

## ASX Announcement

August 24, 2021

### Appendix 4E – Preliminary final report

#### 1. Company details:

- Name of entity – Calix Limited
- ACN – 117 372 540
- Reporting period – For the year ended 30 June 2021

#### 2. Results for announcement to the market:

				\$ 000's
Total revenues and other income from ordinary activities	up	22%	to	29,856
Profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments, acquisition costs and income tax	down	97%	to	39
(Loss) for the year attributable to the owners of Calix Limited	up	29%	to	(9,107)

#### 3. Net tangible assets:

	Current reporting period	Previous reporting period
Net tangible assets per ordinary security	\$0.18	\$0.12

#### 4. Dividends:

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

#### 5. Control gained over entities

Calix Limited gained control over Westside Environmental Resources LLC, in July 2020.

#### 6. Audit qualification or review:

The financial statements have been audited and an unqualified opinion has been issued.

Authorised for release to the ASX by:-

Darren Charles  
Company Secretary  
**Calix Limited**  
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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 sustainable processing 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:** <https://www.calix.global/>

**Twitter:** @CalixLimited

**Youtube:** [CalixLimited](#)

### For more information:

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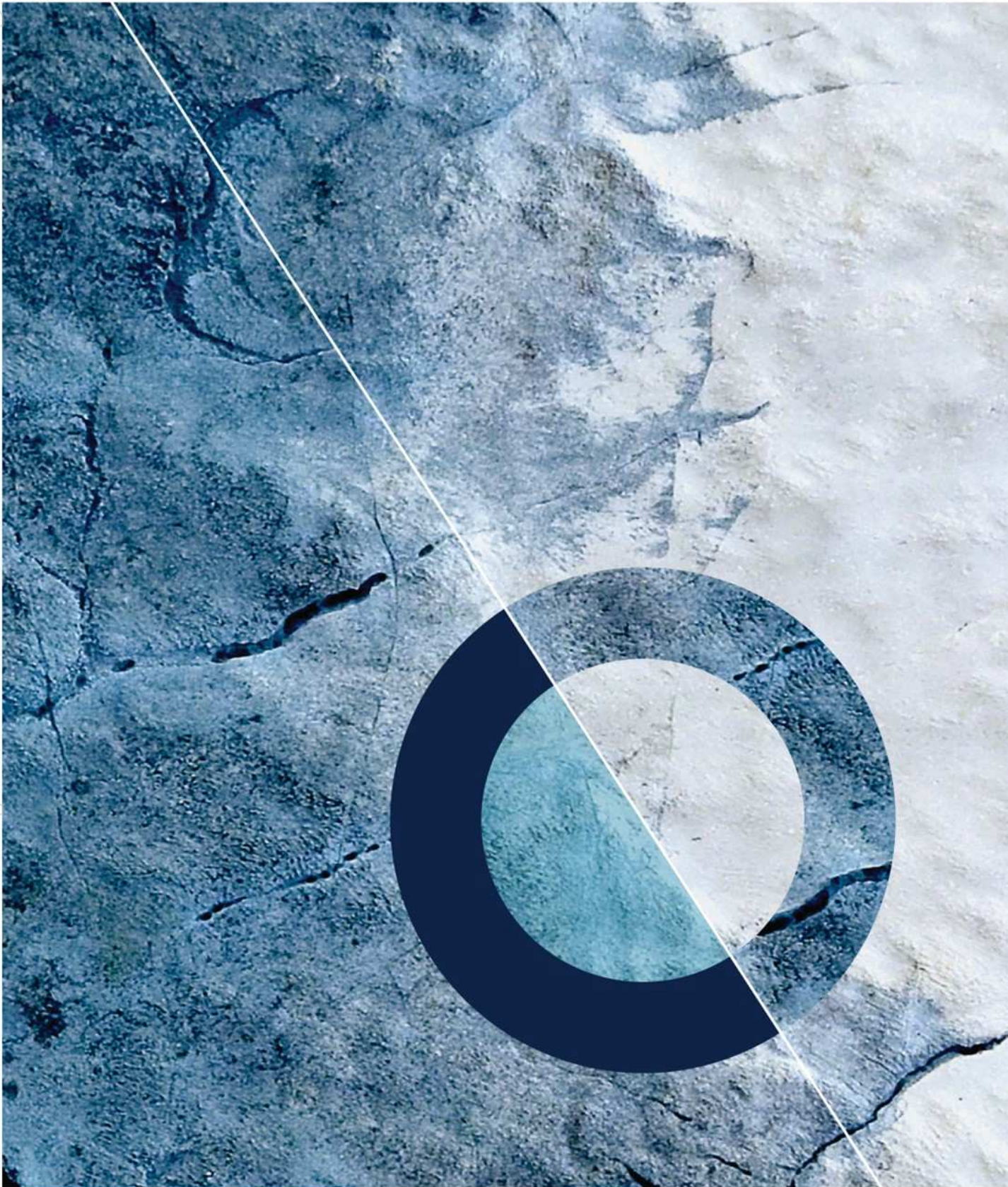
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Calix Limited and its controlled entities  
ACN 117 372 540

## 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 as of, or during the year ended 30 June 2021.

### DIRECTORS

The following persons were directors of the Company during the whole of the year ended 30 June 2021 and up to the date of the report.

Peter Turnbull, AM

Helen Fisher (appointed on 22 September 2020)

Jack Hamilton

Phil Hodgson

Lance O'Neill

Mark Sceats

### PRINCIPAL ACTIVITIES

Calix has developed a patent-protected, platform technology that produces new materials and processes, targeted at solving global challenges in water and wastewater treatment, sustainable food production, CO<sub>2</sub> mitigation, sustainable processing and advanced battery development, in alignment with the UN Sustainable Development Goals, and as a member of the UN Global Compact.

The core technology platform – the Calix Flash Calciner ("CFC") - is a reinvention of the kiln process that has three core benefits:-

- **Production of highly active materials** - The ability to produce more highly-active materials, that are safe and environmentally friendly yet at the same time, have more chemical and/or bio-activity in use. Sales of these active products are made into water and wastewater treatment applications, aquaculture, and agricultural pest control, and are being developed for advanced lithium ion batteries.
- **CO<sub>2</sub> Capture** - Additionally, when processing minerals that contain carbon, such as limestone into lime or cement, the CFC can efficiently separate the CO<sub>2</sub> coming out of the limestone (about ½ the weight of limestone is CO<sub>2</sub> trapped in the rock). With the lime and cement industries the largest global industrial emitters of CO<sub>2</sub>, and with many countries and companies now committing to net zero CO<sub>2</sub> by 2050, or even earlier, our CFC technology is being developed to help these industries mitigate their CO<sub>2</sub> emissions.
- **Renewable energy ready** – When applied to mineral or chemical processing, the technology can use electricity sourced from renewables, further facilitating the decarbonisation of hard to abate industrial processes.

The Group has operations, customers and distribution partners across Australia, New Zealand, Asia, Europe and the United States of America. During the year, the Group realigned its activities to focus commercial development of the business across five segments being: Water, CO<sub>2</sub> mitigation, Biotech, Advanced Batteries and Sustainable Processing. These "Lines of Business" are supported by Research & Development ("R&D"), Engineering, Operations, Marketing and Finance and administration teams.





#### Water

- Safe, environmentally friendly water treatment product
- In-market since 2014
- Growing revenue engine for the business
- Successful US acquisition in 2019



#### CO<sub>2</sub> Mitigation

- Direct CO<sub>2</sub> separation for cement and lime – no theoretical energy penalty
- Developing with €28m of EU funding
- Partnering with some of the largest cement and lime companies



#### Biotech

- Safe, environmentally friendly biotech product – multiple applications
- Crop Protection – initial sales
- Anti-Foul Marine Coatings – major trial underway



#### Advanced Batteries

- Targeting safe, environmentally friendly, more recyclable, better performing batteries
- Highly prospective early results
- Substantial global battery development network



#### Sustainable Processing

- Targeting renewable-energy driven industrial processes
- First license agreement executed- energy storage
- Several opportunities being developed – chemical industries

Our R&D function manages a pipeline of opportunities that leverage the core technology. It has been successfully self-funded for several years with grants from the Australian Government and the European Union (EU). The key current development focus is on demonstration of the technology for the cement and lime industries, primarily in Europe, and the development of the CFC technology in the field of advanced batteries and sustainable processing at the Group's R&D facilities in Australia, supported by engineering groups in Australia and Europe.

Our business activities are under-pinned by a commercial-scale operations facility at Bacchus Marsh in Victoria, with a name-plate capacity of 25,000 tonnes per year of raw (magnesium oxide) product, a raw material (magnesium carbonate) mine near Leigh Creek in South Australia, a pilot demonstration facility for CO<sub>2</sub> capture from lime and cement ("LEILAC" facility) in Lixhe, Belgium, and an electric calciner for advanced materials including battery materials ("BATMn" facility) at Bacchus Marsh. In the US, the Group has four manufacturing facilities to produce water treatment products to serve North American customers.

### OPERATING RESULTS

The Group recorded strong growth in revenues driven by organic sales growth and a significant contribution from the sales of newly acquired US based subsidiary Inland Environmental Resources, Inc ("IER"). Total revenue and other income rose 22% to \$29.9m (2020: \$24.4m) which included product sales growth of 37% to \$19.2m (2020: \$14.1m) and other income of \$10.6m (2020: \$10.4m). Gross profit grew to \$5.0m (2020: \$3.4m) with an increased margin of 26.3% (2019: 23.9%) as a result of the improvement in margin of sales from IER. The Group reported another positive operating result of \$0.3m, (2020: \$1.5m), which whilst lower than the previous year, was consistent with our strategy of remaining cash-positive, while investing any extra cash generated in accelerating the development of our business.

### REVIEW OF OPERATIONS

As the local and global economies absorbed the impact of the emergence of COVID-19 through 2020 and on into 2021, the Group was fortunate to be able to continue operations and activities through the 2020/21 financial year relatively unaffected. Whilst our Australian and European teams adapted to remote working where possible, our operations and R&D facilities in Australia were able to continue their good work and deliver products and services to our customers with few disruptions, as was our business in the US. With a semi-permanent shift to remote working, we took a proactive approach to ensuring that the health, safety and well-being of our team was maintained and recently launched an Employee Access Program to provide access to health and well-being services if needed.

Having successfully integrated the operations of IER, despite restrictions on travel, the Group has successfully navigated the COVID-19 “new normal” and delivered record growth as mentioned in the Operating Results section above. The Group maintained a positive Operating (cash) profit result despite increasing investment in R&D, engineering and commercial support, including the addition of new people in to our teams and the executive leadership group to strengthen our capabilities for managing and developing the expanding lines of business.

The performance was driven from the successful continuation of our business strategy which is built on:

1. Sales revenue - aggressively pursuing growth in sales revenues across our multiple lines of business,
2. Licensing - promoting the adoption of our technology through licensing and joint venture activities, and
3. Innovation – development of new applications of the core technology through research and development.



### **Water**

The Water business serves customers who require solutions for water and wastewater treatment for odour and pH control. These customers are typically municipalities managing wastewater infrastructure or industrial customers who require their wastewater to be treated prior to its discharge. The Group manufactures and sells a highly-active magnesium-based water treatment product that is safe to handle and environmentally friendly compared to other commonly used water treatment products such as caustic soda. In addition, the Group has developed an effective product for water conditioning for use in aquaculture using the same magnesium-based materials and has established customers in South East Asia for this product, primarily in prawn farming.

This line of business currently serves as the primary sales revenue generator for the Group with sales during the year of \$19.1m which was up from \$13.9m in the prior period. The majority of this revenue (81%) was earned in North America as the Group successfully completed its first full year of combined operations with the recently acquired IER water business. Despite the COVID-19 disruptions preventing any international travel between Australia and the US, the business has been seamlessly integrated within the Group and a virtual transfer of technology and know-how assisted the business to expand gross margin and commence activities to expand the operations to serve new geographic markets within the US.

In South East Asia, the emerging aquaculture business continued to be impacted by disruption to downstream markets for farmed prawns such as the closure of restaurants and eateries, particularly in China. Whilst a relatively small contributor to sales revenue, this market opportunity remains prospective, and the Group will continue to invest in the commercial opportunity as the region recovers from the major effects of the pandemic and local restrictions ease.



### **CO<sub>2</sub> Mitigation**

The CO<sub>2</sub> Mitigation business is focussed on the development of technology for the decarbonisation of process emissions from the lime and cement industries. These industries are responsible for an estimated 8% of annual global CO<sub>2</sub> emissions and major industry participants have committed to net zero emissions by 2050 and steep reduction targets over the next decade. Calix is developing its Low Emissions Intensity Lime And Cement (“LEILAC”) technology to be the lowest cost solution for carbon capture and is demonstrating this through its LEILAC-1 and LEILAC-2 projects that have secured industry and government financial support.

During the year, the Group completed a successful test campaign for LEILAC-1 and the first major milestone in its LEILAC-2 project with the completion of a Basis of Design milestone approved by the project consortium. The

project team has selected a HeidelbergCement plant at Hannover as the site for its 100,000 tonne per annum CO<sub>2</sub> capture plant and detailed engineering and design for integration with the host facility has progressed well.

