioned and witness tested and operating, we would seek to recover a recurring royalty which we believe we can get a significant running royalty because of the premium value that's already in market and paid for by the largest battery company in the world for the AquaRefining lead as a premium over the London Metals Exchange rate, and the other value add of the environmental and the green and the performance capacity.

That running royalty, we believe we can capture significant recurring revenue. Then, that's just the beginning of the relationship with the client, just as any equipment supplier into an industrial plant, that's day two is the beginning of the relationship and then there is physical product upgrades, warranty, equipment and services associated with that. It's the beginning of a journey of revenue and value that we offer to those customers. I hope that boils that down for you.

David Kanen

Yes, I mean, could you—the only thing I'm unclear on and I don't know if this is even—if you could even disclose this, but let's say you were deploying modules, let's say, to start two modules at a place, at a facility, what do you think that equipment would sell for and what kind of gross profit would you get?

Steve Cotton

It's all really custom and dependent upon each customer facility. I'm little bit reticent to state an actual number other than any significant deployment is going to get into the seven figures in terms of value of the equipment and then as I mentioned earlier on the call, those facilities that—our facility was 15,000 tons a year of Aqua-refined lead capacity which is very modest, I call it a small size facility. There's larger ones that could go up to 100,000 tons which should be well deep into the seven figures in equipment. Then there might be some that want to try a smaller set up, at least initially, or particular specific application and those might be a smaller number and in the single-digit millions. But it's going to be significant revenue no matter how we slice it and it depends upon the size of the client.

David Kanen

Okay, great. Good luck, guys.

Steve Cotton

Thanks.

Operator

The next question comes from Charles Bellows of White Pine Capital. Please go ahead. Mr. Bellows, your line is open, please go ahead with your question.

Charles Bellows

Sorry, I was on mute. Can you hear me?

Operator

Please go ahead. Yes, sir.

Charles Bellows

Okay, good. Steve, let's go to the pipeline again, and I'm trying to get things squared away. You said that how many modules do you need up and running and for how long before you're going to get an indication from a licensee that they are willing to go?

Steve Cotton

The simultaneous effort of us getting the AquaRefining electrolyzers into a licensed productized version, a lot of that work was already accomplished and we were about to turn all 16 of them with those upgrades before the fire happened and then we're making of couple of other improvements and we feel it's important to, this summer, run those and improve them out and get some data by fall so we can continue the conversation with realistic numbers around throughput and all those things from the updated units and cost factors because we are doing a significant cost reduction to improve that value proposition on a cap ex side.

Charles Bellows

What you're ...

Steve Cotton

Go ahead.

Charles Bellows

You're saying that it will be fall, you're planning to have two up and running, but it will be into or through the third quarter before you have the base data that you need to really go to the license people.

Steve Cotton

Well, but in meantime we're talking to the licensees about the application and the size of the application and what it would look like to put the AquaRefining in, talking about conversion cost, getting them the baseline numbers that we already have from operating our modules in production that are very compelling to begin with. Then sharing with them, hey, the final version of the product is going to have these additional enhancements.

They're likely going to want to see those numbers before they pull the trigger on the equipment supply side. But we can certainly get into the engineering package discussion before the end of the year as we're talking and engaging with these various clients. It's just the final version of the product is going to have some tweaks which are all favorable for everybody.

Charles Bellows

Yes, but you've got to get them to say yes. The other question I had in here is that Clarios, when it was still JCI and all part of that, they had an exclusive with you if they took it, is that now gone?

Steve Cotton

Yes, so Clarios has the first mover advantage through June of 2021 by contract. We're still, of course, talking to Clarios regularly. In fact, they had bore (phon) observation and still a significant Shareholder in the Company and are involved with a lot of things that we work on. They may still be the first mover. But we're keeping our options open for whoever else is out there in the marketplace and making sure that we're responding to the inquires because they're coming in and it would be bad form to not engage with credible inquires that are coming in. It will up to Aqua Metals, ultimately, to decide.

Now, by the very sake of the calendar, by getting the modules to their final shippable condition as we round the corner into 2021, it's not that much time between then and June of 2021 for us to make the ultimate decision as to the best path forward with the first licensee site and that may be Clarios, it may be a different licensee. It may be one of Clarios partners because if you look through the contract that we filed when we agreed with Clarios on the joint development agreement, it includes North America, China and Europe and includes themselves as well as their top two supplier partners that are lead recyclers that they could introduce us to, which they've been doing and we've engaged and talked to. It will determine ultimately which one is the best fit and we'll make the right decision for Aqua Metals and obviously the Shareholders.

Charles Bellows

If I'm hearing you correctly, the way it looks is you will not have something really announceable until maybe the fourth quarter or into the first part of 2020 on a licensee who has said go.

Steve Cotton

In terms of licensee that signed up and shipping equipment, it will take some months for us to get there. You're correct in that. Now, there's other types of business development, partnerships, things like that, that we are working on, that are quite interesting that aren't like these but they are partnerships that would help facilitate getting us into the market with licensees and have a synergistic partnership value that we're working on as well. There's that side of it and then the actual physical deployment of the equipment, I would expect it, you would see that not happen until 2021.

Charles Bellows

Okay. Maybe you can give me an answer, why—has Clarios seen the other—the whole system working, they bought the lead. They had theoretically identified a site, why aren't they moving at all?

Steve Cotton

Clarios hasn't said no and all that, so we continue to talk with them and share with them what it is that we're doing with these updated versions of the electrolyzers. The key part of our contract with Clarios was that there were metrics, performance metrics that were specific to the old plant which was—we built out the Aqua Refinery to the full 16 modules and then capital heavy extended to the 32 and we needed to get to 16 modules for them to feel comfortable putting it into a very large facility as a finished product.

We're still talking with them about, hey, we've accomplished pretty much all the other things like running it 24x7, like generating 2.4 to 2.5 tons or lead per day per module on a consistent basis, with a consistent quality that they bought all of and all those things. Those discussions continue, but it's either a rework of those joint development agreement metrics with them or another licensee will go in first, of which might be one of their partners that they will be more comfortable having them go first because it's more of an appropriate site, with the best possible offer or they would work with us on another first mover. In that scenario, they may agree to go to a second mover position. It all depends upon how negotiations play out, that's about the most I can say at this point.

Charles Bellows

Okay, thank you. I appreciate it.

Steve Cotton

Absolutely, good question.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Steve Cotton, Chief Executive Officer, for any closing remarks.

Steve Cotton

Okay, well, thank you, Operator. Thanks, everybody, for your time today and we do appreciate the continued support from our Shareholders as well as our partners as we work towards these go-forward plans. We will continue to update everybody in the coming weeks and months as we deploy and operate our go-to-market Version1.25L electrolyzers. We're really looking forward to getting back into the plant and getting that going. In the meantime, we'll also keep you up-to-date as we harvest cash and insurance proceeds and, as appropriate, the timely asset disposition and we will report on our continued commercial progress with our existing and our developing partners.

Thanks, everybody, and have a great day and stay safe.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.