Calix Limited and its controlled entities

ABN 36 117 372 540

Interim financial report for the period ended 31 December 2021

DIRECTORS REPORT

The directors present their report on Calix Limited and its controlled entities ("the Group" or "Calix") consisting of Calix Limited ("the Company") and entities under its control for the half-year ended 31 December 2021.

DIRECTORS
The following persons were directors of the Company during the period ended 31 December 2021 and up to the date of the report, unless otherwise stated:

P J Turnbull
H Fisher
J A Hamilton
P H Hodgson
M G Sceats
L A W O'Neill (retired on 16 November 2021)

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, CO2 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_2 Capture** - Additionally, when processing minerals that contain carbon, such as limestone into lime or cement, the CFC can efficiently separate the CO_2 coming out of the limestone (about ½ the weight of limestone is CO_2 trapped in the rock). With the lime and cement industries the largest global industrial emitters of CO_2, and with many countries and companies now committing to net zero CO_2 by 2050, or even earlier, our CFC technology is being developed to help these industries mitigate their CO_2 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 period, the Group realigned its activities to focus commercial development of the business across five segments being: Water, CO2 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	CO_2 Mitigation	Biotech	Advanced Batteries	Sustainable Processing
• Safe, environmentally friendly water treatment product • In-market since 2014 • Growing revenue streams and gross margins • Successful US acquisition in 2019	• Direct CO_2 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	• Safe, environmentally friendly biotech product – multiple applications • Crop Protection – initial sales • Anti-Foul Marine Coatings – major trial underway • Health – antibiotic crisis	• Targeting safe, environmentally friendly, more recyclable, better performing batteries • Highly prospective early results • Substantial global battery development network	• 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_2 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 growth in sales revenues during the first half of the year, with continuing revenue and margin contribution in the US from the Inland Environmental Resources Inc ("IER") operations. Overall sales revenues were up 7% on the prior corresponding period to $9.8m (1H20: $9.2m). In the US Water business, gross margin grew to 36.4% (1H20: 21.4%) and the Group saw sales revenue contributions from its Sustainable Processing business which delivered its first pilot scale plant to a Swedish customer.

Total revenue and other income fell by 35% to $10.5m (1H20: $16.3m) due to an expectation that aggregated turnover of the Group will exceed $20m in the FY22. As a result of this, the R&D tax incentives that the Company receives will convert from an R&D cash refund, which in the past has been reported as other income, to a tax offset, which may benefit the Company in the future through lower effective income tax rates. In addition to this change in the R&D tax incentive, grant income in the half was lower than the previous corresponding half year period as the Leilac-1 project was previously completed and the Group has deferred Leilac-2 grant revenues into future periods when the plant asset is expected to be depreciated through the statement of profit or loss and other comprehensive income.

Operating expenses increased to $8.7m (1H20: $6.8m) as the Group executed its plans to invest in building its team to assist with the commercialisation of its technology in the CO2, Sustainable Processing and Water lines of business. During the half year, the Group grew the number of full-time employees with the addition of 8 new engineers to support customer project development, 4 new business development resources, 3 new team members in R&D and one additional administration resource. The Group also incurred one-off transaction costs of $1.0m associated with the sale of a stake of the CO2 line of business to US impact investor Carbon Direct Capital Management.

GOING CONCERN

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

AUDITOR INDEPENDENCE
A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 4.

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

P J Turnbull AM, Chair
Sydney 23 February 2022

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

As lead auditor for the review of Calix Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Ian Hooper
Director

BDO Audit Pty Ltd

Sydney, 23 February 2022

Consolidated Statement of Profit or Loss and other Comprehensive Income
For the Half-year period ended 31 December 2021