The Group achieved a significant milestone in its path to commercialise the technology within this segment with a Memorandum of Understanding ("MOU") executed with ADBRI in Australia, and a second with Tarmac in the UK for the development of lime projects using the LEILAC technology. In June, the Group was part of a consortium that was successful in securing \$39m in government funding for the Heavy Industry / Low Emissions Co-Operative Research Centre ("HILT-CRC") with partners such as ADBRI, Alcoa, Boral, Fortescue and South32.

Pleasingly, interest from government and industry in emissions reduction technology has continued to accelerate and the Group has experienced strong tail winds across the CO<sub>2</sub> line of business as the global community increasingly focuses on net zero targets and the technology and focus required to achieve them.



### **Biotech**

The Biotech business is focussed on the development of safe, environmentally friendly biotech products across agriculture and marine industries. Initial sales have been made with the BOOSTER-Mag Crop Protection product via a partnership with AFEPASA, a European-based Crop Protection company. The Group has also continued to work with other multi-national crop protection companies who have executed Material Transfer Agreements ("MTA's") and are conducting testing and due diligence. During 2020, the Group applied for registration for BOOSTER-Mag as a crop protection product with the Australian Pesticides and Veterinary Medicine's Authority ("APVMA") following over five years of independent testing and trials in Australia. The APVMA approval process is on-going and upon successful completion, the Group is anticipating being able to sell and market the specifics of the products' pest and disease efficacy in Australia under an approved label.

The Group continued to undertake testing and trials of its material as an anti-fouling marine coating with MTA partners. With initial promising results achieved, the Group announced in March 2021 that it would invest in enhancing in-house capability and testing to facilitate faster testing, screening, and measurement of its materials to support accelerated commercial development. This investment was matched with \$1.0m in Australian Government funding under the Modern Manufacturing Initiative, as well as underpinned by the successful capital raise completed in March 2021.



### **Advanced Batteries**

The Advanced Batteries business is focussed on the development of better performing, safe and environmentally friendly advanced cathode and anode materials that are also able to be more easily recycled. The early-stage R&D activity has shown very promising results. During the year, the Group continued to build on its collaboration networks across industry and academia in support of the technology development. In November 2020, the Group presented initial results illustrating superior discharge performance on its Lithium Manganese Oxide ("LMO") cathode material when compared to commercially available LMO.

After further testing, in March 2021, the Group announced that it had seen further technical improvements in its materials including with a further optimisation of the lithiation process, reducing energy required to manufacture materials as well as continued improvements in performance against market available LMO's. The Group committed to extending this development work with a scale up to pouch cell (from single cell) testing and battery pack development. The Group has set aside \$4.5m from its March 2021 capital raise to invest in this technology.



### **Sustainable processing**

The Sustainable Processing business is focussed on targeting renewable energy driven industrial processes and applications of CO<sub>2</sub> mitigation outside of the lime and cement industries. Many industrial processes today use heat applied through kiln technology to perform material processing. Traditionally, this heat is generated through the combustion of fossil fuels such as coal and gas and as a result, many of these industrial processes contribute significantly to emissions.

In May 2021, the Group announced that it had signed an MOU with ASX listed Pilbara Minerals Limited (ASX:PLS) on the a co-development of a midstream lithium chemical plant utilising the core Calix technology to produce a concentrated lithium salt product for lithium batteries. This application of the technology will utilise an electric powered Calix calciner which would ultimately be connected to renewable energy sources. In a further benefit, the local production of a lithium salt would help to reduce the amount of excess waste material that is currently exported to international processing plants and help to further reduce the carbon footprint of spodumene derived lithium. Upon the completion of this co-development work, it is anticipated that Calix and PLS would form a joint venture to license the technology to the spodumene industry.

The Group also recently announced an MOU with RHI Magnesita ("RHIM") with which it will work on the application of the core technology to CO<sub>2</sub> capture and electric heating options for RHIM's refractory business. For each tonne of material that RHIM processes through a traditional kiln, approximately half a tonne of CO<sub>2</sub> is emitted. The Group will work on capturing this CO<sub>2</sub>, possibly utilising renewable electricity, and helping RHIM achieve its net zero emissions ambitions.

### **FINANCIAL POSITION**

The Group held \$15.1m in cash and cash equivalents at 30 June 2021 (2020: \$11.1m) and had a surplus of \$15.3m of total current assets over total current liabilities (2020: \$3.9m). In March 2021, the Group successfully completed a strongly supported capital raise via a placement to sophisticated and professional investors and a Share Purchase plan, raising a total of \$19.0m to invest in the acceleration of technical and commercial opportunities.

### **FUTURE DEVELOPMENT, PROSPECTS AND BUSINESS STRATEGIES**

The Group will continue to pursue the following strategies and activities:

- expand sales and marketing capabilities to increase revenues and enter new markets;
- enhance the efficiency of existing production facilities to drive margin expansion; and
- to continue specific R&D projects and the associated on-going development of intellectual property;

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Other than the significant milestones as set out in the review of operations and the capital raise mentioned above, there were no significant changes in the state of affairs of the Group during the year.

### **DIVIDENDS**

No dividends were paid or were payable during the year (2020: \$NIL).

### **AFTER BALANCE DATE EVENTS**

No matters or circumstances have arisen since the end of the year 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.



## INFORMATION ON DIRECTORS

### **Peter J Turnbull AM - BCom, LLB, FGIA (Life), FCG, FAICD (Non-executive Chair)**

#### Experience

Peter Turnbull is an experienced chair and professional non-executive director of publicly listed, unlisted and technology companies in the scale up phase. Sector experience spans technology commercialisation, artificial intelligence, oil and gas, mining and industrial manufacturing.

Peter has degrees in law and commerce (University of Melbourne) and over 25 years successful senior executive and corporate legal experience with some of Australia's largest listed and unlisted public companies including Newcrest Mining, BTR Nylex and Energex. Peter also has significant corporate regulatory and government policy experience gained through working with the Australian Securities & Investments Commission and the Hong Kong Securities & Futures Commission.

Peter is a member of the ASIC Corporate Governance Consultative Panel and is a regular speaker and writer on global governance issues. In June 2020 Peter was made a Member of the Order of Australia for services to business and corporate governance institutes.

Current positions and directorships include:

- Chair, Calix Limited (ASX: CXL)
- Non-Executive Director, Karoon Energy Ltd (ASX: KAR)
- Chair, Auxita Pty Ltd

Peter is the President of the global Chartered Governance Institute, a former President, Life Member and Fellow of Governance Institute of Australia and a Fellow of the Australian Institute of Company Directors.

#### Special responsibilities

Chair of the Board and Remuneration & Nomination Committee, member of the Audit & Risk Management Committee

#### Interest in shares and options

1,126,713 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

### **Helen Fisher – BSc, LLB (Hons), LLM, MCom (Non-executive Director)**

#### Experience

Helen Fisher is Managing Director and CEO of Bio Capital Impact Fund (BCIF). Prior to establishing BCIF, Helen was a partner of Deloitte for over 10 years and led Deloitte's Life Sciences industry practice in Australia for 5 years, having had many years' experience in the Life Sciences and Health Care industry. She also specialised in Financial Services, servicing some of the largest Australian banks and funds in the Funds Management industry and has been involved in setting up a number of large international funds, as well as advised on a number of significant M&A deals. Helen provided strategic advice to publicly listed and large multinational companies and has extensive experience with capital raisings, licensing deals, demergers, implementing offshore structures, IP management and location, and supply chain management.

Helen is currently a Non-Executive Director and Chair of the Audit and Risk Management Committee of Paradigm Biopharmaceuticals Limited, a company listed on the ASX. She is the Chair of the Victorian branch of AusBiotech.

Helen has Bachelor degrees in Law (with Honours) and Science from the University of Melbourne, a Masters degree in Laws (specialising in International Taxation) from the University of Melbourne and a Masters degree in Commerce from the University of NSW.

Special responsibilities

Chair and member of the Audit & Risk Management Committee

Interest in shares and options

3,643 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

**Jack A Hamilton – BE (Chem), PhD (Non-executive director)**

Experience

Dr Jack Hamilton has over 30 years' experience both locally and internationally in operations and commercial management covering refining, petrochemicals and gas production, marketing, strategy and liquefied natural gas project management. Jack was previously CEO of Exergen Pty Ltd, a low emission coal resource development company and formerly, director of NWS Ventures with Woodside Energy overseeing one of Australia's largest resource projects, the North West Shelf Project.

Jack is the non-executive chair of AnteoTech Limited (ASX – ADO) and has held numerous publicly-listed non - executive director roles including Renu Energy Limited and DUET Group Ltd.

Jack holds a Bachelor of Chemical Engineering degree and a Doctorate of Philosophy (University of Melbourne). He is also a Fellow of Australian Institute of Energy and a Fellow of the Australian Institute of Company Directors.

Special responsibilities

Chair of Technology Committee and member of the Audit & Risk Management Committee and the Remuneration & Nomination Committee

Interest in shares and options

2,203,614 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

**Lance O'Neill – BSc (Econ) Hons (Non-executive director)**

Experience

Lance O'Neill is a Director of DFB (Australia) Pty Ltd, a Sydney based investment advisory business, and has worked in institutional equity, fixed income sales/trading and corporate finance in international securities and investment markets for over thirty years predominantly in Australia, UK and USA.

He is the chair of MediaZest Plc and EP&F Capital Plc and in addition is and has been a director of, and investor in, a number of private and public companies in Australia, UK, and the USA.

He holds a BSc (Econ) Hons. degree in Accountancy and Law from University College Cardiff, University of Wales

Special responsibilities

Nil

Interest in shares and options

138,000 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

## **Phil Hodgson – BE (Hons) (Chem), PhD (Managing Director & CEO)**

### Experience

Phil has a technical and commercial background from a successful career with Shell, where for over 14 years he developed significant depth of experience across all key sectors of the downstream oil industry including refining and supply, marketing and sales, pricing strategy, risk management, corporate strategy, and mergers and acquisitions.

From 2007 to 2013, Phil ran his own consultancy providing project development, commercial, M&A, and management expertise to several sectors including LNG, biofuel, clean coal, geothermal energy, building products, logistics and fast-moving consumer goods.

Phil holds a Bachelor of Chemical Engineering with Honours from the University of Sydney and a PhD in Chemical Engineering from the University of NSW.

Phil joined Calix as CEO in 2013 and was appointed a Director in 2014.

### Special responsibilities

Managing Director & CEO, member of the Technology Committee

### Interest in shares and options

4,100,008 ordinary shares in Calix Limited

204,223 rights over ordinary shares in Calix Limited

## **Mark Sceats – BSc (Hons 1st Class), PhD (Executive Director & Chief Scientist)**

### Experience

Mark Sceats is a qualified physical chemist with 45 years' experience. He has degrees in Science (Hons 1st Class) and a PhD (University of Queensland).

Mark has previously worked at the James Franck Institute at the University of Chicago, and as an Assistant Professor of the University of Rochester NY, USA, where he was awarded the Alfred P Sloan Fellowship for his work. Later he was employed by the University of Sydney as a Reader in the School of Chemistry for his research work on chemical reaction kinetics. Mark has published more than 140 academic papers in physical chemistry and is an inventor of 43 patented inventions.

Mark was awarded the M.A. Sargent Medal of the Institute of Engineers Australia for his contributions to optical communications and the Centenary Medal of the Commonwealth of Australia for his contributions to Australian society. He is a Fellow of the Australian Academy of Technological Sciences and Engineering, a Fellow of the Royal Australian Chemical Institute, and a Companion of the Institute of Engineers Australia. Mark founded Calix in 2005.

### Special responsibilities

Member of the Technology Committee

### Interest in shares and options

7,934,398 ordinary shares in Calix Limited

125,171 rights over ordinary shares in Calix Limited

## COMPANY SECRETARY

Darren Charles, B Com FCPA, is the Company Secretary and is also the Chief Financial Officer of Calix Limited.

## DIRECTORS AND COMMITTEE MEETINGS

The number of meetings of the Company's Board of directors and each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

Director name	Full Board		ARMC		Committee meetings REM		TECH	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Peter Turnbull, AM	11	11	4	4	2	2	*	*
Helen Fisher**	8	8	3	3	*	*	*	*
Jack Hamilton	11	11	4	4	2	2	3	3
Lance O'Neill	10	11	*	*	*	*	*	*
Phil Hodgson	11	11	*	*	*	*	3	3
Mark Sceats	11	11	*	*	*	*	3	3

\* = Not a member of the relevant committee

\*\* = Joined the Board on 22 September 2020

ARMC = Audit & Risk Management committee

REM = Remuneration and Nomination committee

TECH = Technology committee

## ENVIRONMENTAL REGULATION

The Group's operations are subject to local, state and federal environmental legislation and regulations in both the testing and operational areas. The Board of directors is responsible for the regular monitoring of environmental exposure and compliance with environmental regulations and is not aware of any breaches of these regulations during the year. The Group is committed to achieving a high standard of environmental performance.

## INDEMNIFICATION AND INSURANCE OF OFFICERS

During the financial year, the Company paid a premium to insure the directors, officers and senior managers against certain liabilities that may be incurred whilst they perform their duties for the Company. This may include liabilities and costs associated with defending civil or criminal proceedings brought against the individuals in their capacity as officers of the entities in the Group.

## OPTIONS, WARRANTS AND RIGHTS

At the date of this report, there were no unissued ordinary shares of the Company under option, 100,000 warrants on issue and 7,382,781 share rights on issue. Refer to Note 18 of the financial statements for further details of the warrants outstanding at balance date.

