

## ASX Announcement

August 24, 2022

### 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 2022

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

					\$ 000's
Product revenues	down	4%	to		18,468
Government grants & other income	down	78%	to		2,323
Total revenues and other income from ordinary activities	down	30%	to		20,791
(Loss)/Profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments, and income tax	down	30,943%	to		(12,144)
(Loss) for the year attributable to the owners of Calix Limited	up	81%	to		(16,508)

#### 3. Net tangible assets:

	Current reporting period	Previous reporting period
Net tangible assets per ordinary security	\$0.21	\$0.18

#### 4. Dividends:

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

#### 5. Control gained over entities

Calix Limited did not gain control over any entities during the financial year.

#### 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:-

Phil Hodgson, MD & CEO

**Calix Limited**

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Pymble NSW 2073

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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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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 2022.

### DIRECTORS

The following persons were directors of the Company during the whole of the year ended 30 June 2022 and up to the date of the report:

Peter Turnbull, AM

Helen Fisher

Jack Hamilton

Phil Hodgson

Lance O'Neill (retired 16 November 2021)

Mark Sceats

### PRINCIPAL ACTIVITIES

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

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

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

**CO<sub>2</sub> capture** – When processing minerals that contain carbon dioxide (CO<sub>2</sub>), such as limestone, the CFC is being developed to efficiently separate the CO<sub>2</sub> that is ejected from the limestone as it heats up and turns into lime (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, or waste or biomass fuels, further facilitating the decarbonisation of hard to abate industrial processes. Applications are being developed for lithium extraction, alumina processing, new cements using clays and, most recently for decarbonising iron and steel production.

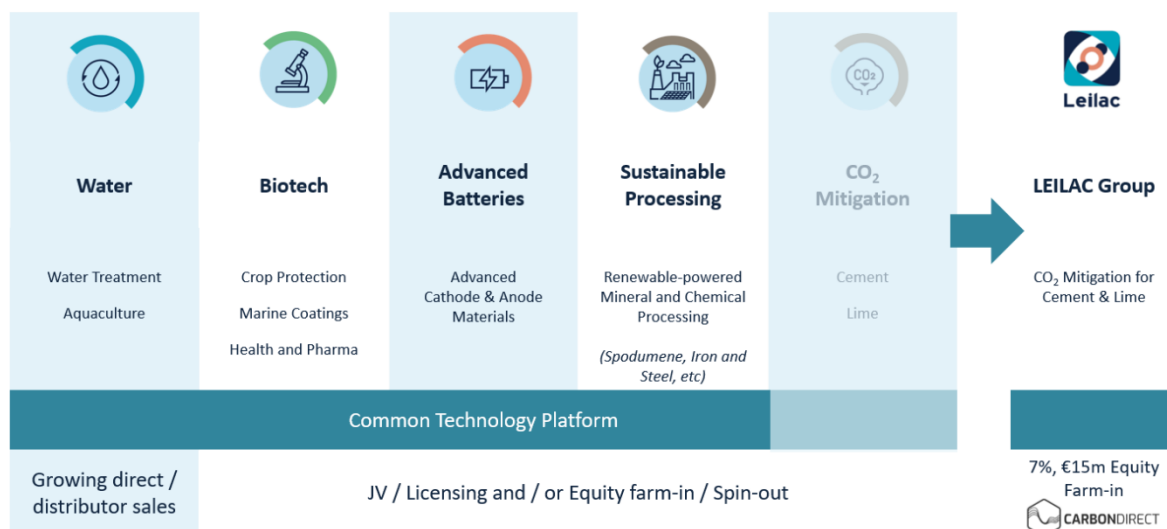
**Production of highly active materials** – The technology is also being developed to produce more highly active materials, that are safe and environmentally friendly yet, at the same time, have more chemical and/or bioactivity in use. Sales of these active products are made into water and wastewater treatment applications, aquaculture, and agricultural pest control, and are being developed for advanced battery materials and coatings, and health and pharmaceutical applications.