	Note	31-Dec-21 $	31-Dec-20 $
Sales of goods	3	9,824,162	9,213,352
Cost of sales of goods		(7,047,528)	(6,366,267)
Gross profit		**2,776,634**	**2,847,085**
Other income	3	704,573	7,057,997
Gross profit and other income		**3,481,207**	**9,905,082**
Sales and marketing expenses		(3,713,551)	(2,902,063)
Research and development expenses		(2,629,440)	(2,751,916)
Administration and other expenses		(2,382,171)	(1,188,621)
Total operating expenses	4	**(8,725,162)**	**(6,842,600)**
(Loss)/Profit before finance costs, depreciation, amortisation, impairment, foreign exchange, share based payments and income tax for the period		**(5,243,955)**	**3,062,482**
Depreciation, amortisation & impairment expenses	4	(1,975,872)	(5,143,485)
Finance costs		(50,335)	(42,725)
Foreign exchange (losses)		(249,730)	(126,129)
Share based payment expenses		(187,079)	(218,930)
Loss from ordinary activities before income tax		**(7,706,971)**	**(2,468,787)**
Income tax benefit		158,913	-
Loss for the period		**(7,548,058)**	**(2,468,787)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(38,072)	(312,468)
Total comprehensive income for the period		**(7,586,130)**	**(2,781,255)**
Loss for the period is attributable to:			
Owners of Calix Limited		(7,477,884)	(2,468,787)
Non-controlling interests		(70,174)	-
		(7,548,058)	**(2,468,787)**
Total comprehensive income for the period is attributable to:			
Owners of Calix Limited		(7,499,993)	(2,781,255)
Non-controlling interests		(86,137)	-
		(7,586,130)	**(2,781,255)**
Basic and diluted loss per share (cents)	14	(4.66)	(1.66)

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

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31-Dec-21 $	30-Jun-21 $
ASSETS			
Current assets			
Cash and cash equivalents		26,267,701	15,130,147
Trade and other receivables	5	10,052,555	9,718,745
Inventory		2,901,142	2,172,629
Total current assets		**39,221,398**	**27,021,521**
Non-current assets			
Trade and other receivables	5	283,892	292,970
Intangible assets	6	5,883,045	5,349,584
Goodwill	7	3,638,392	3,638,392
Right of use asset		665,672	793,901
Property, plant and equipment	8	16,496,811	14,527,117
Total non-current assets		**26,967,812**	**24,601,964**
Total assets		**66,189,210**	**51,623,485**
LIABILITIES			
Current liabilities			
Trade and other payables	9	2,095,495	3,379,930
Borrowings	10	394,764	405,387
Current lease liabilities		222,988	222,618
Provisions		1,257,190	1,195,027
Deferred revenue	11	6,364,897	6,511,929
Total current liabilities		**10,335,334**	**11,714,891**
Non-current liabilities			
Borrowings	10	34,042	44,464
Non-current lease liabilities		495,351	614,025
Provisions		288,704	308,490
Deferred tax liabilities		628,259	793,590
Total non-current liabilities		**1,446,356**	**1,760,569**
Total liabilities		**11,781,690**	**13,475,460**
NET ASSETS		**54,407,520**	**38,148,025**
EQUITY			
Issued capital	12	72,867,166	70,967,717
Reserves	13	23,798,574	3,543,560
Accumulated losses		(43,841,136)	(36,363,252)
Non-controlling interest	16	1,582,916	-
TOTAL EQUITY		**54,407,520**	**38,148,025**

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

Consolidated Statement of Cash Flows

For the Half-year period ended 31 December 2021

	Note	31-Dec-21 $	31-Dec-20 $
Cash flows from operating activities			
Receipts from customers		9,589,438	8,801,869
Receipts from government bodies		476,446	6,235,231
Payments to suppliers and employees		(18,019,488)	(14,296,036)
Payments to LEILAC partners		-	(4,341,725)
Interest received		23,791	5,152
Payment of interest on borrowings		(25,741)	(42,725)
Net cash used in operating activities		**(7,955,554)**	**(3,638,234)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(3,489,386)	(4,502,384)
Purchases of intangible assets	6	(775,268)	(288,692)
Net cash used in investing activities		**(4,264,654)**	**(4,791,076)**
Cash flows from financing activities			
Proceeds from issues of shares (net of transaction costs)		813,170	536,614
Proceeds from sale of non-controlling interest in subsidiary, net of transaction costs	16	22,845,375	-
Payment of lease		(279,738)	-
Net proceeds from / (repayment of) borrowings		(21,045)	519,939
Net cash provided by financing activities		**23,357,762**	**1,056,553**
Net increase in cash and cash equivalents		**11,137,554**	**(7,372,757)**
Cash and cash equivalents at the beginning of the period		15,130,147	11,082,356
Cash and cash equivalents at the end of the period		**26,267,701**	**3,709,598**