For details of options, warrants and rights issued to directors and executives as remuneration, refer to the Remuneration Report.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.



## AUDITOR

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

## NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

Amounts paid or payable to the auditors for non-audit services provided during the year are as follows: Due diligence relating to IER acquisition \$NIL (2020: \$102,047) and Other assurance services \$NIL (2020: \$10,000).

The Company's Board has considered the position and is satisfied that the provision of the non-audit services is comparable with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the directors to ensure that they do not impact the impartiality and objectivity of the audit; and
- None of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

## 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 18.

## REMUNERATION REPORT (AUDITED)

### Introduction

This remuneration report sets out the remuneration information for the Group's directors and other key management personnel (KMP). For the purposes of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Company and the Group, directly or indirectly, including any director of the Company.

### KMP remuneration

The following executives of the Group were classified as KMP during the 2021 financial year and unless otherwise indicated were classified as KMP for the entire year.

#### **Non-Executive Directors**

Peter Turnbull, AM, Chair  
Helen Fisher, Independent Director  
Jack Hamilton, Independent Director  
Lance O'Neill, Independent Director

#### **Executive Directors**

Phil Hodgson, MD & CEO,  
Dr Mark Sceats, Chief Scientist and co-Founder

#### **Senior Executives**

Darren Charles, CFO & Company Secretary  
Bill Karis, GM Water  
Doug Kelley, President of IER  
Hinne Temminck Tuinstra, GM, Strategy & Portfolio

The objectives of the Group's remuneration policies are to align directors and key management personnel to the Group's long-term interests and to ensure that remuneration structures are fair and competitive. The directors believe the current remuneration policies are appropriate and effective to attract and retain the best KMP to run and manage the Group. The director's policies for determining the nature and amount of remuneration for directors and KMP of the Group are as follows:

- Non-executive director's remuneration is approved by the Board and shareholders. Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.
- All KMP, including the CEO, receive a base salary which is based on factors such as length of service and experience. The Board reviews KMP salary annually by reference to the Group's performance, individual performance and comparable information from industry sectors.
- KMP employees also receive a superannuation guarantee contribution, which is currently 10% and do not receive any other retirement benefits.

An incentive scheme may be applied based upon performance of both the Group and Individual Key Performance Indicators (KPI). The Board sets yearly KPIs to drive performance to be in line with the longer-term strategy. The actual performance against KPIs is reviewed regularly and assessed at the end of the financial year by the Remuneration and Nomination Committee, for the purpose of determining incentive ("at risk") outcomes.

Details of the remuneration of the directors and the KMP of the Group are set out in the following tables:

30 June 2021	Short term benefits	Post- employment benefits	Equity settled share-based benefits	Total
	\$	\$	\$	\$
<i>Company directors</i>				
Peter Turnbull, AM	110,031	-	-	110,031
Helen Fisher*	54,751	-	-	54,751
Jack Hamilton	73,672	-	-	73,672
Lance O'Neill	46,348	-	-	46,348
Phil Hodgson	413,500	21,694	205,039	640,233
Mark Sceats	324,399	21,694	126,714	471,807
	1,022,700	43,388	331,753	1,397,842
<i>Other KMP of the Group</i>				
Darren Charles	316,303	21,694	120,279	458,277
Bill Karis	291,476	21,694	77,645	390,815
Doug Kelley	318,509	12,077	-	330,586
Hinne Temminck Tuinstra**	119,595	10,591	11,442	141,628
	1,045,884	66,056	209,366	1,321,306
<b>Total KMP Compensation</b>	<b>2,068,584</b>	<b>109,445</b>	<b>541,118</b>	<b>2,719,147</b>

\* Helen Fisher was appointed a director on 22 September 2020

\*\* Hinne Temminck Tuinstra was appointed on 11 February 2021

30 June 2020	Short term benefits	Post- employment benefits	Equity settled share-based benefits	Total
	\$	\$	\$	\$
<i>Company directors</i>				
Peter Turnbull, AM	105,000	-	-	105,000
Jack Hamilton	75,417	-	-	75,417
Lance O'Neill	42,672	-	-	42,672
Phil Hodgson	398,000	21,003	150,698	569,701
Mark Sceats	315,978	21,003	93,182	430,163
	937,067	42,006	243,880	1,222,953
<i>Other KMP of the Group</i>				
Darren Charles	299,931	21,003	88,450	409,384
Bill Karis	251,762	20,265	59,377	331,404
Andrew Okely	288,570	22,971	60,022	371,563
Adam Vincent	262,340	21,003	50,483	333,826
	1,102,603	85,242	258,332	1,446,177
<b>Total KMP Compensation</b>	<b>2,039,670</b>	<b>127,248</b>	<b>502,212</b>	<b>2,669,130</b>

### Additional disclosures relating to KMP

The number of shares in the Company held during the financial year by each director and other KMP of the Group, including their personally related parties is set out in the following table:

30 June 2021	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance as at 30 June 2021
<u>Ordinary shares</u>					
Peter Turnbull, AM	997,061	-	129,652	-	1,126,713
Helen Fisher	-	-	3,643	-	3,643
Jack Hamilton	2,064,405	-	139,209	-	2,203,614
Lance O'Neill	138,000	-	-	-	138,000
Phil Hodgson	2,988,304	-	1,111,704	-	4,100,008
Mark Sceats	7,929,619	-	4,779	-	7,934,398
Darren Charles	767,849	-	232,153	-	1,000,002
Bill Karis	14,400	-	-	-	14,400
Doug Kelley	-	-	-	-	-
Hinne Temminck Tuinstra	-	-	16,500	-	16,500
	14,899,638	-	1,637,640	-	16,537,278

### Short and long-term incentive schemes

#### a) Calix ESS

In 2013, the Board established a share-based payments scheme under which directors and employees could earn shares for achievement of short and long-term goals. The Calix Employee Share Scheme Trust ("ESS") was established to administer the scheme on behalf of the Board. The accounting treatment of the ESS shares was to expense the shares at fair value at the time they are awarded and vest to the participating directors and employees.

In the periods from FY 2013/14 to FY 2016/17, 3,403,856 ESS shares were awarded and vested to participating directors and employees. For the FY 2017/18, the remaining shares in the ESS were subject to performance vesting criteria that was linked to a successful listing of the Company on the ASX. As this event did not occur by 30 June 2018, the ESS shares did not vest and were returned to the ESS pool.

The Company completed its initial public offering on 20 July 2018 and all remaining ESS shares vested at that time. The ESS was closed on 31 October 2020 and all remaining vested ESS shares transferred out of the ESS Trust prior to this date.

30 June 2021	Balance at the start of the year	Additions	Disposals	Transferred to direct holding	Balance as at 30 June 2021
<u>ESS Shares allocated</u>					
Peter Turnbull, AM	124,873	-	-	(124,873)	-
Jack Hamilton	124,873	-	-	(124,873)	-
Lance O'Neill	-	-	-	-	-
Phil Hodgson	1,106,925	-	-	(1,106,925)	-
Mark Sceats	-	-	-	-	-
Darren Charles	232,152	-	-	(232,152)	-
	1,588,823	-	-	(1,588,823)	-



b) Calix EIS

On 18 April 2018 at an extraordinary general meeting, the shareholders approved a new Employee Incentive Scheme to operate once the Company was listed. The Calix Officers & Employees Incentive Scheme (EIS) provides for the grant of rights and/or options to eligible officers and employees (as determined by the Board) and is intended to provide competitive, performance-based remuneration supporting the retention, incentive and reward functions of that remuneration and drive alignment with shareholders. Non-executive and independent directors were not included in the scheme.

A summary of key terms of the EIS are available on the Company's website. Subject to any limitations that might apply under the Corporations Act or limits under ASIC class order relief there is no limit on the number of rights and/or options that may be issued under the EIS, however the Board initially intended to limit the number of Shares over which options or rights will be issued under the EIS to 6% of the total number of Shares on issue (i.e. undiluted) covering management and staff as at the IPO date. The actual percentage of rights on issue will fluctuate as a result of changes in staffing levels.

During the 2018/2019 financial year 8,264,318 rights were issued to management and staff pursuant to the Calix EIS. As at the date of this report, 7,347,467 rights remain on issue with certain rights having lapsed as a result of staffing changes, 576,541 being earned, vested and converted into Ordinary Shares, 4,062,531 being earned and vested and a further 3,284,932 remain unearned and unvested.

30 June 2021	Balance at the start of the year	Rights issued	Rights earned & vested	Rights exercised	Unearned rights	Balance as at 30 June 2021
<i>EIS rights issued to KMP</i>						
Phil Hodgson	1,239,383	-	617,350	-	622,033	1,239,383
Mark Sceats	766,357	-	380,624	(125,171)	260,562	641,186
Darren Charles	727,437	-	361,294	-	366,143	727,437
Bill Karis	467,054	-	238,717	-	228,337	467,054
Doug Kelley	-	-	-	-	-	-
Hinne Temminck Tuinstra	-	76,569	25,526	-	51,046	76,569
	3,200,231	76,569	1,623,507	(125,171)	1,528,121	3,151,629

These rights are subject to certain threshold conditions including: -

- Threshold condition 1 – Performance against the Company's annual Safety Action Plan, to be agreed each year with the Board.
- Threshold condition 2 – Share price performance as measured by Total Shareholder Return (TSR), as described below.
- Threshold condition 3 – KPI performance based upon key performance indicators, to be agreed each year with the Board, but will initially be a weighted combination of a range (minimum threshold to maximum/cap) of gross margin on revenue (excluding grants and rebates), revenue growth (excluding grants and rebates), and other indicators related to performance against key milestones such as technology development. Above-maximum cap performance on KPIs can qualify for a cash bonus that will not exceed 2% of EBITDA (in the case of Phil Hodgson) and 1.5% of EBITDA (in the case of Mark Sceats), provided Calix is EBITDA-positive.

Additional conditions related to the vesting of these rights are:

- Timing of vested rights: the rights will vest in 3 equal tranches at the end of each full financial year following the grant of the rights (i.e. commencing on 1 July 2019), any cash based incentive payment declared in respect of a financial year will also be paid at the same time. The vesting of the rights is subject to the vesting criteria outlined with respect to TSR, below.

- TSR is measured as Calix's share price performance, being the 30-day VWAP (over the 15 days preceding, and the 15 days after, Calix announcement of its financial year results) (Measured TSR) as compared to:
  - for year 1, the Offer Price; and
  - for each subsequent financial year, the 30 day VWAP over the 15 days preceding, and the 15 days after the announcement of the Company's financial year results for the prior financial year, (each a Baseline TSR).

If the Measured TSR for a particular financial year is not higher than the Baseline TSR for that period of measurement, the rights remain unvested. However, such unvested rights may vest if at any time before the end of the financial year immediately after the full vesting period (i.e. 30 June 2022), the 30 day VWAP for Calix's Shares meets the applicable Baseline TSR for those unvested rights.

At the end of the vesting period, if any rights remain unvested (other than due to timing of the grant of such rights), the Board in its discretion will be able to vest:

- 50% of the remaining unvested rights if the Measured TSR at the end of the vesting period has exceeded the Offer Price by 150%; and
- the remaining 50% of the unvested rights if the Measured TSR at the end of the vesting period has exceeded the Offer Price, by 250%.

In the event of a successful takeover offer for Calix:

- all rights not already vested will vest and convert into shares, and are included in the equity transaction as part of the takeover; and
- all rights that have vested are converted into shares and are included in the equity transaction as part of the takeover.

#### **Vesting of rights for performance to 30 June 2021**

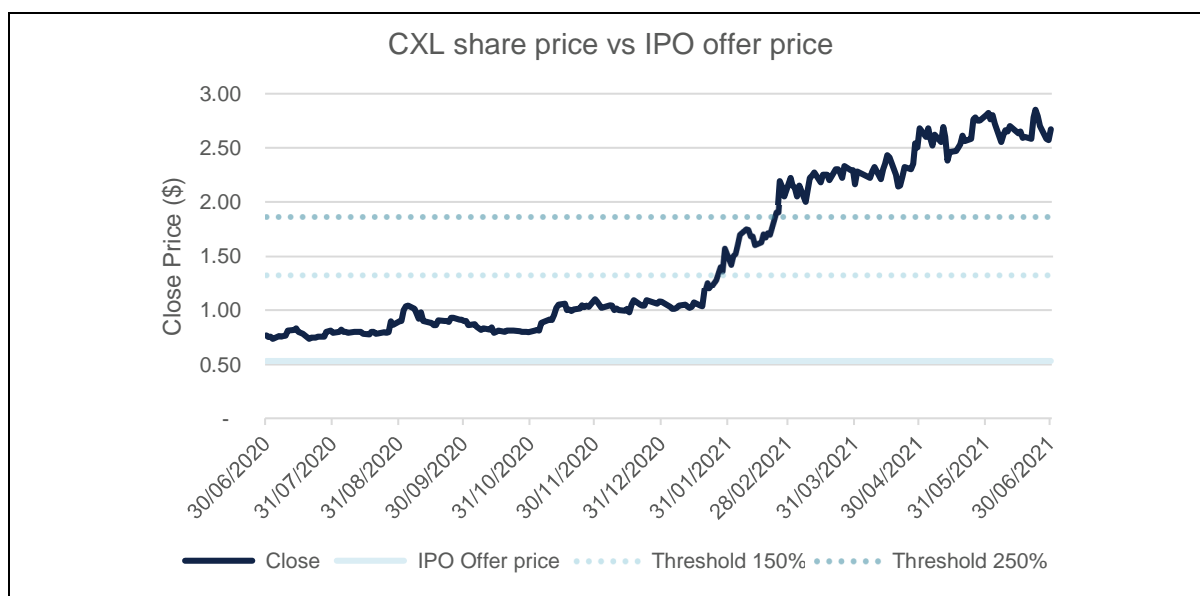
When applying the performance criteria for the period to 30 June 2021, the Board assessed the actual performance against the vesting criteria as follows:-

- Threshold 1 – Performance against the Company's annual safety and quality action plan were met and achieved in full.
- Threshold 2 – The Board have confirmed that the TSR performance threshold was met.
- Threshold 3 – The Board assessed the individual performance against the individual KPI's.

