

ASX Announcement

February 24, 2021

Appendix 4D

1. Company details:

- Name of entity – Calix Limited
- ACN – 117 372 540
- Reporting period – For the half-year ended 31 December 2020
- Previous period – For the half-year ended 31 December 2019

2. Results for announcement to the market:

					\$ 000's
Total revenues and other income	up	114%	to		16,271
(Loss) for the year attributable to the owners of Calix Limited	down	28%	to		(2,764)

3. Net tangible assets:

	Current reporting period	Previous reporting period
Net tangible assets per ordinary security	\$0.10	\$0.14

4. Dividends:

No dividends have been provided for or paid during the current or previous periods.

5. Audit qualification or review:

The financial statements were subject to a review by the auditors and the review report is attached to the Interim Report.

This announcement has been authorised for release to the ASX by:-

Phil Hodgson
Managing Director
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About Calix

Calix is a team of dedicated people developing a unique, patented technology to provide industrial solutions that address global sustainability challenges.

The core technology is being used to develop more environmentally friendly solutions for advanced batteries, crop protection, aquaculture, wastewater and carbon reduction.

Calix develops its technology via a global network of research and development collaborations, including governments, research institutes and universities, some of world's largest companies, and a growing customer base and distributor network for its commercialised products and processes.

Because there's only one Earth – Mars is for Quitters.

Website: www.calix.global

Twitter: [@CalixLimited](https://twitter.com/CalixLimited)

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Calix Limited and its controlled entities

ABN 36 117 372 540

**Interim financial report for the period ended
31 December 2020**

DIRECTORS REPORT

The directors present their report on Calix Limited and its controlled entities ("the Group") consisting of Calix Limited ("the Company") and entities under its control for the half-year ended 31 December 2020.

DIRECTORS

The following persons were directors of the Company during the period ended 31 December 2020 and up to the date of the report, unless otherwise stated:

P J Turnbull
J A Hamilton
P H Hodgson
L A W O'Neill
M G Sceats
H Fisher (appointed a director on 22 September 2020)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the half-year were:

- production and sale of nano-active magnesium hydroxide slurries for water treatment, including aquaculture, in Australia and New Zealand, South East Asia and the USA;
- production, trials and initial sales of nano-active magnesium hydroxide slurries for agricultural crop protection in Europe and Australia;
- continuing research and development, and pursuing commercial opportunities, for its carbon capture technology for lime and cement production in Europe and Australia;
- continuing research and development, and pursuing commercial opportunities, for its sustainable mineral processing technology;
- continuing research and development into new biotechnology applications for its advanced nano-active materials;
- continuing research and development into advanced battery materials applications for its advanced nano-active materials.

OPERATING RESULTS

The Group recorded strong growth in sales revenues during the first half of the year, with continuing strong revenue and margin contribution in the US from the Inland Environmental Resources Inc ("IER") acquisition. Overall sales revenues were up 151% on the prior corresponding period to \$9.2m (1H19: \$3.7m) and there was an improvement in gross margin to 31% (1H19: 25%). Total revenue and other income grew 114% to \$16.3m (1H19: \$7.6m) primarily due to recognition of additional project income associated with the on-going development of the Leilac-1 and Leilac-2 Carbon Capture projects.

Operating expenses increased to \$6.8m (1H19: \$5.1m) as the IER operations were consolidated for the full half year and there was also an increase in research and development expenses associated with work on carbon capture and battery materials technology. The growth in revenues and other income, gross margin and managed expansion of operating expenditures helped deliver an improved operating result of \$3.1m which was up from a result of (\$0.2m) in the previous corresponding period.

GOING CONCERN

The financial report has been prepared on a going concern basis.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the period.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 3.

This report is signed in accordance with a resolution of the board of directors.



P J Turnbull AM, Chair
Sydney 24 February 2021

DECLARATION OF INDEPENDENCE BY IAN HOOPER TO THE DIRECTORS OF CALIX LIMITED

As lead auditor for the review of Calix Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Calix Limited and the entities it controlled during the period.