The Group has operations, customers and distribution partners across Australia, New Zealand, Asia, Europe and the United States of America. During FY21, 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.

During FY22, the Group successfully commenced its strategy to spin-out applications of its technology, to bring resourcing and commercialisation focus, as well as “look-through” value on these applications, via the creation of the “LEILAC Group” for cement and lime decarbonisation, and the sale of ~7% of this group to a US-based impact fund, Carbon Direct, for €15m. As part of the transaction, the Group has licensed its technology to the LEILAC Group and will continue to earn 30% of all licensing revenues of the LEILAC Group, regardless of its equity stake.

### Calix Limited is developing multiple environmental business opportunities...

...and looking to fast-track commercialisation and value-adding through JV / Licensing and Spin-Out strategies



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,
- an electric calciner for advanced materials, including battery materials (“BATMn” facility) at Bacchus Marsh, and
- in the US, the Group has four manufacturing facilities to produce water treatment products to serve North American customers.

## OPERATING RESULTS

The Group recorded a slight decline (4%) in sales revenues to \$18.5m (2021: \$19.2m) driven down mainly by the cessation of the refined coal tax credit system in the US toward the end of Q1 CY2022, impacting our US Water revenues. The US refined coal tax credit system, which awarded tax credits for the use of magnesium hydroxide in reducing coal emissions, was undergoing lobbying for extension, but with the latest tax bill passed by the US Congress in August 2022, this system was not extended and therefore this element of the business is unlikely to



continue. However, outside of this impact, the US Water business has grown by 11% in the first half and 15% in the last quarter when compared to prior corresponding periods, despite tough logistics and labour conditions, and the US business achieved excellent Gross Margin growth to 33% (2021: 28%), contributing to an increase in overall gross profit to \$5.2m (2021 \$5.0m) despite the lower revenues.

Additionally, initial engineering income was recorded from new projects in the CO<sub>2</sub> and Sustainable Processing businesses, adding a new revenue line. Grant funding / other income in FY22 was down to \$2.3m (2021: \$10.6m), which reflected the grant “hiatus” between LEILAC-1 (finished) and LEILAC-2 (early / light spend stage) projects, and the movement from the R&D cash refund to a tax credit as the Group exceeded the \$20m aggregated turnover threshold to qualify for the R&D cash refund under the Australian R&D tax incentive legislation.

A further \$2.8m in grant income received during the period was deferred to be recognised in later periods in the profit and loss statement.

As stated in our March 2021 capital raise, the Group significantly accelerated investment in capital, people and services following the prior 5 years’ operating break-even strategy, and, therefore, posted an operating loss of \$12.1m (2021: operating profit \$0.3m).

## REVIEW OF OPERATIONS

Local and global economies continued to feel the logistical and inflationary impact of COVID-19 through FY22, compounded by the conflict in Ukraine, and the Group’s progress has ultimately been impacted to some extent by these events. The Group has been able to continue operations and activities through FY22, however labour shortages (including truck drivers and sales professionals) have affected our US water business. Commodity prices are impacting larger capital projects, such as the LEILAC-2 project in Hanover, Germany, and travel restrictions and the Ukraine conflict have impeded progress on commercial arrangements with some counter-parties.

Despite these headwinds, the Group has largely held ground in revenues, helped by a growing engineering revenue stream for new projects, and also seen a remarkable growth in interest in the technology globally as Environmental, Social and Governance (“ESG”) forces drive new investment into the sector by both industrial participants and an ever-increasing investment mandate in impact venture funds, private equity, and other funds, such as pension funds and sovereign wealth funds.

Following our capital raise in March 2021, based upon an investment thesis to accelerate the opportunities in the rapidly-emerging ESG investment theme, the Group invested largely as planned in FY22 in people, capital and services, lifting cash expenditure above operating cashflow generation for the first time in 5 years.