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

Consolidated Statement of Changes in Equity
For the Half-year period ended 31 December 2021

	Issued Capital	Reserves	Retained Earnings	Total Parent Entity Interest	Non-controlling interest	Total
Balance at 1 July 2020	**49,676,807**	**3,810,057**	**(27,256,481)**	**26,230,383**	-	**26,230,383**
Net losses for the period after tax	-	-	(2,468,787)	(2,468,787)	-	(2,468,787)
Other comprehensive income for the period						
Net movement in foreign currency translation reserve	-	(312,468)	-	(312,468)	-	(312,468)
Total comprehensive income for the period	-	(312,468)	(2,468,787)	(2,781,255)	-	(2,781,255)
Transactions with owners						
New issues of shares (net of transaction costs)	536,937	-	-	536,937	-	536,937
Share issued from ESS Trust	1,341,656	(1,341,656)	-	-	-	-
Fair value of EIS rights granted	-	218,930	-	218,930	-	218,930
Fair value of EIS rights issued	186,426	(186,426)	-	-	-	-
Movement in warrant reserve	168,419	(168,419)	-	-	-	-
Balance at 31 December 2020	**51,910,244**	**2,020,018**	**(29,725,268)**	**24,204,995**	**-**	**24,204,995**
Balance at 1 July 2021	**70,967,717**	3,543,560	**(36,363,252)**	38,148,025	**-**	38,148,025
Net losses for the period after tax	-	-	(7,477,884)	(7,477,884)	(70,174)	(7,548,058)
Other comprehensive income for the period						
Net movement in foreign currency translation reserve	-	(22,109)	-	(22,109)	(15,963)	(38,072)
Total comprehensive income for the period	**-**	**(22,109)**	**(7,477,884)**	**(7,499,993)**	**(86,137)**	**(7,586,130)**
Transactions with owners						
New issues of shares (net of transaction costs)	813,170	-	-	813,170	-	813,170
Fair value of EIS rights granted	-	187,080	-	187,080	-	187,080
Fair value of EIS rights issued	831,215	(831,215)	-	-	-	-
Movement in warrant reserve	255,064	(255,064)	-	-	-	-
Divestment of investment in subsidiary, net of transaction costs	-	21,176,322	-	21,176,322	1,669,053	22,845,375
Balance at 31 December 2021	**72,867,166**	**23,798,574**	**(43,841,136)**	**52,824,604**	**1,582,916**	**54,407,520**

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

Notes to the Financial Report
For the half-year ended 31 December 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial report was approved by the Board of Directors on 23 February 2022. This half-year consolidated financial report has been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year consolidated financial report is intended to provide users with an update on the latest annual financial statements of Calix Limited ("the Company") and its controlled entities ("the Group"). As such, the half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021.

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

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

2. SEGMENT REPORTING

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel. For the period ended 31 December 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.