Ian Hooper
Director

BDO Audit Pty Ltd

Sydney, 24 February 2021

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the Half-year period ended 31 December 2020

	Note	31-Dec-20 \$	31-Dec-19 \$
Sales of goods	3	9,213,352	3,674,379
Cost of sales of goods		(6,366,267)	(2,762,472)
Gross profit		2,847,085	911,907
Other income	3	7,057,997	3,937,624
Gross profit and other income		9,905,082	4,849,530
Sales and marketing expenses		(2,902,063)	(2,014,772)
Research and development expenses		(2,751,916)	(2,213,690)
Administration and other expenses		(1,188,621)	(866,332)
Total operating expenses	4	(6,842,600)	(5,094,794)
Profit/(Loss) before finance costs, depreciation, amortisation, impairment, foreign exchange, share based payments, acquisition costs and income tax for the period		3,062,482	(245,263)
Depreciation, amortisation & impairment expenses	4	(5,143,485)	(2,386,965)
Finance costs on borrowings		(42,725)	(116,728)
Foreign exchange gains (losses)		(126,129)	15,209
Acquisition and related costs	16	-	(368,178)
Share based payment expenses		(218,930)	(404,682)
Loss from ordinary activities before income tax		(2,468,787)	(3,506,608)
Income tax expense	17	-	-
Loss for the period		(2,468,787)	(3,506,608)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(312,468)	(331,913)
Total comprehensive income for the period		(2,781,255)	(3,838,520)
Basic and diluted loss per share (cents)	14	(1.66)	(2.73)

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

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31-Dec-20 \$	30-Jun-20 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,709,598	11,082,356
Trade and other receivables	5	7,171,333	7,060,220
Inventory		1,352,473	1,293,908
Total current assets		12,233,404	19,436,484
Non-current assets			
Trade and other receivables	5	292,517	276,476
Intangible assets	6, 16	5,252,851	5,196,148
Goodwill	7, 16	3,638,392	2,808,406
Right of use asset		544,313	426,109
Property, plant and equipment	8	14,193,542	14,618,695
Total non-current assets		23,921,615	23,325,834
Total assets		36,155,019	42,762,318
LIABILITIES			
Current liabilities			
Trade and other payables	9	2,273,812	7,417,437
Borrowings	10	590,450	112,255
Current lease liabilities		214,905	192,508
Provisions		991,841	567,874
Deferred revenue	11	6,313,657	7,222,974
Total current liabilities		10,384,665	15,513,048
Non-current liabilities			
Borrowings	10	54,817	131,846
Non-current lease liabilities		343,964	247,587
Provisions		372,988	639,454
Deferred tax liabilities	16	793,590	-
Total non-current liabilities		1,565,359	1,018,887
Total liabilities		11,950,024	16,531,935
NET ASSETS		24,204,995	26,230,383
EQUITY			
Issued capital	12	51,910,244	49,676,807
Reserves	13	2,020,018	3,810,057
Accumulated losses		(29,725,268)	(27,256,481)
TOTAL EQUITY		24,204,995	26,230,383

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

Consolidated Statement of Cash Flows

For the Half-year period ended 31 December 2020

	Note	31-Dec-20 \$	31-Dec-19 \$
Cash flows from operating activities			
Receipts from customers		8,801,869	3,594,924
Receipts from government bodies		6,235,231	4,679,316
Payments to suppliers and employees	4	(14,296,036)	(7,782,376)
Payments to LEILAC partners		(4,341,725)	-
Interest received		5,152	5,771
Payment of interest on borrowings		(42,725)	(116,728)
Net cash provided by/(used in) operating activities		(3,638,234)	380,907
Cash flows from investing activities			
Purchases of property, plant and equipment		(4,502,384)	(2,488,737)
Purchases of intangible assets		(288,692)	(267,963)
Payment for acquisition of business and related costs (net of cash obtained)	16	-	(9,678,504)
Net cash used in investing activities		(4,791,076)	(12,435,204)
Cash flows from financing activities			
Proceeds from issues of shares (net of transaction costs)		536,614	15,105,214
Net proceeds from / (repayment of) borrowings		519,939	86,524
Net cash provided by financing activities		1,056,553	15,191,738
Net increase in cash and cash equivalents		(7,372,757)	3,137,441
Cash and cash equivalents at the beginning of the period		11,082,356	4,426,030
Cash and cash equivalents at the end of the period		3,709,598	7,563,471

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

Consolidated Statement of Changes in Equity
For the Half-year period ended 31 December 2020