The assessed result for the year was an average of 77% achievement against target KPIs. On this basis, all management and staff would earn an allocation of rights according to this performance measure.

As 30 June 2021 represented the end of the vesting period for the EIS, the Board assessed the Measured TSR against the Offer Price to see whether it had exceeded the 150% or 250% threshold targets for vesting of any unearned rights. With an Offer Price of \$0.53 and a Measured TSR of \$2.60, the 250% threshold target for share price performance had been exceeded and the Measured TSR performance was over 350%.

As a result of this performance, the Board resolved to award management and staff the remaining unearned rights, noting that such rights remain subject to a vesting criterion linked to ongoing tenure for management and staff for the proceeding 12- and 24-month periods. An estimated share rights expense has been brought to account in the profit and loss to 30 June 2021 accordingly.



### Service agreements for Executives

The key terms concerning the employment of Phil Hodgson as Managing Director and Chief Executive Officer with Calix are as follows:

- Nature and Term of Employment: Full-time employment
- Termination: If convicted of an offence, becomes bankrupt, breach of contract or commits wilful misconduct.
- Notice: 6 months by either party (or payment in lieu).

The key terms concerning the employment of Mark Sceats as Executive Director and Chief Scientist with Calix are as follows:

- Nature and Term of Employment: Full-time employment
- Termination: If convicted of an offence, becomes bankrupt, breach of contract or commits wilful misconduct.
- Notice: 3 months by either party (or payment in lieu).

For other KMP the key terms of employment are as follows:

- Nature and Term of Employment: Full-time employment
- Termination: breach of contract or gross misconduct.
- Notice: 3 months by either party (or payment in lieu).

**Options holdings**

No KMP has options over ordinary shares and no KMP had options over ordinary shares in the prior year.

**Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument.

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

A handwritten signature in black ink, appearing to read 'P J Turnbull', with a stylized flourish at the end.

P J Turnbull AM  
Chair  
Sydney  
24 August 2021



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

As lead auditor of Calix Limited for the year ended 30 June 2021, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

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

Ian Hooper  
Director

**BDO Audit Pty Ltd**

Sydney, 24 August 2021

**Financial report** 2021



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## Consolidated Statement of Profit or Loss and other Comprehensive Income

### For the year ended 30 June 2021

	Note	June 2021 \$	June 2020 \$
Sales of goods	3	19,209,578	14,063,414
Cost of sales		(14,163,410)	(10,703,697)
<b>Gross profit</b>		<b>5,046,168</b>	<b>3,359,717</b>
Other income	3	10,646,904	10,372,306
<b>Gross profit and other income</b>		<b>15,693,072</b>	<b>13,732,023</b>
Sales and marketing expenses		(5,889,880)	(4,997,962)
Research and development expenses		(7,133,473)	(5,581,503)
Administration and other expenses		(2,630,344)	(1,674,173)
<b>Total operating expenses</b>		<b>(15,653,697)</b>	<b>(12,253,638)</b>
Profit before finance costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments, acquisition costs and income tax		<b>39,375</b>	<b>1,478,385</b>
Depreciation, amortisation and impairment expenses	4	(6,973,344)	(6,609,396)
Finance costs		(110,811)	(155,744)
Foreign exchange losses		(114,506)	(211,332)
Acquisition and related costs	4	-	(362,620)
Share based payment expense	19	(1,947,485)	(1,216,125)
<b>Loss from ordinary activities before income tax</b>		<b>(9,106,771)</b>	<b>(7,076,832)</b>
Income tax expense	5	-	-
<b>Loss for the year</b>		<b>(9,106,771)</b>	<b>(7,076,832)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	18	(126,275)	29,974
<b>Total comprehensive income for the year</b>		<b>(9,233,046)</b>	<b>(7,046,858)</b>
Basic and diluted earnings per share (cents)	20	(6.05)	(5.03)

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 30 June 2021

	Note	June 2021 \$	June 2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	15,130,147	11,082,356
Trade and other receivables	7	9,718,745	7,060,220
Inventories	8	2,172,629	1,293,908
<b>Total current assets</b>		<b>27,021,521</b>	<b>19,436,484</b>
<b>Non-current assets</b>			
Trade and other receivables	7	292,970	276,476
Intangible assets	9	5,349,584	5,196,148
Goodwill	10	3,638,392	2,808,406
Right of use asset	14	793,901	426,109
Property, plant and equipment	11	14,527,117	14,618,695
<b>Total non-current assets</b>		<b>24,601,964</b>	<b>23,325,834</b>
<b>Total assets</b>		<b>51,623,485</b>	<b>42,762,318</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	3,379,930	7,417,437
Borrowings	13	405,387	112,255
Current lease liabilities	14	222,618	192,508
Provisions	15	1,195,027	567,874
Deferred revenue	16	6,511,929	7,222,974
<b>Total current liabilities</b>		<b>11,714,891</b>	<b>15,513,048</b>
<b>Non-current liabilities</b>			
Borrowings	13	44,464	131,846
Non-current lease liabilities	14	614,025	247,587
Provisions	15	308,490	639,454
Deferred Tax		793,590	-
<b>Total non-current liabilities</b>		<b>1,760,569</b>	<b>1,018,887</b>
<b>Total liabilities</b>		<b>13,475,460</b>	<b>16,531,935</b>
<b>NET ASSETS</b>		<b>38,148,025</b>	<b>26,230,383</b>
<b>EQUITY</b>			
Issued capital	17	70,967,717	49,676,807
Reserves	18	3,543,560	3,810,057
Accumulated losses		(36,363,252)	(27,256,481)
<b>TOTAL EQUITY</b>		<b>38,148,025</b>	<b>26,230,383</b>

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



## Consolidated Statement of Cash Flows

### For the year ended 30 June 2021

	Note	June 2021 \$	June 2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		19,246,991	15,607,268
Receipts from government bodies		7,051,438	16,317,904
Payments to suppliers and employees		(29,988,209)	(21,542,172)
Payments to LEILAC partners		(4,341,725)	-
Interest received		20,397	8,804
Interest paid		(110,811)	(155,744)
<b>Net cash from/(used in) operating activities</b>	30	<b>(8,121,919)</b>	<b>10,236,060</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(6,313,804)	(5,725,214)
Purchase of intellectual property	9	(622,208)	(837,450)
Payment for acquisition of business and related costs (net of cash obtained)	24	-	(9,630,741)
<b>Net cash used in investing activities</b>		<b>(6,936,012)</b>	<b>(16,193,405)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares (net of transaction costs)		19,203,203	15,257,657
Payment for lease principal	14	(303,228)	(255,385)
<b>Net proceeds from/(repayments of) borrowings</b>		<b>205,747</b>	<b>(2,388,603)</b>
<b>Net cash provided from financing activities</b>		<b>19,105,722</b>	<b>12,604,011</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,047,791</b>	<b>6,656,326</b>
Cash and cash equivalents at the beginning of the year		11,082,356	4,426,030
<b>Cash and cash equivalents at the end of the year</b>	6	<b>15,130,147</b>	<b>11,082,356</b>

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

**Consolidated Statement of Changes in Equity**  
For the year ended 30 June 2021

	Issued Capital	Reserves	Accumulated losses	Total Parent Entity Interest	Non-Controlling Interest	Total
<b>Balance at 30 June 2019</b>	<b>33,546,039</b>	<b>3,433,018</b>	<b>(20,350,953)</b>	<b>16,628,104</b>	<b>178,027</b>	<b>16,806,131</b>
<b>Net losses for the year after tax</b>	-	-	(7,076,832)	(7,076,832)	-	(7,076,832)
<b>Other comprehensive income for the year</b>						
Net movement in foreign currency translation reserve	-	29,974	-	29,974	-	29,974
<b>Total comprehensive income for the year</b>	-	29,974	(7,076,832)	(7,046,858)	-	(7,046,858)
<b>Other transactions</b>						
New issues of shares (net of transaction costs)	15,261,708	-	-	15,261,708	-	15,261,708
Share issued from ESS Trust	721,601	(721,601)	-	-	-	-
Shares issued to ESS Trust	-	-	-	-	-	-
Fair value of EIS rights granted	-	1,216,125	-	1,216,125	-	1,216,125
Conversion of warrants	147,459	(147,459)	-	-	-	-
Acquisition of non-controlling interest	-	-	171,304	171,304	(178,027)	(6,723)
<b>Balance at 30 June 2020</b>	<b>49,676,807</b>	<b>3,810,057</b>	<b>(27,256,481)</b>	<b>26,230,383</b>	<b>-</b>	<b>26,230,383</b>
<b>Net losses for the year after tax</b>	-	-	(9,106,771)	(9,106,771)	-	(9,106,771)
<b>Other comprehensive income for the year</b>						
Net movement in foreign currency translation reserve	-	(126,275)	-	(126,275)	-	(126,275)
<b>Total comprehensive income for the year</b>	-	(126,275)	(9,106,771)	(9,233,046)	-	(9,233,046)
<b>Other transactions</b>						
New issues of shares (net of transaction costs)	19,203,203	-	-	19,203,203	-	19,203,203
Share issued from ESS Trust	1,341,656	(1,341,656)	-	-	-	-
Fair value of EIS rights granted	-	1,947,485	-	1,947,485	-	1,947,485
Fair value of EIS rights issued	512,723	(512,723)	-	-	-	-
Conversion of warrants	233,328	(233,328)	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>70,967,717</b>	<b>3,543,560</b>	<b>(36,363,252)</b>	<b>38,148,025</b>	<b>-</b>	<b>38,148,025</b>

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

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the consolidated group of Calix Limited ("the Company") and its controlled entities ("the Group").

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

##### a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and Corporations Act 2001 as appropriate for profit oriented entities.

###### (i) Historical cost convention

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

###### (ii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(h).

##### b) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. During the year ended 30 June 2021, the Group incurred a net loss after tax of \$9,106,771. (June 2020: \$7,076,832), and cash flow out from operating activities of \$8,121,919 (June 2020: cash flow in: \$10,236,060). As at 30 June 2021, the Group had cash reserves of \$15,130,147 (June 2020: \$11,082,356), net current assets of \$15,306,630 (June 2020: \$3,923,436).

In reaching their conclusion that the going concern assumption is appropriate, the Directors have considered the potential impact of the COVID-19 pandemic including the current lock down impacts in Australia on the Group's operations, which have not impacted the manufacturing facilities operations other than the implementation of COVID safe site conditions. The Group's revenue streams should also be similarly unaffected by the current lock down due to their non-discretionary nature. The Group has prepared a detailed cash flow forecast which estimates a positive cash position over the 12-month period from the date of authorisation of this report.

Should the Group not be able to continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

##### c) Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### d) Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

##### e) Restatement of comparatives

When required by the accounting standards, and/or for improved presentation purposes comparative figures have been adjusted to conform to changes in the presentation for the current year.

##### f) New accounting standards and interpretations

There are no new accounting standards or interpretations that have been issued by the AASB that are effective in the current accounting period. Those that will affect future accounting periods will not be adopted early.

##### g) Foreign currency transactions and balances

###### *Functional and presentation currency*

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the Group's functional and presentation currency.

###### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

###### *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- income and expense are translated at average exchange rates for the year; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are also recognised in the statement of comprehensive income as other comprehensive income. The foreign currency reserve is recognised in profit or loss when the foreign operation is disposed of.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### h) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Information on material estimates and judgements used in applying the accounting policies can be found in the following notes:

Judgement Area	Note
Revenue and other income	3
Income tax	5
Recovery of trade and other receivables	7
Intangibles	9
Goodwill impairment test	10
Property, plant and equipment	11
Provisions	15
Share-based payment transactions	19

## Notes to the Financial Report

### For the year ended 30 June 2021



## 2. SEGMENT INFORMATION

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 KMP as disclosed in the Remuneration Report on pages 11 to 17. For the year ended 30 June 2021, 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
	\$	\$	\$	\$	\$
<b>For the period ended June 2021</b>					
<b>Segment Revenue</b>					
Products sold	3,413,568	18,202,258	-	(2,956,534)	18,659,292
Revenue from rental agreements	170,321	-	-	-	170,321
Other services	49,267	330,698	-	-	379,965
<b>Total Segment Revenue</b>	<b>3,633,156</b>	<b>18,532,956</b>	<b>-</b>	<b>(2,956,534)</b>	<b>19,209,578</b>
<b>Timing of revenue recognition</b>					
Good transferred at a point in time	3,460,335	18,202,258	-	(2,956,534)	18,706,059
Services transferred over time	172,821	330,698	-	-	503,519
<b>Total Segment Revenue</b>	<b>3,633,156</b>	<b>18,532,956</b>	<b>-</b>	<b>(2,956,534)</b>	<b>19,209,578</b>
Other Income	6,349,116	1,002,322	4,410,165	(1,114,699)	10,646,904
<b>Total Revenue and Other Income</b>	<b>9,982,272</b>	<b>19,535,278</b>	<b>4,410,165</b>	<b>(4,071,233)</b>	<b>29,856,482</b>
<b>EBITDA</b>	<b>(5,283,070)</b>	<b>1,270,836</b>	<b>4,067,118</b>	<b>2,676</b>	<b>57,560</b>
Depreciation and amortisation including leases	2,479,697	337,507	5,637	377,900	3,200,741
Impairment	-	-	3,772,603	-	3,772,603
<b>(Loss)/Profit before income tax expense</b>	<b>(9,874,975)</b>	<b>920,076</b>	<b>223,353</b>	<b>(375,224)</b>	<b>(9,106,770)</b>
Income tax expense	-	-	-	-	-
<b>(Loss)/Profit after income tax expense</b>	<b>(9,874,975)</b>	<b>920,076</b>	<b>223,353</b>	<b>(375,224)</b>	<b>(9,106,770)</b>



**Notes to the Financial Report**  
**For the year ended 30 June 2021**

**2. SEGMENT INFORMATION (CONTINUED)**

	Australia & SE Asia	US	Europe	Elimination	Total
For the period ended June 2020	\$	\$	\$	\$	\$
<b>Segment Revenue</b>					
Products sold	4,086,998	9,772,084	-	(185,148)	13,673,934
Revenue from rental agreements	135,181	-	-	-	135,181
Other services	76,333	177,965	-	-	254,298
<b>Total Segment Revenue</b>	<b>4,298,512</b>	<b>9,950,050</b>	<b>-</b>	<b>(185,148)</b>	<b>14,063,413</b>
<b>Timing of revenue recognition</b>					
Good transferred at a point in time	4,121,556	9,772,084	-	(185,148)	13,708,492
Services transferred over time	176,956	177,965	-	-	354,922
<b>Total Segment Revenue</b>	<b>4,298,512</b>	<b>9,950,050</b>	<b>-</b>	<b>(185,148)</b>	<b>14,063,413</b>
Other Income	8,211,314	10,603	7,467,734	(5,317,345)	10,372,306
<b>Total Revenue and Other Income</b>	<b>12,509,826</b>	<b>9,960,653</b>	<b>7,467,734</b>	<b>(5,502,493)</b>	<b>24,435,719</b>
<b>EBITDA</b>	<b>648,648</b>	<b>(253,141)</b>	<b>(1,977,267)</b>	<b>3,060,146</b>	<b>1,478,385</b>
Depreciation and amortisation					
including leases	2,274,777	260,435	3,817	170,045	2,709,074
Impairment	-	-	3,900,322	-	3,900,322
<b>Loss before income tax expense</b>	<b>(6,271,993)</b>	<b>(660,400)</b>	<b>(10,317)</b>	<b>(134,122)</b>	<b>(7,076,833)</b>
Income tax expense	-	-	-	-	-
<b>Loss after income tax expense</b>	<b>(6,271,993)</b>	<b>(660,400)</b>	<b>(10,317)</b>	<b>(134,122)</b>	<b>(7,076,833)</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



### 3. REVENUE AND OTHER INCOME

	June 2021 \$	June 2020 \$
Revenue		
Water and Biotech revenues	3,546,577	4,273,537
IER product revenues	15,576,421	9,638,724
Other product revenues	86,580	151,153
<b>Total revenue</b>	<b>19,209,578</b>	<b>14,063,414</b>
Other income		
LEILAC project income	3,772,214	4,283,587
Other grant income	1,435,494	910,351
R&D incentive income	5,380,757	5,109,774
Interest income	20,396	8,804
Other income	38,043	59,790
<b>Total other income</b>	<b>10,646,904</b>	<b>10,372,306</b>

#### Recognition and Measurement

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

##### *Sales of goods*

Revenue for these activities are recognised when the customers obtain control of these assets at the point in time when the customer has obtained control of the goods which is considered to be fulfilment of the performance obligation.

##### *Grant income*

Grant income is recognised when it is received or when the right to receive payment is established. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

##### *R&D incentive income*

The R&D incentive income recognised as other income is in relation to eligible research expenditure incurred for the current projects. The claimed amounts have been reviewed externally to ensure they are in accordance with the requirements of the Australian Taxation Office and AusIndustry.

##### *Interest income*

Interest income is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

## Notes to the Financial Report

### For the year ended 30 June 2021



### 3. REVENUE AND OTHER INCOME (CONTINUED)

#### Other Income

Other income includes gains on disposal of items of property, plant and equipment and receipts. The amount of the income is determined as the difference between the net disposal proceeds and the carrying amount of the item.

#### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Products sold	Revenue from rental agreements	Other services	Total
	\$	\$	\$	\$
<b>2021</b>				
<b>Business lines*</b>				
Water	18,597,431	170,321	357,515	19,125,267
Biotech	56,861	-	10,000	66,861
Advanced Batteries	-	-	12,450	12,450
CO <sub>2</sub> Mitigation	5,000	-	-	5,000
	<b>18,659,292</b>	<b>170,321</b>	<b>379,965</b>	<b>19,209,578</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	18,659,292	-	46,767	18,706,059
Services transferred over time	-	170,321	333,198	503,519
	<b>18,905,322</b>	<b>170,321</b>	<b>379,965</b>	<b>19,209,578</b>
	Products sold	Revenue from rental agreements	Other services	Total
	\$	\$	\$	\$
<b>2020</b>				
<b>Business lines*</b>				
Water	13,549,847	135,181	178,565	13,863,594
Biotech	124,087	-	41,775	165,861
CO <sub>2</sub> Mitigation	-	-	33,958	33,958
	<b>13,673,934</b>	<b>135,181</b>	<b>254,298</b>	<b>14,063,414</b>
<b>Timing of revenue recognition</b>				
Good transferred at a point in time	13,673,934	-	34,558	13,708,492
Services transferred over time	-	135,181	219,740	354,922
	<b>13,673,934</b>	<b>135,181</b>	<b>254,298</b>	<b>14,063,414</b>

\*During the year ended 30 June 2021, the Group recategorised the business reporting away from product lines and into new business operating lines that better align with management's focus and control in the current and future periods. The figures for the year ended 30 June 2020 have been updated to these new reporting lines for comparative purposes.

## Notes to the Financial Report

### For the year ended 30 June 2021



Other income disaggregated along business lines:

	June 2021 \$	June 2020 \$
Other income		
<b>Business lines</b>		
<i>Water</i>	1,591,221	660,110
<i>Biotech</i>	197,959	777,560
<i>Advanced Batteries</i>	1,984,047	1,187,120
<i>CO<sub>2</sub> Mitigation</i>	6,366,299	7,678,922
<i>Sustainable Processing</i>	448,939	-
<i>Corporate</i>	58,439	68,594
<b>Total other income</b>	<b>10,646,904</b>	<b>10,372,306</b>

#### 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 of the financial performance of the Group:

	Note	June 2021 \$	June 2020 \$
Employee benefit expenses		10,743,820	8,268,400
Depreciation and amortisation expense	9, 11	2,916,627	2,448,105
Depreciation of right of use asset	14	272,084	260,969
IER acquisition expenses		-	362,620
Impairment expense	11	3,772,603	3,900,322

##### *Employee benefit expenses*

Employer contributions to defined contribution superannuation plans are recognised as an expense in the profit or loss as they are paid or payable. Refer to Note 15 and Note 19 for details on provisions for employee benefits and details of share-based payments.

##### *Financing costs*

Finance costs includes interest relating to borrowings, lease liabilities and vehicle financing facilities. Interest is recognised over the life of the facilities calculated using the effective interest rate. Refer to Note 13 and Note 14 for details on borrowings, vehicle financing facilities and leases.

##### *Impairment expense*

In the period ended 30 June 2021, assets relating to the LEILAC and 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.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 5. INCOME TAX

##### Numerical reconciliation of income tax to prima facie tax payable:

	June 2021 \$	June 2020 \$
Prima facie income tax expense/(benefit) on loss from ordinary activities (26%)*	(2,564,229)	(1,714,366)
Tax effect of R&D incentive**	1,655,697	2,095,944
Expenses not deductible for tax purposes	266,747	-
Temporary differences not recognised	474,056	257,514
Utilisation of prior period tax losses	-	(639,092)
Unutilised tax losses	167,729	-
<b>Income tax attributable to the Group</b>	<b>-</b>	<b>-</b>
<b>Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	2,083,445	1,175,528
<b>Potential income tax benefit @ 26%*</b>	<b>541,696</b>	<b>323,270</b>

\*As at 30 June 2021, income tax effects has only been incurred at the Australian tax rate of 26%. There were no income tax effects from overseas subsidiaries.

\*\*The Group accounts for R&D tax incentives as a government grant under AASB 120, resulting in the incentive being recognised in the profit or loss and the R&D expenditure treated as a non-deductible for tax purposes.

#### Recognition and Measurement

##### Current tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit), research and development claim and deferred tax expense/(benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period together with the research and development claim submitted for the reporting period. Current tax liabilities/assets are therefore measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

##### Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense/(benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 5. INCOME TAX (CONTINUED)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where the temporary difference exists in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities related to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that the net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred assets or liabilities are expected to be recovered or settled.

#### 6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	June 2021 \$	June 2020 \$
Cash at bank and on hand	15,130,147	11,082,356

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 0.52% (2020: between 0.00% and 1.00%).

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.



## Notes to the Financial Report

### For the year ended 30 June 2021



#### 7. TRADE AND OTHER RECEIVABLES

	June 2021 \$	June 2020 \$
<b>Current</b>		
Trade receivables	1,395,190	1,443,423
R&D incentive receivable	5,000,000	5,003,439
Other receivables	2,845,112	237,768
Prepayments	162,836	205,015
Deposits	315,607	170,897
Other current assets	-	(322)
<b>Total current trade and other receivables</b>	<b>9,718,745</b>	<b>7,060,220</b>
<b>Non-current</b>		
Deposits	274,000	274,000
Other	18,970	2,476
<b>Total non-current trade and other receivables</b>	<b>292,970</b>	<b>276,476</b>

#### Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Trade receivables are generally due for settlement within 30 days.

#### Recoverability of Trade Receivables

##### *Credit risk management processes*

Credit risk is managed through the maintenance of procedures ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairments. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default. Where a creditor is more than 60 days overdue, and there is no agreed payment plan in place, the debt shall be considered impaired and a bad debt provision shall be raised in accordance with the Group's policy on recoverability of trade receivables, see Note 21. Where a creditor is more than 90 days overdue, and there is no agreed payment plan in place, the debt shall be defined to be in default on the basis that there is a low expectation of recoverability of the amount.

##### *Recognition and measurement of expected credit losses*

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets have shared credit risk characteristics and, as such, the expected loss rates for trade receivables are a reasonable approximation of loss rates for contract assets. Losses incurred in the last 3 years represent less than 0.01% of receivables and are immaterial. Therefore, no impairment has been recorded.

Other receivables are recognised at amortised cost, less any provision for impairment.

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 21 for more information on the risk management policy of the Group and credit quality of the receivables.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 7. TRADE AND OTHER RECEIVABLES (CONTINUED)

##### R&D incentive receivable

The Company is eligible for an R&D grant which is received on an annual basis after the Australia Tax Office processes the Company's tax return. The amount of R&D grant receivable is accrued based on eligible expenses incurred during the respective financial year.

##### Other receivables

The balance of other receivables is primarily associated with the outstanding receivable related to the LEILAC EU Horizons 2020 project.

##### Deposit paid

The balance of deposits paid comprise prepayment associated with supply of utilities for Bacchus Marsh; a guarantee on the office site at Pymble; deposits for new capital equipment not delivered before the period end; and a bond paid to the Department of Energy & Mining in South Australia for future mine rehabilitation work.

#### 8. CURRENT ASSETS – INVENTORY

	June 2021 \$	June 2020 \$
Raw materials and consumables	1,040,714	516,946
Work-in-progress	407,947	-
Finished goods and goods for resale	723,968	776,962
<b>Total inventory</b>	<b>2,172,629</b>	<b>1,293,908</b>

Inventories are measured at the lower of cost and net realisable value. Costs including material and freight are assigned on the basis of weighted averages. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale.

#### 9. NON-CURRENT ASSETS – INTANGIBLES

	June 2021 \$	June 2020 \$
Customer contracts	2,091,000	2,091,000
Less: accumulated amortisation	(331,075)	(121,975)
Intellectual property	1,359,000	1,359,000
Less: accumulated amortisation	(215,175)	(79,275)
Brand names	329,000	329,000
Less: accumulated amortisation	(52,092)	(19,192)
Capitalised development costs	592,507	348,613
Patents and trademarks	1,856,313	1,477,998
Less: accumulated amortisation	(279,894)	(189,022)
<b>Total intangibles</b>	<b>5,349,584</b>	<b>5,196,148</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 9. NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

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

	Intangible Assets \$
<b>Balance as at 30 June 2020</b>	5,196,148
Additions during the period	
Capitalised development costs	243,894
Patents and trademarks	378,315
Less amortisation during the period	(468,772)
<b>Balance as at 30 June 2021</b>	<b>5,349,584</b>

##### *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 24 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 24 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.