For the period ended 31 December 2021	Australia & SE Asia $	US $	Europe $	Elimination $	Total $
Segment Revenue					
Products sold	2,968,169	7,550,692	-	(777,150)	**9,741,711**
Revenue from rental agreements	69,608	-	-	-	**69,608**
Other services	-	12,843	-	-	**12,843**
Total Segment Revenue	**3,037,777**	**7,563,535**	**-**	**(777,150)**	**9,824,162**
Timing of revenue recognition					
Goods transferred at a point in time	2,968,169	7,550,692	-	(777,150)	**9,741,711**
Services transferred over time	69,608	12,843	-	-	**82,451**
Total Segment Revenue	**3,037,777**	**7,563,535**	**-**	**(777,150)**	**9,824,162**
Other Income	162,033	11,606	530,934	-	**704,573**
Total Revenue and Other Income	**3,199,810**	**7,575,141**	**530,934**	**(777,150)**	**10,528,735**
Operating Result	**(4,249,195)**	**152,927**	**(1,147,249)**	**(438)**	**(5,243,955)**
Depreciation and amortisation	(1,322,022)	(214,014)	(219,380)	(188,950)	**(1,944,366)**
Impairment	-	-	(31,506)	-	**(31,506)**
Segment Result	**(5,571,217)**	**(61,087)**	**(1,398,135)**	**(189,388)**	**(7,219,827)**
Unallocated revenue less unallocated expenses					**(487,144)**
(Loss) before income tax expense					**(7,706,971)**
Income tax benefit					**158,913**
(Loss) after income tax expense					**(7,548,058)**

Notes to the Financial Report
For the half-year ended 31 December 2021

2. SEGMENT REPORTING (CONTINUED)

For the period ended 31 December 2020	Australia & SE Asia $	US $	Europe $	Elimination $	Total $
Segment Revenue					
Products sold	1,738,396	7,476,169	-	(162,576)	**9,051,989**
Revenue from rental agreements	80,658	22,094	-	-	**102,752**
Other services	58,611	-	-	-	**58,611**
Total Segment Revenue	**1,877,665**	**7,498,263**	**-**	**(162,576)**	**9,213,352**
Timing of revenue recognition					
Goods transferred at a point in time	1,635,671	7,476,169	-	(162,576)	**8,949,264**
Services transferred over time	241,994	22,094	-	-	**264,088**
Total Segment Revenue	**1,877,665**	**7,498,263**	**-**	**(162,576)**	**9,213,352**
Other Income	3,125,709	(10,097)	3,942,386	-	**7,057,997**
Total Revenue and Other Income	**5,003,374**	**7,488,166**	**3,942,386**	**(162,576)**	**16,271,350**
Operating Result	**(727,312)**	**421,989**	**3,372,980**	**(5,175)**	**3,062,482**
Depreciation and amortisation	(1,233,482)	(178,241)	(2,337)	(188,950)	**(1,603,010)**
Impairment	-	-	(3,540,475)	-	**(3,540,475)**
Segment Result	**(1,960,794)**	**243,748**	**(169,832)**	**(194,125)**	**(2,081,003)**
Unallocated revenue less unallocated expenses					**(387,784)**
(Loss) before income tax expense					**(2,468,787)**
Income tax benefit					**-**
(Loss) after income tax expense					**(2,468,787)**

3. REVENUE AND OTHER INCOME

	31-Dec-21 $	31-Dec-20 $
Revenue		
Water and biotech revenues	1,869,830	1,720,231
IER product revenues	6,980,222	7,487,671
Sustainable processing revenues	974,110	-
Other product revenues	-	5,450
Total Revenue	**9,824,162**	**9,213,352**
Other income		
LEILAC project income	407,262	3,595,670
R&D incentive income	-	2,591,906
Other grant income	263,049	827,226
Interest income	23,793	5,152
Other income	10,469	38,043
Total other income	**704,573**	**7,057,997**
Total revenue and other income	**10,528,735**	**16,271,349**

Notes to the Financial Report
For the half-year ended 31 December 2021

4. EXPENSES

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

	31-Dec-21 $	31-Dec-20 $
Employee benefit expenses	5,550,086	4,366,248
Depreciation and amortisation expense	1,807,526	1,461,340
Depreciation of right of use assets	136,840	141,670
Impairment expense	31,506	3,540,475
	7,525,958	**9,509,733**

Impairment expense
Pilot plant equipment relating to the LEILAC & SOCRATCES projects were found to require impairment under the Group's accounting policy on the basis that their value in use had dropped below their carrying value.