	Issued Capital	Reserves	Retained Earnings	Total Parent Entity Interest	Non-controlling interest	Total
Balance at 1 July 2019	33,546,039	3,433,018	(20,350,953)	16,628,104	178,027	16,806,131
Net losses for the year after tax	-	-	(3,506,607)	(3,506,607)	-	(3,506,607)
Other comprehensive income for the year	-	-	-	-	-	-
Net movement in foreign currency translation reserve	-	(331,913)	-	(325,190)	(6,723)	(331,913)
Total comprehensive income for the year	-	(331,913)	(3,506,607)	(3,838,520)	171,304	(3,838,520)
Transactions with owners						
New issues of shares (net of transaction costs)	15,261,708	-	-	15,261,708	-	15,261,708
Share issued from ESS Trust	26,625	(26,625)	-	-	-	-
Fair value of EIS rights granted	-	404,682	-	404,682	-	404,682
Conversion of warrants	147,459	(147,459)	-	-	-	-
Acquisition of non-controlling interest ⁽¹⁾	-	-	171,304	171,304	(171,304)	-
Balance at 31 December 2019	48,981,831	3,331,703	(23,686,256)	28,627,278	-	28,627,278
Balance at 1 July 2020	49,676,807	3,810,057	(27,256,481)	26,230,383	-	26,230,383
Net losses for the year after tax	-	-	(2,468,787)	(2,468,787)	-	(2,468,787)
Other comprehensive income for the year	-	-	-	-	-	-
Net movement in foreign currency translation reserve	-	(312,468)	-	(312,468)	-	(312,468)
Total comprehensive income for the year	-	(312,468)	(2,468,787)	(2,781,255)	-	(2,781,255)
Transactions with owners						
New issues of shares (net of transaction costs)	536,937	-	-	536,937	-	536,937
Share issued from ESS Trust	1,341,656	(1,341,656)	-	-	-	-
Shares issued to ESS Trust	-	-	-	-	-	-
Fair value of EIS rights granted	-	218,930	-	218,930	-	218,930
Fair value of EIS rights issued	186,426	(186,426)	-	-	-	-
Movement in warrant reserve	168,419	(168,419)	-	-	-	-
Balance at 31 December 2020	51,910,244	2,020,018	(29,725,268)	24,204,995	-	24,204,995

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

⁽¹⁾ During the period the Group acquired the remaining shares from the non-controlling interest parties in Millennium Generation Limited. The parent has consequently acquired the associated retained earnings and derecognised the non-controlling interest from previous periods.

Notes to the Financial Report For the half-year ended 31 December 2020



1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial report was approved by the Board of Directors on 24 February 2021. This half-year consolidated financial report has been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year consolidated financial report is intended to provide users with an update on the latest annual financial statements of Calix Limited and its controlled entities ('the Group'). As such, the half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

These financial statements have been prepared on the going concern basis, which contemplates the consolidated entity's ability to pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue.

Notes to the Financial Report

For the half-year ended 31 December 2020



2. SEGMENT REPORTING

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel. For the period ended 31 December 2020, the Group has identified three segments based on the geographical regions in which it operates.

The aggregation criteria under AASB 8 – Operating Segments has been applied to include the results of each region within the segment in which it operates.

	Australia & SE Asia	US	Europe	Elimination	Total
	\$	\$	\$	\$	\$
For the period ended 31 December 2020					
Segment Revenue					
Products sold	1,738,396	7,476,169	-	(162,576)	9,051,989
Revenue from rental agreements	80,658	22,094	-	-	102,752
Other services	58,611	-	-	-	58,611
Total Segment Revenue	1,877,665	7,498,263	-	(162,576)	9,213,352
Timing of revenue recognition					
Goods transferred at a point in time	1,635,671	7,476,169	-	(162,576)	8,949,264
Services transferred over time	241,994	22,094	-	-	264,088
Total Segment Revenue	1,877,665	7,498,263	-	(162,576)	9,213,352
Other Income	3,125,709	(10,097)	3,942,386	-	7,057,997
Total Revenue and Other Income	5,003,374	7,488,166	3,942,386	(162,576)	16,271,350
Operating Result	(727,312)	421,989	3,372,980	(5,175)	3,062,482
Depreciation and amortisation	1,233,482	178,241	2,337	188,950	1,603,010
Impairment	-	-	3,540,475	-	3,540,475
Loss before income tax expense	(2,277,540)	237,711	(234,834)	(194,124)	(2,468,787)
Income tax expense	-	-	-	-	-
Loss after income tax expense	(2,277,540)	237,711	(234,834)	(194,124)	(2,468,787)