##### *Brand names*

Brand names were acquired as part of a business combination (see Note 24 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 and BOOSTER-Mag 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 assets, 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.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 10. GOODWILL

	June 2021 \$	June 2020 \$
Goodwill	3,638,392	2,808,406
<b>Total goodwill</b>	<b>3,638,392</b>	<b>2,808,406</b>
At the beginning of the period	2,808,406	-
Additions through business combination (Note 24)	829,986	2,808,406
<b>Balance at the end of the period</b>	<b>3,638,392</b>	<b>2,808,406</b>

#### *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.

Goodwill is tested for impairment by comparing the recoverable amount to the carrying value of the asset. For the current period, the recoverable amount was determined based on value-in-use calculations which required the use of assumptions. In order to calculate the value-in-use, cash flows associated with the US operations, which is the cash generating unit to which the goodwill was assigned, was forecasted for the next 5 years. Historical averages were the primary sources of assumed values. Where possible, these were cross referenced with external sources. The growth rate used in the cash flow forecast was 2.6%, being the average historical growth rate over the past 5 years. The discount rate used in the cash flow forecast was 12.7%, being an externally sourced rate based on an analysis of the Company. These growth and discount rates were also used to determine the terminal value.

A sensitivity analysis was performed on the key assumptions of the cash flow forecast to determine how much each of the assumptions would have to move in order for the recoverable amount to drop below the carrying amount for the goodwill. In the case of the growth factor, this would need to drop to below 2.6% before an impairment would need to be recognised. In the case of the discount factor, this would need to rise above 12.7% before an impairment would need to be recognised. Impairment losses on goodwill are taken to the profit or loss and not subsequently reversed.

**Notes to the Financial Report**  
**For the year ended 30 June 2021**

**11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT**

	June 2021 \$	June 2020 \$
Office furniture, fittings & equipment	1,502,490	1,417,645
Less: accumulated depreciation	(1,265,431)	(1,168,479)
CFC Calciner facility	19,139,187	18,692,385
Less: accumulated depreciation	(13,600,139)	(12,018,538)
Slurry manufacturing and application assets	5,278,825	4,603,236
Less: accumulated depreciation	(1,085,066)	(853,219)
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(33,905)	(28,439)
LEILAC plants	13,530,405	9,101,551
Less: accumulated impairment	(12,777,382)	(9,101,551)
SOCRATCES project	415,554	318,783
Less: accumulated impairment	(415,554)	(318,783)
BATMn project Calciner	2,155,568	2,080,280
Less: accumulated depreciation	(329,598)	(118,340)
Land	838,499	838,499
<b>Total property, plant &amp; equipment</b>	<b>14,527,117</b>	<b>14,618,695</b>

**Notes to the Financial Report**  
**For the year ended 30 June 2019**

**11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The below table shows the movement in the carrying amounts (dollars) for each class of plant and equipment between the beginning and the end of the year:

	Office furniture, fittings & equipment \$	CFC Calcliner facility \$	Slurry assets \$	Mining tenements \$	LEILAC plants \$	SOCRATCES project \$	BATMn project \$	Land \$	Total \$
<b>Balance as at 30 June 2019</b>	<b>326,013</b>	<b>7,771,967</b>	<b>1,206,383</b>	<b>1,150,857</b>	<b>-</b>	<b>64,034</b>	<b>1,745,363</b>	<b>838,499</b>	<b>13,103,116</b>
Additions	30,706	434,045	*2,923,929	-	3,581,539	254,749	334,918	-	7,559,886
Depreciation and amortisation expense	(109,971)	(1,532,165)	(406,081)	(5,632)	-	-	(118,340)	-	(2,172,189)
Impairment expense	-	-	-	-	(3,581,539)	(318,783)	-	-	(3,900,322)
Realised exchange rate adjustment	2,418	-	25,786	-	-	-	-	-	28,204
<b>Balance as at 30 June 2020</b>	<b>249,166</b>	<b>6,673,847</b>	<b>3,750,017</b>	<b>1,145,225</b>	<b>-</b>	<b>-</b>	<b>1,961,941</b>	<b>838,499</b>	<b>14,618,695</b>
Additions	89,021	446,801	1,177,068	-	4,428,854	96,772	75,288	-	6,313,804
Depreciation and amortisation expense	(97,434)	(1,581,600)	(552,096)	(5,466)	-	-	(211,259)	-	(2,447,855)
Impairment expense	-	-	-	-	(3,675,831)	(96,772)	-	-	(3,772,603)
Realised exchange rate adjustment	(3,694)	-	(181,230)	-	-	-	-	-	(184,924)
<b>Balance as at 30 June 2021</b>	<b>237,059</b>	<b>5,539,048</b>	<b>4,193,759</b>	<b>1,139,759</b>	<b>753,023</b>	<b>-</b>	<b>1,825,970</b>	<b>838,499</b>	<b>14,527,117</b>

\*The additions to Slurry assets includes \$1,834,673 in assets purchased through acquisition of IER in the prior year.



## Notes to the Financial Report

### For the year ended 30 June 2021



#### 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### Recognition and Measurement

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis less depreciation and impairment losses. The cost of plant and equipment constructed includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statements during the financial period in which they are incurred.

Property, plant and equipment, other than freehold land, is depreciated or amortised on a straight-line basis over the expected useful life for the asset. Estimated useful lives and depreciation methods are reviewed at the end of the reporting period. The depreciation rates used for each class for depreciable assets are shown in the list below. Land is not subject to depreciation.

- Furniture and fittings - 10%
- Office equipment - 25%
- Software - 25%
- Commercial calciner equipment – 5%-20%
- Slurry manufacturing and application assets – 7%-50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

##### *Mining tenements and associated mineral resources*

The costs of acquiring mining tenements and associated mineral resources are capitalised as part of property plant and equipment and amortised over the estimated productive life of each applicable resource. Amortisation commences when extraction of the mineral resource commences.

##### Impairment

In the year ended 30 June 2021, assets relating to the LEILAC and SOCRATCES projects were found to require impairment under the Group's accounting policy on the basis that their value in use taken to be the value at the end of the project had dropped below their carrying value. These assets both belong to the Europe segment as per Note 2 and are items of plant and equipment developed for the demonstration of CO<sub>2</sub> separation, capture and mitigation. During the period, certain activities performed during testing the technology and innovation identified during our research and development activities indicated that the assets would have minimal value beyond the completion of the current project. The Group recorded a non-cash impairment loss of \$3,675,831 relating to the LEILAC project (2020: \$3,581,539) and a non-cash impairment loss of \$96,772 relating to the SOCRATCES project during the period (2020: \$318,783).

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	June 2021 \$	June 2020 \$
Trade payables	2,891,531	4,571,274
Other payables & accrued expenses	488,399	2,846,163
<b>Total trade and other payables</b>	<b>3,379,930</b>	<b>7,417,437</b>

#### Recognition and Measurement

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the financial risks associated with trade and other payables refer to Note 21.

#### 13. BORROWINGS

	June 2021 \$	June 2020 \$
Current borrowings		
Loan facility	266,028	-
Asset financing facilities	41,602	28,587
Insurance premium funding	97,757	83,668
<b>Total current borrowings</b>	<b>405,387</b>	<b>112,255</b>
Non-current borrowings		
Asset financing facilities	44,464	131,846
<b>Total non-current borrowings</b>	<b>44,464</b>	<b>131,846</b>
<b>Total borrowings</b>	<b>449,851</b>	<b>244,101</b>

#### Recognition and Measurement

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*

Inland Environmental Resources, Inc. (IER) has 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 balances comprise of asset financing facilities totalling \$86,066 (2020: \$160,433) with interest rates ranging from 4.75% to 5.28%, and insurance premium funding facilities totalling \$97,757 (2020: \$83,668) with an interest rate of 2.28%.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 13. BORROWINGS (CONTINUED)

	Facilities Available	Facilities Drawn
Commonwealth Bank of Australia	AUD 540,000	\$NIL
Export Finance Australia	EUR 1,900,000	\$NIL

The Commonwealth Bank of Australia facility has an indefinite revolving term that is subject to annual review. The facility is secured by a General Security Interest in Calix that is a second ranking charge.

The Export Finance Australia has a 6 month maturity ending on 31 October 2021. The facility is secured by a General Security Deed in Calix and MS Minerals Pty Ltd that is a second ranking charge; and a priority deed was entered into between Export Finance Australia and the Commonwealth Bank of Australia.

#### 14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

This note provides information for leases where the group is a lessee.

	June 2021 \$	June 2020 \$
<b>Right of use assets</b>		
At the beginning of the period	426,109	670,867
Additions	415,307	-
Effect of modification to lease terms	240,205	-
Amortisation	(272,084)	(260,969)
Foreign exchange movements	(15,636)	16,211
<b>Balance at the end of the period</b>	<b>793,901</b>	<b>426,109</b>
<b>Lease liabilities</b>		
At the beginning of the period	440,095	670,867
Additions	415,307	-
Effect of modification to lease terms	242,456	-
Interest expense	58,032	24,613
Lease payments	(303,228)	(255,385)
Foreign exchange movements	(16,019)	-
<b>Balance at the end of the period</b>	<b>836,643</b>	<b>440,095</b>

#### Additions and effect of modification to lease terms

The Pymble office (NSW) and Muscatine warehouse site (Iowa) were both extended for 3 years; the Nerang (QLD) lease was modified during the year for increased payment amounts due over the lifetime of the lease.

#### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 14. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset. Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of assets whose fair value is less than \$10,000. Lease payments on these assets are expensed to profit or loss as incurred.

##### *Lease liabilities*

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

#### 15. PROVISIONS

	June 2021 \$	June 2020 \$
Current provisions		
Employee benefits	1,195,027	567,874
<b>Total current provisions</b>	<b>1,195,027</b>	<b>567,874</b>
Non-current provisions		
Employee benefits	254,670	590,527
Mine rehabilitation provision	53,820	48,927
<b>Total non-current provisions</b>	<b>308,490</b>	<b>639,454</b>
<b>Total provisions</b>	<b>1,503,517</b>	<b>1,207,328</b>

Movement in the carrying amounts (dollars) for provisions between the beginning and the end of the year:

	Provisions \$
<b>Balance as at 30 June 2020</b>	<b>1,207,328</b>
Additions and increases to provisions made during the period	437,835
Amounts used during the period	(247,884)
Increased in discounted cash flows due to the passage of time	106,238
<b>Balance as at 30 June 2021</b>	<b>1,503,517</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 15. PROVISIONS (CONTINUED)

##### Recognition and Measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

##### Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

##### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at nominal amounts.

##### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### Rehabilitation provision

The Group recognises a mine rehabilitation provision on the basis that it has an obligation to restore the site of the mine in Myrtle Springs to its original condition and the cost to do so is uncertain. The measurement of the provision is the present value of the best estimate of the expenditure required to settle the obligation as at the end of the reporting period. It should also be noted that a bond of \$274,000 was lodged on 9 October 2014 with the South Australia Department of State Development to be applied to rehabilitation of the area at cessation of mining activity, on the basis of a Program for Environmental Protection and Rehabilitation (PEPR) which was approved by the South Australia Department of State Development. This bond appears in Note 7 under deposits paid.



## Notes to the Financial Report

### For the year ended 30 June 2021



#### 16. DEFERRED REVENUE

	June 2021 \$	June 2020 \$
Current deferred revenue and income	6,511,929	7,222,974
<b>Total deferred revenue</b>	<b>6,511,929</b>	<b>7,222,974</b>

#### Recognition and Measurement

Deferred revenue includes billings or payments received in advance of revenue recognition and is recognised as the revenue recognition criteria are met. Deferred revenue primarily consists of funds received but not yet recognised due to unearned portions of projects. Refer to Note 3 for further information regarding the revenue recognition associated with government grants.

#### Associated Projects

The current deferred revenue balance includes grant income received but not yet recognised. The current balance as at 30 June 2021 primarily included \$5,380,229 relating to the LEILAC EU Horizons 2020 project (2020: \$6,320,338), \$431,244 relating to the SOCRATCES project (2020: \$902,636) and \$448,835 relating to the CRC-P project (2020: \$NIL).