During FY22, 22 permanent staff were added to the Group, largely to deal with the rapid increase in in-bound project enquiries and help progress our development in Advanced Batteries and Biotech. Our LEILAC Group and Sustainable Processing businesses also commenced charging for some engineering services from potential customers as planned, and this line item appears for the first time in our revenue make-up. Also during FY22, we invested \$7.4m in capital projects – mainly, the LEILAC-2 project but also pilot plant testing capability at Bacchus Marsh and slurry making facilities in the US to continue to advance the technology. And lastly, we bolstered engagement with external advisory services, spending an additional \$1.8m in FY22 and successfully delivered the first of the Company’s spin-outs – the LEILAC Group – encompassing the company’s CO<sub>2</sub> mitigation business for lime and cement. The deal resulted in a €15m investment by a US-based impact fund, Carbon Direct, for a ~7% stake in the LEILAC Group. Regardless of its equity stake, the company will continue to earn 30% of the license revenues of the LEILAC Group. The deal was a significant milestone since listing the company in July 2018, as not only is it the first manifestation of the equity farm-in / spin-out strategy that will enable multiple applications of the technology to be developed concurrently, but it also gave look-through value for the first time of just one application of the technology.

Our lines of business operations are discussed below.



## 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 stable, active magnesium-based water treatment product (Magnesium Hydroxide Liquid, or “MHL”) 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 FY22 of \$16.8m (down from \$19.2m in FY21), due mainly to the cessation of the refined coal tax credit system in the US in Q1 CY2022, impacting our US Water revenues. The refined coal tax credit system, which awarded tax credits for the use of magnesium hydroxide in reducing coal emissions, was undergoing lobbying for extension, but with the latest tax bill passed by the US Congress in August 2022, this system was not extended, and therefore this element of the business is unlikely to continue. This possibility was foreseen and not included in the original valuation of the business when acquired, and no write-down of goodwill has therefore been brought to account in FY22. Outside of this, the US Water business has grown 11% for the period 1 January to 30 June 2022 when compared to the same period in 2021 and 15% in the April to June 2022 quarter compared to the same quarter in the prior year, despite some of the headwinds associated with the global economic situation, leaving the US team short on some critical personnel, such as truck drivers and sales professionals.

Australian and New Zealand MHL sales were flat under similar conditions. Expansion into two new US states commenced with some long-haul trials, and new sites identified for two new manufacturing facilities. Given the logistics, labour and travel challenges discussed above, the progress to establish the plants was slower than planned in FY22. Despite these challenges to top line revenue, the Water business significantly improved on gross margins of 30% and gross profit of \$5.1m (FY21: 25.9% and \$4.9m), as a result of focus on higher margin business, and cost reduction associated with full implementation of the Calix technology into MHL formulation. The Group remains confident in its growth strategy over the longer term as the current acute economic conditions ease.

In South East Asia, the aquaculture business continued to be affected by disruption to downstream markets for farmed prawns, such as the closure of restaurants and eateries, particularly in China. However, in Malaysia, sales continued into our third season with multiple regular customers, and market entries re-commenced via new trials in Thailand and India..



## Biotech

The Biotech business is focussed on the development of safe, environmentally friendly biotech products, based upon high surface area magnesium oxide produced in Calix's CFC across agriculture, marine coatings and health.

In our Crop Protection business, a second distributor license agreement was executed with Dutch-based ProfytoDSD after three years of trials, and added to the European coverage already commenced during FY21 via a license agreement with AFEPPASA, a Spanish Crop Protection company. Profyto is looking to replace the now-banned anti-fungal Mancozeb and BOOSTER-Mag has been included in its crop protection protocols for the first time this European summer. Trial support sales of \$66k were recorded during FY22, similar to FY21. During FY20, 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, and in March 2022 approval was obtained – a major milestone. The Group has also continued to work

with other multi-national crop protection companies that have executed Material Transfer Agreements (“MTA’s”) and are conducting testing and due diligence, and APVMA approval is expected to help galvanise this process into commercial action.

In our Marine Coatings business, the Group invested further resources for testing with two coatings manufacturers and one major potential end user, with on-going positive results achieved after 18 months “in-the-water” with up to 50% copper substitution – representing a potentially considerable economic and environmental saving. A further, more extensive, testing program was agreed and has now commenced to optimise formulations.