Notes to the Financial Report

For the half-year ended 31 December 2020

2. SEGMENT REPORTING (CONTINUED)

	Australia & SE Asia	US	Europe	Elimination	Total
	\$	\$	\$	\$	\$
For the period ended 31 December 2019					
Segment Revenue					
Products sold	2,297,498	1,776,589	-	(469,929)	3,604,158
Revenue from rental agreements	68,793	-	-	-	68,793
Other services	-	1,427	-	-	1,427
Total Segment Revenue	2,366,291	1,778,016	-	(469,929)	3,674,379
Timing of revenue recognition					
Goods transferred at a point in time	2,186,237	1,776,589	-	(469,929)	3,492,897
Services transferred over time	180,054	1,427	-	-	181,481
Total Segment Revenue	2,366,291	1,778,016	-	(469,929)	3,674,379
Other Income	2,193,271	74	1,744,278	-	3,937,624
Total Revenue and Other Income	4,559,562	1,778,091	1,744,278	(469,929)	7,612,002
Operating Result	(1,572,986)	(294,638)	1,628,182	(5,822)	(245,263)
Depreciation and amortisation	1,047,057	19,351	1,873	-	1,068,282
Impairment	-	-	1,318,683	-	1,318,683
Loss before income tax expense	(3,466,748)	(313,989)	279,951	(5,822)	(3,506,608)
Income tax expense	-	-	-	-	-
Loss after income tax expense	(3,466,748)	(313,989)	279,951	(5,822)	(3,506,608)

3. REVENUE AND OTHER INCOME

	31-Dec-20 \$	31-Dec-19 \$
Revenue		
Revenue from core IER products	7,487,671	1,579,916
Revenue from other core products	1,643,367	2,038,343
Revenue from other products	82,314	56,120
Total Revenue	9,213,352	3,674,379
Other income		
LEILAC project income	3,595,670	1,340,328
R&D incentive income	2,591,906	2,145,585
Other grant income	827,226	445,920
Interest income	5,152	5,791
Other income	38,043	-
Total other income	7,057,997	3,937,624
Total revenue and other income	16,271,349	7,612,002

Notes to the Financial Report

For the half-year ended 31 December 2020

4. EXPENSES

The Group has identified several expense items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding the financial performance of the group:

	31-Dec-20 \$	31-Dec-19 \$
Employee benefit expenses	4,366,248	3,225,635
Financing costs	42,725	116,728
Depreciation and amortisation expense	1,603,010	1,068,282
Acquisition and related costs	-	368,178
Impairment expense	3,540,475	1,318,683
	9,552,458	6,097,506

Impairment expense

In the period ended 31 December 2020, pilot plant equipment relating to the LEILAC & SOCRATCES projects were found to require impairment under the Group's accounting policy on the basis that their value in use had dropped below their carrying value.

Operating expenses and payments to suppliers and employees

Payments to suppliers and employees increased compared to the prior period as a result of the consolidation of the IER results for the full six months of the period to 31 December 2020 compared to one month of consolidation in the prior half year.

5. TRADE & OTHER RECEIVABLES

	31-Dec-20 \$	30-Jun-20 \$
Current trade & other receivables		
Trade receivables	1,844,086	1,443,423
R&D incentive receivable	2,211,149	5,003,439
Other receivables*	2,800,974	237,768
Prepayments	140,942	205,015
Deposits paid	174,182	170,897
Other current assets	-	(322)
	7,171,333	7,060,220
Non-current trade & other receivables		
Deposits	274,000	274,000
IER Other Non-Current Assets	18,517	2,476
	292,517	276,476
Total trade & other receivables	7,463,850	7,336,696

**Other receivables*

The balance of other receivables, as at 31 December 2020, includes an amount of \$2,756,095 which is due to be received from the European Commission later in 2021 for expenditure relating to the LEILAC project.

Notes to the Financial Report

For the half-year ended 31 December 2020



6. NON-CURRENT ASSETS – INTANGIBLES

	31-Dec-20 \$	30-Jun-20 \$
Customer contracts	2,091,000	2,091,000
Less: accumulated amortisation	(226,525)	(121,975)
Intellectual property	1,359,000	1,359,000
Less: accumulated amortisation	(147,225)	(79,275)
Brand names	329,000	329,000
Less: accumulated amortisation	(35,641)	(19,192)
Capitalised development costs	450,464	348,613
Patents and trademarks	1,664,839	1,477,998
Less: accumulated amortisation	(232,061)	(189,022)
Total intangibles	5,252,851	5,196,148

Movement in the carrying amounts (dollars) for intellectual property between the beginning and the end of the period:

	Intangible Assets \$
Balance as at 30 June 2020	5,196,148
Additions during the period	
Capitalised development costs	101,851
Patents and trademarks	186,841
Less amortisation during the period	(231,988)
Balance as at 31 December 2020	5,252,851

Intangibles

Intangible assets are measured at cost less any accumulated amortisation and any impairment losses. Amortisation is systematically allocated over the useful life of each identifiable asset with a finite life.