5. TRADE & OTHER RECEIVABLES

	31-Dec-21 $	30-Jun-21 $
Current		
Trade receivables	1,640,382	1,395,190
R&D incentive receivable	5,000,000	5,000,000
Other receivables*	2,805,443	2,845,112
Prepayments	401,470	162,836
Deposits paid	202,734	315,607
Other current assets	2,526	-
Total current trade and other receivables	**10,052,555**	**9,718,745**
Non-current		
Deposits	274,000	274,000
Other non-current assets	9,892	18,970
Total non-current trade and other receivables	**283,892**	**292,970**

**Other receivables*
The balance of other receivables, as at 31 December 2021, includes an amount of $2,791,819 which is due to be received from the European Commission in 2022 for expenditure relating to the LEILAC project.

Notes to the Financial Report
For the half-year ended 31 December 2021

6. NON-CURRENT ASSETS – INTANGIBLES

	31-Dec-21 $	30-Jun-21 $
Customer contracts	2,091,000	2,091,000
Less: accumulated amortisation	(435,625)	(331,075)
Intellectual property	1,359,000	1,359,000
Less: accumulated amortisation	(283,125)	(215,175)
Brand names	329,000	329,000
Less: accumulated amortisation	(68,542)	(52,092)
Capitalised development costs	1,132,414	592,507
Patents and trademarks	2,091,674	1,856,313
Less: accumulated amortisation	(332,751)	(279,894)
Total intangibles	**5,883,045**	**5,349,584**

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

	Intangible Assets $
Balance as at 30 June 2021	5,349,584
Additions during the period	
Capitalised development costs	539,907
Patents and trademarks	235,361
Less amortisation during the period	(241,807)
Balance as at 31 December 2021	**5,883,045**

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 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 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.

6. NON-CURRENT ASSETS – INTANGIBLES (CONTINUTED)

Brand names

Brand names 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 CO_2 and sustainable processing, 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 asset, as well as the clear path to economic benefits, the availability of technical and financial resources, and reliable measurement of expenditure.

Patent and trademarks

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

7. GOODWILL

	31-Dec-21 $	30-Jun-21 $
Goodwill	3,638,392	3,638,392
Total goodwill	**3,638,392**	**3,638,392**
At the beginning of the period	3,638,392	2,808,406
Additions through the period	-	829,986
Balance at the end of the period	**3,638,392**	**3,638,392**

Goodwill arose on the acquisition of the US subsidiary, Inland Environmental Resources Inc, in 2019 as a result of the excess of consideration above identifiable net assets.

Accounting for goodwill

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

Notes to the Financial Report
For the half-year ended 31 December 2021

8. PROPERTY, PLANT & EQUIPMENT

	31-Dec-21 $	30-Jun-21 $
Office furniture, fittings & equipment	1,505,114	1,502,490
Less: accumulated depreciation	(1,296,696)	(1,265,431)
	208,418	**237,059**
CFC Calciner facility	19,474,522	19,139,187
Less: accumulated depreciation	(14,418,076)	(13,600,139)
	5,056,446	**5,539,048**
Slurry manufacturing and application assets	5,904,115	5,278,825
Less: accumulated depreciation	(1,421,684)	(1,085,066)
	4,482,431	**4,193,759**
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(36,633)	(33,905)
	1,137,031	**1,139,759**
LEILAC project calciner	9,932,118	13,530,405
Less: accumulated impairment	(7,257,370)	(12,777,382)
	2,674,748	**753,023**
SOCRATCES project	447,060	415,554
Less: accumulated impairment	(447,060)	(415,554)
	-	**-**
BATMn project Calciner	2,536,650	2,155,568
Less: accumulated depreciation	(437,412)	(329,598)
	2,099,238	**1,825,970**
Land	**838,499**	**838,499**
Total property, plant & equipment	**16,496,811**	**14,527,117**

9. TRADE & OTHER PAYABLES

	31-Dec-21 $	30-Jun-21 $
Trade payables	1,695,931	2,891,531
Sundry payables & accrued expenses	399,564	488,399
Total trade & other payables	**2,095,495**	**3,379,930**