In our Health and Pharmaceutical business, the Group invested further in laboratory capability and progressed initial screening testing via the University of Queensland Centre for Superbug Solutions, which yielded very encouraging early results on the ability of Calix’s high surface area magnesium oxide to possess broad spectrum suppression of pathogenic bacterial activity. The company was pleased to see, and will be a major participant in, two research programs with substantial Federal Government funding to progress this application – the CRC-SAAFE (Solving Antimicrobial Resistance in Agribusiness, Food and Environments) program, which was announced with \$34.5m in funding in May 2022, and the ARC CEA-StAR (Training Centre for Environmental and Agricultural Solutions to Antimicrobial Resistance), which was announced with \$4.5m in funding in July 2022.



### **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. After early-stage R&D activity showing very promising results, the Group continued to build on its collaboration networks across industry and academia in support of the technology development as part of the \$3m government-funded CRC-P for Advanced Battery Materials. In March 2021, the Group announced that it had seen further technical improvements in its materials, including a further optimisation of the lithiation process, reducing energy required to manufacture materials as well as continued improvements in performance against market available materials. The Group committed to extending this development work with a scale up to pouch cell (from single cell) testing and battery pack development and set aside \$4.5m from its March 2021 capital raise to invest in this technology. Over FY22, this work has progressed well, with initial pouch cell testing followed by scale-up to full cell production testing, including assembly and testing of 4- and 10-layered pouch cells.

Currently, the Advanced Batteries team is working through improvements in the coating/fabrication process to optimise the performance of Calix’s Advanced Lithium Manganese Oxide (“LMO”) in this commercial format battery, essentially, the last proof point stage before scale-up to production of a commercially relevant battery pack. This scale-up program is being developed now as part of Deakin University’s REACH (Recycling and Renewable Energy Commercialisation Hub) Trailblazer program, which in May 2022 was announced with \$50m in Federal Government funding. The Advanced Batteries team also progressed early work on other chemistries, such as Lithium Iron Phosphate, to investigate and prove the utility of the technology as applied to other chemistries.



### **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 FY21, the company announced a co-development of a midstream lithium chemical plant with ASX listed Pilbara Minerals Limited (ASX:PLS) 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. In FY22, this opportunity was developed significantly, with the successful completion of a scoping study and an extension of the MOU to cover pilot hydrometallurgical work and more detail concerning the joint venture terms, as well as the announcement of \$20m in funding from the previous Federal Government under the Manufacturing Modernisation Initiative. At this time, a project agreement is yet to be executed as the new Federal Government is undertaking a review of several grant programs, which include this project. Nonetheless, both the company and Pilbara Minerals are pushing ahead to formalise joint venture arrangements to progress the project as quickly as possible.

In FY21, the company announced an MOU with RHI Magnesita ("RHIM") on the application of the core technology to CO<sub>2</sub> capture and electric heating options for RHIM's refractory business. During FY22, this opportunity was developed further through to a successful pre-Front-End Engineering and Design ("FEED") process, including materials testing and, at the time of writing, is undergoing a review by RHIM on site location.

During FY22, the Group also announced the development of the technology into decarbonisation of iron and steel production – the second largest hard to abate industrial CO<sub>2</sub> emission source after cement and lime. Calix's Zero Emissions Steel Technology ("ZESTY") process, utilising green hydrogen and renewable energy, has been rapidly progressed through modification of the company's electric "BATMn" reactor in Bacchus Marsh, and during Q4 FY22 successfully tested several iron ores in early pilot trials.

Also during FY22, other applications of the Calix's technology for low emissions production, such as for calcined clays and alumina, were progressed with significant counterparty interest.



### **LEILAC Group - CO<sub>2</sub> Mitigation for Lime and Cement**

The LEILAC Group business is focussed on the development of technology for the decarbonisation of process CO<sub>2</sub> 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 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 FY22, the Group completed a successful major milestone in its LEILAC-2 project - a 100,000 tonne per annum CO<sub>2</sub> capture plant at HeidelbergCement's cement plant in Hanover - with the completion of the FEED milestone, leading to a successful Financial Investment Decision approved by the project consortium in March 2022. Despite considerable headwinds in Europe with inflationary pressures and the Ukraine conflict, the project consortium continues to work hard through logistical challenges and project flag points related to long-lead procurement items and permitting.