Customer contracts

Customer contracts were acquired as part of a business combination (see Note 16 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. Customer contracts have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, customer contracts are taken to have a useful life of 10 years.

Intellectual property

Intellectual property was acquired as part of a business combination (see Note 16 for details). It is recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life. Intellectual property has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, intellectual property is taken to have a useful life of 10 years.

Notes to the Financial Report

For the half-year ended 31 December 2020

Brand names

Brand names were acquired as part of a business combination (see Note 16 for details). They are recognised at fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. Brand names have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, brand names are taken to have a useful life of 10 years.

Capitalised development costs

The Capitalised Development Costs intangible asset relates to expenditure incurred on the development, design and construction of cement and lime manufacturing technologies. The costs were recognised on the basis that they were incurred in the development phase, in accordance with AASB 138, through the demonstration of technical feasibility of completion, the intention to complete and use or sell the asset, as well as the clear path to economic benefits, the availability of technical and financial resources, and reliable measurement of expenditure.

Patent and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is systematically allocated over the useful life of each patent and trademark. In calculating amortisation costs, patents are taken to have a useful life of 20 years, trademarks are taken to have a useful life of 10 years.

7. GOODWILL

	31-Dec-20 \$	30-Jun-20 \$
Goodwill	3,638,392	2,808,406
Total goodwill	3,638,392	2,808,406
At the beginning of the period	2,808,406	-
Additions through the period	829,986	2,808,406
Balance at the end of the period	3,638,392	2,808,406

Additions to goodwill through the period

During current period, the acquisition of IER has been finalised resulting in the recognition of a deferred tax liability of \$793,590, an increase to the recorded purchase price of \$36,396 and corresponding increase of goodwill of \$829,986 (refer to Note 16).

Accounting for goodwill

Goodwill arises on the acquisition of a business where the fair value of the consideration exceeds the fair value of the net assets acquired. Goodwill is not amortised, instead it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried as cost less accumulated impairment losses. Impairment losses on goodwill are taken to the profit or loss and not subsequently reversed. For further information on goodwill recognised during the period, refer to note 16.

Notes to the Financial Report

For the half-year ended 31 December 2020

8. PROPERTY, PLANT & EQUIPMENT

	31-Dec-20 \$	30-Jun-20 \$
Office furniture, fittings & equipment	1,447,540	1,417,645
Less: accumulated depreciation	(1,213,307)	(1,168,479)
CFC Calciner facility	18,724,089	18,692,385
Less: accumulated depreciation	(12,808,826)	(12,018,538)
Slurry manufacturing and application assets	4,782,980	4,603,236
Less: accumulated depreciation	(754,525)	(853,219)
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(31,701)	(28,439)
LEILAC project calciner	7,171,090	3,581,539
Less: accumulated impairment	(7,045,509)	(3,581,539)
SOCRATCES project	395,289	318,783
Less: accumulated impairment	(395,289)	(318,783)
BATMn project Calciner	2,132,335	2,080,280
Less: accumulated depreciation	(222,787)	(118,340)
Land	838,499	838,499
Total property, plant & equipment	14,193,542	14,618,695

9. TRADE & OTHER PAYABLES

	31-Dec-20 \$	30-Jun-20 \$
Trade payables	1,964,901	4,571,274
Sundry payables & accrued expenses	308,911	2,846,163
Total trade & other payables	2,273,812	7,417,437

Notes to the Financial Report

For the half-year ended 31 December 2020

10. BORROWINGS

	31-Dec-20 \$	30-Jun-20 \$
Current borrowings		
Loan facility	439,172	-
Asset financing facilities	50,426	28,587
Insurance premium funding	100,852	83,668
	590,450	112,255
Non-current borrowings		
Asset financing facilities	54,817	131,846
	54,817	131,846
Total borrowings	645,267	244,101

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised as profit or loss over the period of the borrowings using the effective interest rate method.