10. BORROWINGS

	31-Dec-21 $	30-Jun-21 $
Current		
Loan facility	144,708	266,028
Asset financing facilities	42,562	41,602
Insurance premium funding	207,494	97,757
Total current borrowings	**394,764**	**405,387**
Non-current		
Asset financing facilities	34,042	44,464
Total non-current borrowings	**34,042**	**44,464**
Total borrowings	**428,806**	**449,851**

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) secured a working capital facility for up to USD $500,000 with Umpqua Bank to assist with funding capital expenditures at an interest rate of 4.25%.

Other borrowings
The other borrowings balance comprises of asset financing facilities totalling $76,604 with interest rates ranging from 3.75% to 4.75%, and insurance premium funding facilities totalling $207,494 with an interest rate of 2.49%.

11. DEFERRED REVENUE

	31-Dec-21 $	30-Jun-21 $
Current deferred revenue	6,364,897	6,511,929
Total deferred revenue	**6,364,897**	**6,511,929**

Associated Projects
The deferred revenue balances at reporting date are associated with the LEILAC EU Horizons 2020 project, the SOCRATCES project, and the CRC-P Department of Industry, Innovation and Science project.

Notes to the Financial Report
For the half-year ended 31 December 2021

12. ISSUED CAPITAL

	31-Dec-21 $	30-Jun-21 $
Fully paid ordinary shares	78,187,912	76,288,463
Costs of fund raising recognised	(5,320,746)	(5,320,746)
Total issued capital	**72,867,166**	**70,967,717**

a. Fully paid ordinary shares

	31-Dec-21 Number of shares	30-Jun-21 Number of shares
At the beginning of the period	158,551,249	147,370,563
Issued during the period	2,764,878	11,180,686
Balance at the end of period	**161,316,127**	**158,551,249**

	31-Dec-21 $	30-Jun-21 $
At the beginning of the period	76,288,463	54,456,883
Issued during the period	1,899,449	21,831,580
Balance at the end of period	**78,187,912**	**76,288,463**

b. Costs of fund raising recognised

	31-Dec-21 $	30-Jun-21 $
At the beginning of the period	5,320,746	4,780,076
Incurred during the period	-	540,670
At the end of the period	**5,320,746**	**5,320,746**

Notes to the Financial Report
For the half-year ended 31 December 2021

12. ISSUED CAPITAL (CONTINUED)

c. Movements in ordinary share capital

	Number of shares	$
1 July 2020 – Opening balance	**147,370,563**	**54,456,883**
04-August-2020 - Warrants exercised	151,500	99,990
13-August-2020 - Warrants exercised	200,000	132,000
13-August-2020 - EIS withdrawals	12,379	91,867
21-August-2020 - Warrants exercised	131,000	86,460
07-September-2020 - Warrants exercised	131,040	86,486
07-September-2020 - EIS withdrawals	25,268	12,174
07-September-2020 - EIS withdrawals	15,984	11,064
11-September-2020 - Warrants exercised	200,000	132,000
16-September-2020 - EIS withdrawals	19,990	10,820
25-September-2020 - EIS withdrawals	156,976	8,569
08-October-2020 - EIS withdrawals	29,584	17,032
09-October-2020 - EIS withdrawals	15,651	9,011
19-October-2020 - EIS withdrawals	19,653	9,469
22-October-2020 - EIS withdrawals	23,661	13,870
31-October-2020 – ESS withdrawals*	-	1,341,656
19-November-2020 - EIS withdrawals	5,292	2,550
31-December-2020 - Warrant reserve conversion	-	168,419
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
30 June 2021 – Closing Balance	**158,551,249**	**76,288,463**
05-July-2021 - EIS withdrawals	22,935	13,145
16-July-2021 - Warrants exercise	1,132,075	747,170
31-July-2021 - Warrant reserve conversion	-	234,363
12-August-2021 - EIS withdrawals	118,815	76,217
19-August-2021 - EIS withdrawals	147,569	89,667
26-August-2021 - Warrants exercise	100,000	66,000
31-August-2021 - Warrant reserve conversion	-	20,701
01-September-2021 - EIS withdrawals	31,805	16,130
28-September-2021 - EIS withdrawals	8,423	4,058
30-September-2021 - EIS withdrawals	19,941	10,083
11-October-2021 - EIS withdrawals	204,223	130,718
12-October-2021 - EIS withdrawals	201,074	106,400
13-October-2021 - EIS withdrawals	67,806	36,842
18-October-2021 - EIS withdrawals	98,908	52,235
21-October-2021 - EIS withdrawals	45,000	21,213
22-October-2021 - EIS withdrawals	48,318	25,543
28-October-2021 - EIS withdrawals	96,907	45,554
03-November-2021 - EIS withdrawals	116,846	57,889
05-November-2021 - EIS withdrawals	20,249	9,530
17-November-2021 - EIS withdrawals	151,649	70,032
26-November-2021 - EIS withdrawals	17,342	8,175
30-November-2021 - EIS withdrawals	38,983	19,712
03-December-2021 - EIS withdrawals	76,010	38,072
31 December 2021 – Closing Balance	**161,316,127**	**78,187,912**