The Group achieved two significant milestones in its path to commercialise the technology as applied to lime as announced in May 2022 with \$11m in funding for a project with Adbri and \$30m in funding for a project with Boral under the previous Federal Government's carbon capture, use and storage development funding program. At the time of writing, project agreements are yet to be executed as the new Federal Government is undertaking a review of several grant programs, including these projects.

Pleasingly, interest from government and industry in emissions reduction technology has continued to accelerate and the Group continues to experience strong tail winds in the CO<sub>2</sub> line of business as the global community increasingly focuses on net zero targets and the technology required to achieve them. The LEILAC Group's total project pipeline has increased to 54 projects (end FY21: 33 projects) for both cement and lime across Europe, the

Americas and Asia-Pacific. Initial income from engineering services also started to be generated from this pipeline in FY22.

And lastly, the Company successfully delivered the first of the Company's spin-outs – the LEILAC Group – encompassing the Company's CO<sub>2</sub> mitigation business for lime and cement. The deal resulted in a €15m investment by a US-based impact fund, Carbon Direct, for a 6.98% equity stake in the LEILAC Group. Regardless of its equity stake, Calix will continue to earn 30% of the license revenues of the LEILAC Group (as per the license agreement in place between Calix and the LEILAC Group). The deal was a significant milestone since listing the company in July 2018, as not only is it the first manifestation of the equity farm-in / spin-out strategy that will enable multiple applications of the technology to be developed concurrently, but it also gave look-through value for the first time of just one application of the technology.

## **FINANCIAL POSITION**

The Group held \$25.0m in cash and cash equivalents at 30 June 2022 (2021: \$15.1m) and had a surplus of \$16.5m of total current assets over total current liabilities (2021: \$15.3m). 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.

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

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

- continue the development of prospective technologies in industrial decarbonisation, and actively consider equity farm-in / JV approaches to help resource, focus and accelerate commercialisation
- continue to focus on revenue growth in the US water business and Asia-Pacific aquaculture business via organic / geographic expansion, and continue to look for portfolio opportunities to grow in the EU
- continue the development of high potential, environmentally-differentiated solutions in advanced batteries and biotechnology, and look for early value opportunities.

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

Other than the significant milestones 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 (2021: \$NIL).

## **AFTER BALANCE DATE EVENTS**

No matters or circumstances have arisen since the end of the financial 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 Immediate Past 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 specialized 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 expansions, 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 (ASX:PAR). She is the Chair of the Victorian branch committee 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 and member of the Remuneration & Nomination Committee.

Interest in shares and options

9,134 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 a non-executive director of Hazer Group Ltd (ASX – HZR) and has held numerous publicly-listed non - executive director roles, including AnteoTech Limited, 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) – Retired 16 November 2021**

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

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.

### Special responsibilities

Managing Director & CEO, member of the Technology Committee,

### Interest in shares and options

4,304,231 ordinary shares in Calix Limited

663,345 options 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) and was awarded the University Medal.

Mark has previously worked at the James Franck Institute at the University of Chicago, and a Research Associate, 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 and led the Australian Photonics CRC from 1991-2004. Mark has published more than 165 academic papers in physical chemistry and is an inventor of 55 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

7,983,898 ordinary shares in Calix Limited

411,279 options 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 2022, 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	9	9	3	3	2	2	*	*
Helen Fisher	9	9	3	3	1	1	*	*
Jack Hamilton	9	9	3	3	2	2	3	3
Lance O'Neill**	4	4	*	*	*	*	*	*
Phil Hodgson	9	9	*	*	*	*	3	3
Mark Sceats	9	9	*	*	*	*	3	3

\* = Not a member of the relevant committee

\*\* = Retired from the Board on 16 November 2021

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, no warrants on issue and 5,579,822 share options on issue. Refer to Note 18 of the financial statements for further details of the warrants outstanding at balance date.