Where there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Loan facility

In March 2020, Inland Environmental Resources, Inc. (IER) secured a working capital facility for up to USD \$500,000 with Umpqua Bank to assist with funding capital expenditures at an interest rate of 4.25%.

Other borrowings

The other borrowings balance comprises of asset financing facilities totalling \$105,243 with interest rates ranging from 5.78% to 11.65%, and insurance premium funding facilities totalling \$100,852 with an interest rate of 9.97%.

11. DEFERRED REVENUE

	31-Dec-20 \$	30-Jun-20 \$
Current deferred revenue	6,313,657	7,222,974
Total deferred revenue	6,313,657	7,222,974

Associated Projects

The deferred revenue balances at reporting date are associated with the LEILAC EU Horizons 2020 project and the SOCRATCES project.

Notes to the Financial Report

For the half-year ended 31 December 2020

12. ISSUED CAPITAL

	31-Dec-20 \$	30-Jun-20 \$
Fully paid ordinary shares	56,690,320	54,456,883
Costs of fund raising recognised	(4,780,076)	(4,780,076)
Total issued capital	51,910,244	49,676,807

a. Fully paid ordinary shares

	31-Dec-20 Number of shares	30-Jun-20 Number of shares
At the beginning of the period	147,370,563	122,872,895
Issued during the period	1,137,978	24,497,668
Balance at the end of period	148,508,541	147,370,563

	31-Dec-20 \$	30-Jun-20 \$
At the beginning of the period	54,456,883	37,643,918
Issued during the period	2,233,437	16,812,965
Balance at the end of period	56,690,320	54,456,883

b. Costs of fund raising recognised

	31-Dec-20 \$	30-Jun-20 \$
At the beginning of the period	4,780,076	4,097,879
Incurred during the period	-	682,197
At the end of the period	4,780,076	4,780,076

Notes to the Financial Report

For the half-year ended 31 December 2020

12. ISSUED CAPITAL (CONTINUED)

c. Movements in ordinary share capital

	Number of shares	\$
1 July 2019 – Opening balance	122,872,895	37,643,918
19-September-2019 – Warrants exercised	293,100	146,550
04-October-2019 – Placement	17,142,858	12,000,001
09-October-2019 – Warrants exercised	288,750	144,375
11-October-2019 – Warrants exercised	33,000	17,000
16-October-2019 – Warrants exercised	668,250	334,125
22-October-2019 – Placement	1,330,010	931,004
22-October-2019 – Warrants exercised	33,000	16,500
23-October-2019 – Warrants exercised	1,511,400	755,700
24-October-2019 – Warrants exercised	430,000	215,000
25-October-2019 – Warrants exercised	793,250	396,625
29-October-2019 – Warrants exercised	1,654,750	827,375
31-October-2019 – Warrants exercised	319,300	159,650
31-December-2019 – ESS withdrawals	-	26,625
31-December-2019 - Warrant reserve conversion	-	147,459
30-June-2020 – ESS withdrawals*	-	694,976
30 June 2020 – Closing Balance	147,370,563	54,456,883
04-August-2020 - Warrants exercised	151,500	99,990
13-August-2020 - Warrants exercised	200,000	132,000
13-August-2020 - EIS withdrawals	12,379	91,867
21-August-2020 - Warrants exercised	131,000	86,460
07-September-2020 - Warrants exercised	131,040	86,486
07-September-2020 - EIS withdrawals	25,268	12,174
07-September-2020 - EIS withdrawals	15,984	11,064
11-September-2020 - Warrants exercised	200,000	132,000
16-September-2020 - EIS withdrawals	19,990	10,820
25-September-2020 - EIS withdrawals	156,976	8,569
08-October-2020 - EIS withdrawals	29,584	17,032
09-October-2020 - EIS withdrawals	15,651	9,011
19-October-2020 - EIS withdrawals	19,653	9,469
22-October-2020 - EIS withdrawals	23,661	13,870
31-October-2020 – ESS withdrawals*	-	1,341,656
19-November-2020 - EIS withdrawals	5,292	2,550
31-December-2020 - Warrant reserve conversion	-	168,419
31 December 2020 – Closing Balance	148,508,541	56,690,320

* ESS withdrawals denote transfers of shares, issued in prior periods, from the ESS trust to underlying beneficiaries according to the rules of the scheme. The ESS Trust was closed on 31 October 2020. Further information about the ESS can be found in the 2020 Annual Report.