#### 17. ISSUED CAPITAL

	June 2021 \$	June 2020 \$
Fully paid ordinary shares	76,288,463	54,456,883
Costs of fund raising recognised	(5,320,746)	(4,780,076)
<b>Total issued capital</b>	<b>70,967,717</b>	<b>49,676,807</b>

##### a. Fully paid ordinary shares

	2021 Number of shares	2020 Number of shares
At the beginning of the year	147,370,563	122,872,895
Issued during the year	11,180,686	24,497,668
<b>Balance at the end of year</b>	<b>158,551,249</b>	<b>147,370,563</b>

	2021 \$	2020 \$
At the beginning of the year	54,456,883	37,643,918
Issued during the year	21,831,580	16,812,965
<b>Balance at the end of year</b>	<b>76,288,463</b>	<b>54,456,883</b>

##### b. Costs of fund raising recognised

	2021 \$	2020 \$
At the beginning of the year	4,780,076	4,097,879
Incurred during the year	540,670	682,197
<b>At the end of the year</b>	<b>5,320,746</b>	<b>4,780,076</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 17. ISSUED CAPITAL (CONTINUED)

##### c. Movements in ordinary share capital

	Number of shares	\$
<b>30 June 2019 – Opening balance</b>	<b>122,872,895</b>	<b>37,643,918</b>
19-September-2019 – Warrants exercised	293,100	146,550
04-October-2019 – Placement for IER Acquisition	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
<b>30 June 2020 – Closing Balance</b>	<b>147,370,563</b>	<b>54,456,883</b>
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	41,252	23,238
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
28-January-2021 - EIS withdrawals	26,744	38,079
02-February-2021 - Warrants exercised	150,000	99,000
09-February-2021 - Warrants exercised	163,540	107,936
22-March-2021 - Employee rights	75,561	107,586
25-March-2021 – Placement	7,000,000	14,000,000
31-March-2021 - Employee rights	20,000	28,477
12-April-2021 - Employee rights	16,944	24,126
13-April-2021 – Share Purchase Plan	2,500,000	5,000,000
21-April-2021 - Employee rights	30,581	43,542
30-June-2021 - Employee rights	59,338	84,488
30-June-2021 - Warrant reserve conversion	-	64,909
<b>30 June 2021 – Closing Balance</b>	<b>158,551,249</b>	<b>76,288,463</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 17. ISSUED CAPITAL (CONTINUED)

##### Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

##### Movements in ordinary share capital

###### *ESS withdrawals*

Employee Share Scheme ("ESS") withdrawals are facilitated by transferring pre-allocated shares from the ESS trust to ordinary capital. In this way, the share-based payment reserve is reversed for the amount of the shares and the shares are transferred to the recipient. During the year ended 30 June 2021, \$1,341,656 in shares were issued from the ESS trust (2020: \$721,601).

###### *EIS withdrawals*

Calix Officers & Employee Incentive Scheme (EIS) withdrawals are vested rights that have been exercised by the employee into ordinary capital. The share-based payment reserve is reversed for the amount of the shares and the shares are transferred to the recipient. During the year ended 30 June 2021, \$512,724 in shares were issued (2020: \$NIL).

###### *Share Placements*

On 25 March 2021, the Company completed the issue of 7,000,000 shares at an offer price of \$2.00 per share raising \$14,000,000 and an associated share purchase plan on 13 April 2021 of 2,500,000 shares at an offer price of \$2.00 per share raising a further \$5,000,000. The proceeds of these placements were targeted to be used for investing in Calix's accelerating growth in the Water, CO<sub>2</sub> Mitigation, Biotech operations and an advanced battery project.

###### *Warrants exercised*

During the year ended 30 June 2021, 1,127,080 warrants were exercised (2020: 6,024,800) by warrant holders at an exercise price of \$0.66 per share which resulted in a new issue of 1,127,080 ordinary shares (2020: 6,024,800). Further details of the Warrants on issue are set out in the notes below.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 18. RESERVES

	June 2021 \$	June 2020 \$
Foreign currency translation reserve	(104,975)	21,299
Share-based payment reserve	3,393,471	3,300,365
Warrant reserve	255,064	488,393
<b>Total reserves</b>	<b>3,543,560</b>	<b>3,810,057</b>
At the beginning of the year	<b>3,810,057</b>	<b>3,433,018</b>
Revaluations to foreign currency translation reserve	(126,275)	29,974
Shares issued from the ESS trust	(1,341,656)	(721,601)
Fair value of EIS rights granted	1,947,485	1,216,125
Fair value of EIS rights issued	(512,723)	-
Conversion of warrants	(233,328)	(147,459)
<b>At the end of the year</b>	<b>3,543,560</b>	<b>3,810,057</b>

##### *Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 1 (g) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

##### *Share-based payment reserve*

The share-based payment reserve is used to recognise shares and rights earned by employees and officers as part of the ESS plan and the EIS. Shares issued through the ESS are valued at the grant date fair value of shares issued and vested to employees and directors. These reserves are reversed against share capital held by ESS plan when the shares vest. The rights which are as part of the EIS are valued using options valuation models which take into account vesting criteria, market price and the exercise windows. See also Note 19 for more information on share-based payments.

As a result of a successful IPO, in the year ended 30 June 2019, the Company issued \$1,809,197 in shares to the ESS Trust. In the current year, \$1,341,656 worth of shares was withdrawn by employees and officers from the ESS Trust (2020: \$721,601).

##### *Warrant reserve*

On 20 July 2018, the Company issued 2,359,155 warrants, expiring on 30 June 2022 at a strike price of \$0.66 per share to financial advisers and joint lead managers as part of the non-cash costs for the IPO. These warrants were valued at \$488,393 using a Black-Scholes pricing model (share price of \$0.66 per share, an expected volatility of 100% of the underlying share, and an average risk-free rate of 2.74% for the term of the warrants).

The warrants have been accounted for as equity (warrant reserve) in accordance with AASB 132 on the basis that the warrant strike price was not subject to any adjustments and conversion of shares is fixed. The warrants in the reserve are non-distributable and will be transferred to share premium account upon the exercise of the warrants. Any balance of warrants reserve in relation to the unexercised warrants at expiry of the warrants period will be transferred to accumulated profits.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 19. SHARE BASED PAYMENTS

##### Calix Employee Share Scheme

During the 2014 financial year, the Board established a share-based payments scheme under which directors and employees may be issued shares for achievement of short and long term goals. The ESS was established to administer the scheme on behalf of the Board. 136,092,051 shares were issued to the ESS Trust in the 2014 financial year. The accounting treatment of the ESS shares is to expense the shares at fair value at the time they are awarded and vest to the participating directors and employees. The award of shares is based upon achievement of specified key performance indicators.

In the periods from FY 2013/14 to FY 2016/17, 3,403,856 ESS shares were awarded and vested to participating directors and employees at a fair value of \$638,813, which was recognised in the statements of profit or loss. For the FY 2017/18, no expense was recognised in the financial statements in relation to the ESS shares. The remaining shares in the ESS were subject to performance vesting criteria that was linked to a successful listing of the Company on the ASX. On 20 July 2018, Calix successfully listed on the ASX as part of its initial public offering. As a result, the remaining ESS shares vested to participating directors and employees at a fair value of \$1,809,198, which was recognised in the statement of profit or loss as IPO expenses.

##### Calix Officers & Employees Incentive Scheme

On 18 April 2018 at an extraordinary general meeting, the shareholders approved a new EIS to operate once the Company is listed. The EIS provides for the grant of rights and/or options to eligible officers and employees (as determined by the Board) and is intended to provide competitive, performance-based remuneration supporting the retention, incentive and reward functions of that remuneration and drive alignment with shareholders.

During the years ended 30 June 2020 and 30 June 2021, the Group recognised a share based payment expense related to the number of rights vesting and to be vested in connection with the fulfilment of the vesting conditions related to these financial periods as well as the forecasted value of those rights at their expected exercise date. The Monte Carlo Simulation method was used for valuation using the following inputs to determine fair value as at 30 June 2021:

##### Valuation model inputs

Grant date  
Exercise price  
Expiry date maximum  
Expected volatility  
Dividend yield  
Average risk-free interest rate  
Share price at grant date

##### Model Inputs

1 December 2018  
\$NIL  
1 December 2024  
66%  
0%  
1.84%  
\$0.77

During the year, Calix granted a total of 178,866 new rights (2020: 602,517) at an exercise price of \$NIL. Of the total rights granted to date, 1,569,766 were exercisable at the end of the period (2020: 189,967), while 61,279 were forfeited during the year (2020: 497,438). 553,406 rights were exercised during the period (2020: NIL) and no rights expired during the period (2020: NIL). The balance of rights at the end of the year is 7,382,781 (2020: 7,818,600). The fair value on issue of these rights is \$3,393,471. An expense of \$1,947,485 was recognised during the year in order to revalue the share-based payment reserve in accordance with the updated valuation model and fair value of the EIS rights.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 20. LOSS PER SHARE

	June 2021 \$	June 2020 \$
a. Earnings used to calculate basic and diluted EPS from continuing operations	(9,106,771)	(7,076,832)
b. Weighted average number of ordinary shares during the year used in calculating:	Number	Number
Basic EPS*	150,479,340	140,627,893
c. Earnings per share (cents per share)		
Basic EPS*	(6.05)	(5.03)

\*Basic EPS is calculated as the profit (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

#### 21. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's Treasury function is responsible for managing the liquidity requirements of the Group and mitigating these financial risks through continuous monitoring and evaluation.

The Group adheres to a set of policies approved by the Board of Directors, which provide written principles on liquidity risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments, as required, for hedging purposes. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. There have been no changes to the Group's exposure to financial risks or the manner in which it manages and measures these risks from the prior year.

The Group holds the following financial instruments:

	June 2021 \$	June 2020 \$
<b>Financial assets</b>		
Cash and cash equivalents	15,130,147	11,082,356
Current trade and other receivables	4,555,909	1,851,766
Non-current trade and other receivables	292,970	276,476
<b>Total financial assets</b>	<b>19,979,026</b>	<b>13,210,598</b>
<b>Financial liabilities</b>		
Trade & other payables	3,379,930	7,417,437
Current borrowings	405,387	112,255
Current lease liabilities	222,618	192,508
Non-current borrowings	44,464	131,846
Non-current lease liabilities	614,025	247,587
<b>Total financial liabilities</b>	<b>4,666,424</b>	<b>8,101,633</b>



## Notes to the Financial Report

### For the year ended 30 June 2021



## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairments. Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the ARMC has otherwise cleared as being financially sound.

Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

### Credit risk exposure

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value of the trade and other receivables (net of any provisions).

There is no significant concentration of credit risk with any single counter party or group of counter parties.

### Past due but not impaired

As at 30 June 2021, trade receivables of \$23,210 were past due but not impaired (2020: \$29,302). These relate to a number of independent customers for whom there is not recent history of default. The aging analysis of trade receivables is as below:

	June 2020 \$	June 2019 \$
Current	1,330,587	1,255,660
Less than 30 days overdue	39,743	116,475
Less than 60 days overdue	1,650	41,986
More than 60 days overdue	23,210	29,302
<b>Total trade receivables</b>	<b>1,395,190</b>	<b>1,443,423</b>

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

### (b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of credit facilities to meet obligations when due.

Management monitors the Groups liquidity levels (comprising undrawn borrowing facilities (Note 13) and cash and cash equivalents (Note 6) on the basis of expected cash flows.

**Notes to the Financial Report**  
**For the year ended 30 June 2021**

**21. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on the cash flows expected to continue to be received/paid by the Group.

	Within 1 year	1 to 5 years	Total contractual cash flows	Total Carrying amount
	\$	\$	\$	\$
<b>2021</b>				
<b>Financial assets</b>				
Cash and cash equivalents	15,130,147	-	15,130,147	15,130,147
Deposits	-	292,970	292,970	292,970
Trade receivables	1,395,190	-	1,395,190	1,395,190
Other current receivables	3,160,719	-	3,160,719	3,160,719
<b>Total Financial assets</b>	<b>19,686,056</b>	<b>292,970</b>	<b>19,979,026</b>	<b>19,979,026</b>
<b>Financial liabilities</b>				
Trade and other payables	3,379,930	-	3,379,930	3,379,930
Current borrowings	405,387	-	409,087	405,387
Current lease liabilities	222,618	-	302,574	222,618
Non-current borrowings	-	44,464	47,503	44,464
Non-current lease liabilities	-	614,025	620,416	614,025
<b>Total Financial liabilities</b>	<b>4,007,935</b>	<b>658,489</b>	<b>4,759,510</b>	<b>4,666,424</b>
<b>Net Financial assets/(liabilities)</b>	<b>15,678,121</b>	<b>(365,519)</b>	<b>15,219,516</b>	<b>15,312,602</b>

	Within 1 year	1 to 5 years	Total contractual cash flows	Total Carrying amount
	\$	\$	\$	\$
<b>2020</b>				
<b>Financial assets</b>				
Cash and cash equivalents	11,082,356	-	11,082,356	11,082,356
Deposits	(322)	276,476	276,154	276,154
Trade receivables	1,443,423	-	1,443,423	1,443,423
Other current receivables	408,665	-	408,665	408,665
<b>Total Financial assets</b>	<b>12,934,122</b>	<b>276,476</b>	<b>13,210,598</b>	<b>13,210,598</b>
<b>Financial liabilities</b>				
Trade and other payables	7,417,437	-	7,417,437	7,417,437
Current borrowings	112,255	-	112,255	112,255
Current lease liabilities	192,508	-	218,385	192,508
Non-current borrowings	-	131,846	131,846	131,846
Non-current lease liabilities	-	247,587	262,513	247,587
<b>Total Financial liabilities</b>	<b>7,722,200</b>	<b>379,433</b>	<b>8,142,436</b>	<b>8,101,633</b>
<b>Net Financial assets/(liabilities)</b>	<b>5,211,922</b>	<b>(102,957)</b>	<b>5,068,162</b>	<b>5,108,964</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Interest rate risk

Exposure to interest rate risk relates to cash and cash equivalents and borrowings, details of which are set out in Notes 6 and 13.

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and interest expenses on borrowings as a result of changes in interest rates. The following analysis shows the impact on post tax profit as a result of a movement in interest income and expense from variable interest rate deposit and borrowing facilities.