The details of options, warrants and rights issued to KMP as remuneration are set out in 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 Audit Pty Ltd 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:

Tax consulting services \$18,081 (2021: \$NIL).

The Company's Board has considered the position and is satisfied that the provision of the non-audit services is compatible 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 above, 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 impair 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 (including Independence Standards)*.

## 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 20.

## 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 is 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.

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 directors' 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 base salary levels annually by reference to the Group's performance, individual performance and comparable information from industry sectors.
- All Australian-based KMP employees also receive a superannuation guarantee contribution, which is currently 10.5% (10.0% for FY 22) up to the concessional contributions cap (which was \$0.07m in FY22), 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 for the Group to drive performance to be an appropriate balance of both current and future value creation, given the nature and strategy of the Company as a technology platform that is to be developed over years into multiple sustainability-driven applications. 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.
- These "at-risk" elements of compensation are delivered in the form of a share-based incentive scheme that is a hybrid system combining both a short term and long term incentive and is targeted to retain and motivate key staff, and continue to build alignment of their interests with shareholders' interests to deliver shareholder value in line with the nature and strategy of the Company as a technology platform that is to be developed over years into multiple sustainability-driven applications.
- There are typically no cash-based bonuses provided to management and staff, unless there is significant outperformance achieved in Group KPIs, as well as positive earnings before interest, tax, depreciation and amortisation ("EBITDA"), that is, if the Group generates significant cash earnings. The Group has not paid any such cash-bonus since its listing in 2018.

Details of the mechanisms by which the Employee Incentive Scheme operates are further set out in the Remuneration Report below.

### KMP remuneration

The following executives of the Group were classified as KMP during the 2022 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

## Executive Directors

Phil Hodgson, MD & CEO

Dr Mark Sceats, Chief Scientist and co-Founder

## Senior Executives

Darren Charles, CFO & Company Secretary

Daniel Rennie, CEO LEILAC Group

Doug Kelley, President of IER

Hinne Temminck Tuinstra, GM, Strategy & Portfolio

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

30 June 2022	Short term benefits	Post- employment benefits	Equity settled share-based benefits	Total
	\$	\$	\$	\$
<i>Company directors</i>				
Peter Turnbull, AM	111,500	-	-	111,500
Helen Fisher	73,001	-	-	73,001
Jack Hamilton	88,000	-	-	88,000
Lance O'Neill*	18,203	-	-	18,203
Phil Hodgson	468,050	23,568	194,139	685,757
Mark Sceats	335,775	23,568	119,945	479,288
	1,094,529	47,136	314,084	1,455,749
<i>Other KMP of the Group</i>				
Darren Charles	333,875	23,568	113,853	471,296
Daniel Rennie**	250,918	63,975	20,265	335,158
Doug Kelley	331,113	12,559	-	343,672
Hinne Temminck Tuinstra	296,284	29,629	12,583	338,496
	1,212,190	129,731	146,701	1,488,622
<b>Total KMP Compensation</b>	<b>2,306,719</b>	<b>176,867</b>	<b>460,785</b>	<b>2,944,371</b>

\* Lance O'Neill retired as a director on 16 November 2021

\*\* Daniel Rennie was appointed CEO of the Leilac Group on 1 November 2021

Bill Karis ceased to be considered a Group KMP due to the development of the business during the year

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	472,807
	1,022,701	43,388	331,753	1,397,842
<i>Other KMP of the Group</i>				
Darren Charles	316,303	21,694	120,279	458,276
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	1,321,305
<b>Total KMP Compensation</b>	<b>2,068,584</b>	<b>109,444</b>	<b>541,119</b>	<b>2,719,147</b>

\*Helen Fisher joined the Board during FY21.