Notes to the Financial Report

For the half-year ended 31 December 2020

13. RESERVES

	31-Dec-20 \$	30-Jun-20 \$
Foreign currency translation reserve	(291,169)	21,299
Share-based payment reserve	1,991,213	3,300,365
Warrant reserve	319,974	488,393
Total reserves	2,020,018	3,810,057
At the beginning of the year	3,810,057	3,433,018
Revaluations to foreign currency translation reserve	(312,468)	29,974
Shares issued from the ESS trust	(1,341,656)	(721,601)
Fair value of EIS rights granted	218,930	1,216,125
Fair value of EIS rights issued	(186,426)	-
Shares issued to the ESS trust	-	-
Conversion of warrants	(168,419)	(147,459)
At the end of the year	2,020,018	3,810,057

14. LOSS PER SHARE

	31-Dec-20 \$	31-Dec-19 \$
a. Earnings used to calculate basic EPS from continuing operations	(2,468,787)	(3,506,608)
	Number	Number
b. Weighted average number of ordinary shares during the period used in calculating basic EPS	148,519,825	140,627,893

15. CONTINGENT LIABILITIES

There are no known contingent liabilities.

Notes to the Financial Report

For the half-year ended 31 December 2020



16. BUSINESS COMBINATION

In December 2019, the Company acquired 100% of the share capital of Inland Environmental Resources, Inc. (IER) for US\$6.5 million. As part of this acquisition, Calix has obtained control of IER and IER is accounted for as a subsidiary of Calix Limited. IER is an US based company specialising in the manufacture and sales of Magnesium Hydroxide for water and wastewater treatment in the agriculture, industrial and municipality wastewater industries.

The consideration for the acquisition was \$9.39m.

The initial accounting for the business combination was provisional due to the close proximity of the date of completion of the acquisition to the reporting period end. During current period, IER acquisition has been finalised resulting in an increase of both deferred tax liability and goodwill by \$793,590 and \$829,986 respectively.

The fair value of the assets and liabilities acquired at the date of acquisition have been finalised as follows;

	Fair value A\$
Cash and cash equivalents	85,242
Trade receivables	1,685,602
Other assets	565,799
Right of use asset	277,590
Property, plant and equipment	1,834,673
Customer contracts	2,091,000
Intellectual property	1,359,000
Brand names	329,000
Trade and other payables	(1,405,989)
Lease liability	(276,960)
Deferred tax liability	(793,590)
Net assets acquired	5,751,367
Goodwill	3,638,392
Acquisition date fair value of the total consideration transferred	9,389,759
Representing:	
Cash paid to vendors	6,815,120
Cash paid to vendors – held in escrow	2,574,639
Cash used to acquire business, net of cash acquired:	
Cash paid	9,389,759
Less: cash and cash equivalents acquired	(85,242)
Net cash used	9,304,517

The consideration arrangement required the Company to pay the vendors up to \$2.6m over a four-year period of which the full amount has been placed in escrow. Acquisition related costs of \$368,178 have been recognised in the statement of profit or loss and other comprehensive income in the period ended 31 December 2019.

IER contributed gross revenues of \$7.49m and an operating profit of \$0.57m to the Group for the 6 month period to 31 December 2020.

The accounting standards relating to the recognition of business combinations require that the excess of the purchase price of the acquisition over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the statement of profit or loss.

Notes to the Financial Report
For the half-year ended 31 December 2020



17. TAX LOSSES

The Group currently has carried forward revenue tax losses of \$3,499,499 from prior years in respect to its Australian operations. The utilisation of these carried forward losses is conditional on the Group meeting the conditions for deductibility imposed by the legislation in the period in which the Group derives sufficient taxable income in order to utilise these losses. For the half-year ended 31 December 2020, management has reviewed the deductibility of these losses in comparison to the estimated taxable income derived by the Group and is confident that sufficient losses are available to offset the expected taxable income for the financial year ending 30 June 2021.

18. AFTER BALANCE DATE EVENTS

No other matters or circumstances have arisen since the end of the half-year ended 31 December 2020 which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Notes to the Financial Report
For the half-year ended 31 December 2020



DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 3 to 19 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standards Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read 'P J Turnbull'.

P J Turnbull AM
Chair
Sydney
24 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Calix Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial Calix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Ian Hooper', is written over a horizontal line.

Ian Hooper
Director

Sydney, 24 February 2021