12. ISSUED CAPITAL (CONTINUED)

* ESS withdrawals denote transfers of shares, issued in prior periods, from the ESS trust to underlying beneficiaries according to the rules of the scheme. The ESS Trust was closed on 31 October 2020. Further information about the ESS can be found in the 2021 Annual Report.

13. RESERVES

	31-Dec-21 $	30-Jun-21 $
Foreign currency translation reserve	(127,084)	(104,975)
Share-based payment reserve	2,749,336	3,393,471
Warrant reserve	-	255,064
Transactions with non-controlling interest reserve	21,176,322	-
Total reserves	**23,798,574**	**3,543,560**
At the beginning of the period	**3,543,560**	**3,810,057**
Revaluations to foreign currency translation reserve	(22,109)	(126,275)
Shares issued from the ESS trust	-	(1,341,656)
Fair value of EIS rights granted	187,080	1,947,485
Fair value of EIS rights issued	(831,215)	(512,723)
Conversion of warrants	(255,064)	(233,328)
Divestment of investment in subsidiary	22,219,019	-
Transaction costs of divestment	(1,042,697)	-
At the end of the period	**23,798,574**	**3,543,560**

14. LOSS PER SHARE

	31-Dec-21 $	31-Dec-20 $
a. Earnings used to calculate basic and diluted EPS from continuing operations	(7,477,884)	(2,468,787)
	Number	**Number**
b. Weighted average number of ordinary shares during the period used in calculating basic and diluted EPS	160,335,983	148,519,825

15. CONTINGENT LIABILITIES

There are no known contingent liabilities.

16. DISPOSALS TO NON-CONTROLLING INTERESTS

On 15 September 2021 global decarbonisation investor Carbon Direct Capital Management LLC ("Carbon Direct") invested €15m for a 6.98% equity stake in Calix (Europe) Limited, a subsidiary of Calix Limited. This investment was made to aid the acceleration of the development and deployment of the Group's LEILAC technology for the decarbonisation of lime and cement industries. Carbon Direct will advise on areas including capital markets, regulations, commercial and technical development and help to scale this business line.

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are recorded in equity. As a result, the difference between $22.8m AUD received (net of $1.0m AUD transaction costs) and $1.7m AUD related to the share of Carbon Direct is accounted for as equity reserves, amounting to $21m AUD as at 31 December 2021 in the statement of changes in equity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively. Carbon Direct's share of the loss since disposal, $76,887, is disclosed as part of non-controlling interest in the income statements.

17. AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the half-year ended 31 December 2021 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.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 5 to 20 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standards Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

P J Turnbull AM
Chair
Sydney
23 February 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Calix Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial Calix Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

Ian Hooper
Director

Sydney, 23 February 2022