#### **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 2022	Balance at the start of the year	Received as part of remuneration	Additions	Disposals or other changes	Balance as at 30 June 2022
<i>Ordinary shares</i>					
Peter Turnbull, AM	1,126,713	-	-	-	1,126,713
Helen Fisher	3,643	-	5,491	-	9,134
Jack Hamilton	2,203,614	-	-	-	2,203,614
Lance O'Neill*	138,000	-	-	(138,000)	-
Phil Hodgson	4,100,008	204,223	-	-	4,304,231
Mark Sceats	7,934,398	-	49,500	-	7,983,898
Darren Charles	1,000,002	118,815	-	-	1,118,817
Bill Karis	14,400	-	-	(14,400)	-
Daniel Rennie	76,009	-	-	-	76,009
Doug Kelley	-	-	-	-	-
Hinne Temminck Tuinstra	16,500	-	17,950	-	34,450
	16,613,287	323,038	72,941	(152,400)	16,856,866

\*Balance at end of year is nil as no longer a director / KMP.

#### **Loans provided to KMP**

Details of loans made to directors of the Company and other KMP of the Group, including close family members and entities related to them, are set out in the following table:

30 June 2022	Balance at the start of the year	Interest paid and payable for the year	Interest	Balance at the end of the year	Highest balance during the year
<i>Loan funds provided</i>					
Phil Hodgson	-	-	958	466,049	466,049
Mark Sceats	-	-	5,636	700,000	700,000
	-	-	6,594	1,166,049	1,166,049

All loans are repayable within 6 months of the latest loan agreement. They are unsecured and accrue a variable interest rate charge which was 2.78% at 30 June 2022.. No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to KMP.

#### **At-risk incentives – the Calix Employee Incentive Scheme – a hybrid short- and long-term incentive scheme**

A core pillar of the Group's approach to its remuneration policies is to ensure that management and staff are strongly aligned with shareholders and that all team members can own a stake in the Company that they are working diligently to build. The Groups' success today and continued success into the future will be based on its ability to commercialise its broadening base of intellectual property assets and to continue to innovate and find new ways to apply its capability in decarbonisation of hard to abate industries and innovation in new materials.

Our team needs to strike the right balance between achieving annual short-term goals whilst keeping an eye towards tomorrow and not lose sight of opportunities for building future shareholder value that leveraging our technology may present. Our "at-risk" Incentive Scheme is designed to balance these objectives and provide rewards for performance that would accrue over the medium to longer term.



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 are not invited to participate in the EIS.

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 2001* 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 typically limits the number of Shares over which options or rights will be issued under the EIS to 2% of the total number of Shares on issue (i.e. undiluted) in any one year. The actual percentage of rights on issue will fluctuate as a result of changes in staffing levels.

The first round of at-risk incentives were made available for KMP (excluding non-executive directors) at the end of 2018 with an ability to earn parcels of share-based incentives over the proceeding 5-year period to 30 June 2023.

These rights or options are subject to certain threshold conditions as follows:

- **Threshold condition 1** – Performance against the Company's annual Safety, Health, Environment, and Quality Action Plan, to be agreed each year with the Board. If this Safety Health, Environment, and Quality Action Plan KPI is not met, then no rights or options can be awarded for performance that year.

This threshold condition is designed to ensure that Safety, Health and Environmental performance of our team members and Quality of our products and services remain paramount, and is a strong focus at all times.

- **Threshold condition 2** – Share price performance as measured by Total Shareholder Return ("TSR"), as described 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, June 30 in the prior financial year ("Baseline TSR") as compared to the 30-day VWAP over the 15 days preceding and the 15 days after, June 30 in the current financial year ("Measured TSR").

If the Measured TSR for a particular financial year is not higher than the Baseline TSR for that period of measurement, any options or rights earned under Threshold Condition 3 (below) remain unvested. However, such unvested options or rights may vest if at any time before the end of the financial year immediately after the full vesting period, the 30 day VWAP for Calix's Shares exceeds the applicable Baseline TSR for those unvested rights. This mechanism is designed to ensure that shorter-term smaller goals or advances do not dominate over longer-term more significant value creation opportunities, and that KMP continue to balance shorter term outcomes with a longer-term view of outcomes for a multi-year, multi-application value opportunity.