	Impact on post tax profit 2021 \$	Impact on post tax profit 2020 \$
Increase by 100 basis points	39,223	(8,442)
Decrease by 100 basis points	(39,223)	8,442

### (d) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value of future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments other than the Australian Dollar (AUD) functional currency of the Group. With instruments being held by overseas entities, fluctuations in US Dollars (USD), UK Pound Sterling (GBP) and Euro (EUR) may impact on the Group's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on the significant financial assets and liabilities held in denominations of currencies other than the functional currency of the Group.

	June 2021 USD \$	June 2020 USD \$
Cash	416,160	461,779
Trade and other receivables	732,688	729,137
Trade and other payables	(642,378)	(768,536)
<b>Foreign exchange exposure</b>	<b>506,470</b>	<b>422,380</b>
	GBP £	GBP £
Cash	43,749	102,476
Trade and other receivables	-	(180)
Trade and other payables	(61,201)	3,951
<b>Foreign exchange exposure</b>	<b>(17,452)</b>	<b>106,247</b>
	EUR €	EUR €
Cash	306,599	5,951,907
Trade and other receivables	-	24,693
Trade and other payables	(298,114)	(1,304,649)
<b>Foreign exchange exposure</b>	<b>8,485</b>	<b>4,671,950</b>

## Notes to the Financial Report

### For the year ended 30 June 2021



## 21. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Sensitivity analysis

The table below illustrates the sensitivity of the Group's exposures to changes in USD, GBP and EUR. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

	June 2021 \$	June 2020 \$
+/- 5% in AUD/USD	67,368	61,545
+/- 5% in AUD/GBP	(3,215)	19,020
+/- 5% in AUD/EUR	1,342	764,515

## 22. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

	June 2021 \$	June 2020 \$
Net debt	449,851	244,101
Total equity	38,148,025	26,230,383
Net debt to equity ratio	1%	1%

## Notes to the Financial Report

### For the year ended 30 June 2021



### 23. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1 (a):

Subsidiaries	Country of incorporation	% owned 2021	% owned 2020
Calicoat Pty Ltd	Australia	100%	100%
MS Minerals Pty Ltd	Australia	100%	100%
Calix (Europe) Limited	UK	100%	100%
- Millennium Generation Limited	UK	100%	100%
Calix (North America) LLC	USA	100%	100%
Calix Technology Pty Ltd	Australia	100%	100%
Calixhe SA	Belgium	100%	100%
Calix Europe Sarl	France	100%	100%
Inland Environmental Resources, Inc.	USA	100%	100%
Westside Environmental Resources LLC.*	USA	<sup>(1)</sup> 100%	-

\* Westside Environmental Resources. commenced operations in July 2020, see below for further information.

<sup>(1)</sup> Westside Environmental Resources LLC ("WER") was established as a structured vehicle to serve a single customer of the US business. The entity was established by the Group and structured to ensure that the Group was the sole supplier of materials to WER under an exclusive toll processing agreement.

### Consolidation accounting policies

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity).

The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

**Notes to the Financial Report**  
**For the year ended 30 June 2021**



**23. SUBSIDIARIES (CONTINUED)**

Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interest issued by the acquirer. Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. All transaction costs incurred in relation to the business combination are expensed to the consolidated income statement.

*Judgement*

The consolidation of WER requires judgement in the assessment of control through the exercise of power, access to variable returns and the ability to use that power. The two director shareholders of WER are full time employees of Inland Environmental Resources Inc ("IER"). WER was established and entered into an exclusive toll processing agreement with IER to supply the sole product to its customer. These facts have persuaded the Group's management that control is exercisable over WER by the management of the Group.

**24. BUSINESS COMBINATION**

In December 2019, the Company acquired 100% of the share capital of IER for US\$6.5 million. As part of this acquisition, Calix 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 \$9.35m.

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.



## Notes to the Financial Report

### For the year ended 30 June 2021



#### 24. BUSINESS COMBINATION (CONTINUED)

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

	Fair value AUD\$
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)
<b>Net assets acquired</b>	<b>5,751,367</b>
Goodwill	3,638,392
<b>Acquisition date fair value of the total consideration transferred</b>	<b>9,389,759</b>
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)
<b>Net cash used</b>	<b>9,304,517</b>

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 \$nil have been recognised in the statement of profit or loss and other comprehensive income (2020: \$362,620).

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 year ended 30 June 2021



#### 25. PARENT ENTITY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	June 2021 \$	June 2020 \$
Current assets	6,001,302	5,967,023
<b>Total assets</b>	<b>43,996,231</b>	<b>28,756,780</b>
Current liabilities	5,109,135	1,653,125
<b>Total liabilities</b>	<b>5,848,206</b>	<b>2,526,397</b>
<i>Equity</i>		
Issued capital	70,967,717	49,676,807
Reserves	3,648,535	3,788,758
Retained earnings	(36,468,227)	(27,235,181)
<b>Total equity</b>	<b>38,148,025</b>	<b>26,230,383</b>
Loss for the year	(9,233,046)	(6,234,057)
<b>Total comprehensive (loss) for the year</b>	<b>(9,233,046)</b>	<b>(6,234,057)</b>

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 (2020: \$NIL).

#### *Capital commitments*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2021 (2020: \$NIL).

#### *Parent Company Investment in Subsidiary Companies*

Investments in subsidiaries are carried at cost in the individual financial statements of Calix Limited. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs of disposal. The carrying value of the parent's investment in subsidiaries as at 30 June 2021 was \$10,517,207 (2020: \$10,480,811).

#### 26. RELATED PARTY TRANSACTIONS

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

#### *Ultimate parent company*

As at 30 June 2021 Calix Limited had loaned funds to Calix (Europe) Limited in the amount of \$342,217 (funds loaned to it by Calix (Europe) Limited in 2020: \$187,910).

As at 30 June 2021 Calix Limited had loaned funds to Calix North America LLC in the amount of \$20,356 (2020: \$245,172).

Calicoat has not traded since its inception. As at 30 June 2021 Calix Limited had loaned funds to Calicoat Pty Limited in the amount of \$1,977 (2020: \$1,977).

As at 30 June 2021 Calix Limited had loaned funds in the amount of \$1,705,273 to MS Minerals (2020: \$536,402).

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 26. RELATED PARTY TRANSACTIONS (CONTINUED)

Calix Technology Pty Ltd has not traded since its inception.

As at 30 June 2021 Calix Limited had loaned funds in the amount of \$61,444 to Calixhe SA (2020: \$63,033).

As at 30 June 2021 Calix Limited borrowed funds from Calix Europe Sarl for in the amount of \$nil (2020: \$762,999).

In December 2019, the Company acquired 100% of the share capital of 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. For more information, see Note 24. As at 30 June 21 Calix Limited loaned funds to it in the amounts of \$792,033 (2020: \$nil)

#### 27. AUDITORS REMUNERATION

During the year ended 30 June 2021 the following fees were paid or payable for services provided by the auditor of the Group its related practices and non-related audit firms:

	June 2021 \$	June 2020 \$
Audit and review of financial statements	186,320	119,000
Due diligence services	-	102,047
Other assurance services	-	10,000
<b>Total remuneration for services</b>	<b>186,320</b>	<b>231,047</b>

#### 28. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	June 2021 \$	June 2020 \$
Short-term employee benefits	1,783,782	2,039,670
Post-employment benefits	109,445	127,248
Share based payments	541,118	502,212
<b>Total</b>	<b>2,434,345</b>	<b>2,669,130</b>

Further information regarding the remuneration policies of the Group and KMP compensation can be found in the Remuneration Report section of the Director's Report on page 11 of the Annual report.

## Notes to the Financial Report

### For the year ended 30 June 2021



#### 29. CASH FLOW INFORMATION

Reconciliation of cash flows from operating activities with loss after income tax:

	June 2021 \$	June 2020 \$
<b>Loss after income tax</b>	(9,106,771)	(7,076,833)
Add back:		
Depreciation, amortisation and impairment expense	6,973,344	6,609,396
Foreign exchange losses	42,158	(83,217)
Acquisition Expenses	-	362,620
Share based payment expense	1,947,485	1,216,125
Changes in balance sheet items		
(Increase)/decrease in trade & other receivables	(2,658,524)	946,530
(Increase)/decrease in inventory	(878,721)	(402,138)
(Increase)/decrease in other assets	(782,117)	(16,726)
Increase/(decrease) in trade & other payables	(4,037,508)	4,360,726
Accrual of provisions	296,190	244,719
Increase/(decrease) in deferred revenue	(711,045)	4,084,518
Increase/(decrease) in deferred tax liabilities	793,590	-
<b>Net cash used in operating activities</b>	<b>(8,121,919)</b>	<b>10,245,718</b>

#### 30. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 30 June 2021 and 30 June 2020.

#### 31. AFTER BALANCE DATE EVENTS

No other matters or circumstances have arisen since the end of the year 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 year ended 30 June 2021**



**DIRECTORS' DECLARATION**

1. The directors of the Company declare that: The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The directors have been given the declarations required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

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

P J Turnbull AM  
Chair  
Sydney  
24 August 2021

## INDEPENDENT AUDITOR'S REPORT

To the members of Calix Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Calix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

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



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p><b>Recognition of grant income</b></p> <p>As disclosed in note 3 in the financial report, the Group recognised \$3,772,214 of LEILAC project income and \$1,435,494 of other grant income for the year ended 30 June 2021. As disclosed in note 16 in the financial report, the Group also had deferred revenue of \$6,511,929 as at 30 June 2021 which includes grant income received but not yet recognised.</p> <p>We have focused on this area as a key audit matter due to the amounts involved being material together with the need for the Group to consider the eligibility of costs and compliance with grant conditions when accounting for the grants.</p>	<p>The procedures performed in response to this key audit matter included, but were not limited to:</p> <ul style="list-style-type: none"><li>• Reviewing the design and implementation of the Group's key internal financial controls over recognition of government grants.</li><li>• Reviewing the terms of significant grant agreements and ensuring that these have been considered when accounting for grants.</li><li>• Discussing grant agreements with Group Management to confirm whether there is reasonable assurance that the Group is able to meet all the conditions of the grant agreements.</li><li>• Verified the costs that are the basis for the calculation for the grant income recognition, verified the correctness of the grant income calculations, as well as the determination of the amount of any receivable or deferred revenue related to the grants.</li></ul> <p>In addition, we assessed the adequacy of the presentation of and disclosures made in the financial statements regarding grant income, other receivables and deferred income related to the settlement of grants.</p>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

## Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Calix Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO



Ian Hooper  
Director

Sydney, 24 August 2021

## Shareholder Information

Additional information required by Australian Stock Exchange Listing Rules is as follow. This information is current as at 20 August 2021.

### (a) Distribution schedules of shareholders

Holding ranges	Number of holders	Total units	%
1 – 1,000	1,228	640,941	0.40
1,001 – 5,000	1,336	3,525,463	2.20
5,001 – 10,000	501	3,889,307	2.43
10,001 – 100,000	706	21,994,021	13.75
100,001 – 9,999,999,999	113	129,922,911	81.22
<b>Totals</b>	<b>3,884</b>	<b>159,972,643</b>	<b>100.00</b>

There were 78 holders of less than marketable parcels of ordinary shares (minimum \$500 parcels at \$3.38 per share, and 2,091 units)

### (b) Class of shares and voting rights

All shares are ordinary shares. Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### (c) Substantial shareholders

The names of the substantial shareholders listed in the Company's register as at 20 August 2021 were:

	Number of Ordinary shares
Nicholas Merriman	10,830,286
AustralianSuper Pty Ltd	10,559,474
Tiga Trading Pty Ltd and Thorney Technologies Ltd	10,446,297
Regal Funds Management Pty Ltd (RFM)	8,640,651
Paul Crowther	8,417,000
Dr Mark Sceats	7,934,398

## Shareholder Information

(d) Twenty largest register holders – ordinary shares

Balance as at 20 August 2021	Number of Ordinary Shares	%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	18,077,761	11.30
UBS NOMINEES PTY LTD	16,815,500	10.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,095,412	5.69
MR PAUL CROWTHER	8,417,000	5.26
NICHOLAS MERRIMAN	8,108,286	5.07
CITICORP NOMINEES PTY LIMITED	6,477,588	4.05
DR MARK GEOFFREY SCEATS	4,402,417	2.75
CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,351,058	2.09
MARK GEOFFREY SCEATS <SCEATS SUPERANNUATION FUND>	3,177,015	1.99
BNP PARIBAS NOMS PTY LTD <DRP>	2,348,501	1.47
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	2,208,560	1.38
PIGEONS SUPER PTY LIMITED <THE HODGSON FAMILY S/F A/C>	2,193,059	1.37
NATIONAL NOMINEES LIMITED	2,053,743	1.28
BRISPTOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,002,715	1.25
MR JACOB SHIELDS ULRICH	1,583,133	0.99
BRIAN N C SWEENEY	1,490,001	0.93
MR ADAM VINCENT	1,459,724	0.91
OLIVER GILLIE & SUSAN GILLIE	1,280,455	0.80
JENEIL SUPER PTY LTD <JENEIL SUPER FUND A/C>	1,259,311	0.79
MR JOHN ANDREW HAMILTON	1,223,639	0.79
<b>Total</b>	<b>97,024,878</b>	<b>60.67</b>