Threshold condition 3 is in place to ensure that if TSR is positive, then rights or options are able to be earned.

- **Threshold condition 3** –performance based upon key performance indicators ("KPIs"), to be agreed each year with the Board, but will reflect the corporate milestone targets across each line of business as communicated to the market every year. If all company KPIs are achieved in full, and provided the Company also achieves a positive EBITDA, KMP can also qualify for a cash bonus, payable immediately, that will be shared amongst the total payroll of the Company based upon base pay, and which will not exceed 10% of EBITDA in total.

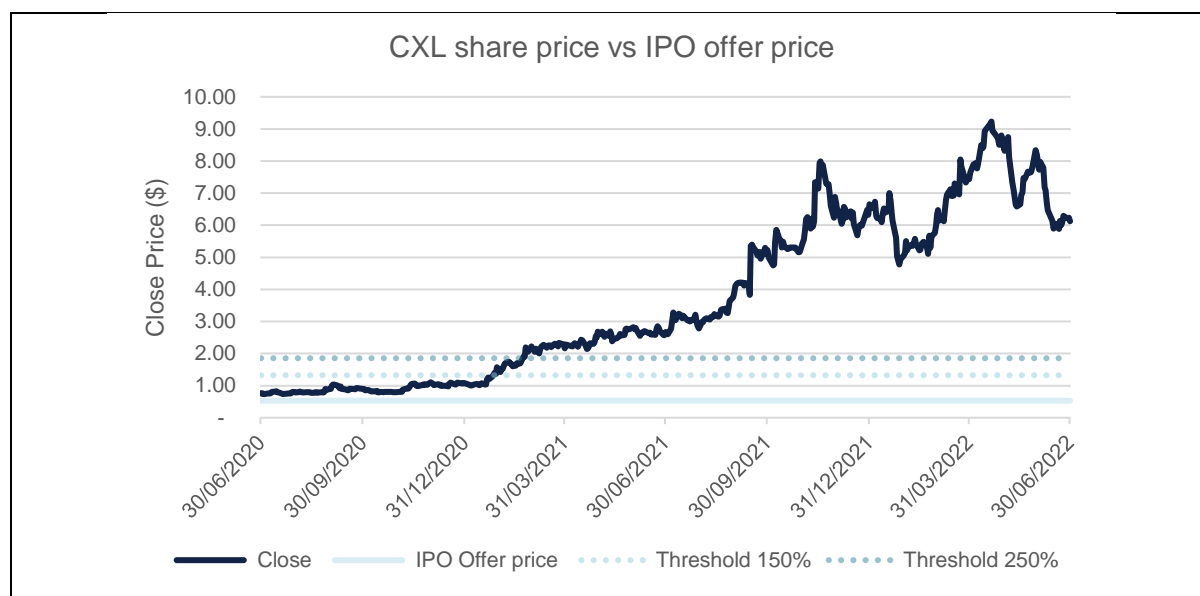
This threshold condition 3 helps to link achievement of annual performance metrics that are targeted to balance short term and long term shareholder value creation.

The EIS rights or options earned under threshold condition 3 will be classed as “Performance Vested”, but only 1/3 will be earned – the other 2/3 will then vest in 2 equal tranches at the end of each of the 2 full financial years following the Performance year, provided the KMP remains a full time employee of the company. These options or rights are to incentivise tenure (“Tenure Vested” options or rights).

At the end of last Performance vesting period, if any options or rights remained unvested (other than due to timing of the grant of such rights), the Board was able to perform a further performance review and award the vesting of rights or options (which are still subject to Tenured Vesting) if the team delivered a superior TSR performance measured as follows:

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

The following chart illustrates how this part of our EIS worked to benefit shareholders with a strong performing share price over 4 years since the company listed.



This measurement tool reinforces the objective of ensuring that management and staff are aligned with the longer-term objective of delivering shareholder returns and reinforces that at-risk remuneration is earned if shareholders benefit from an appreciation in the value of the Company.

A further feature of the EIS is that in the event of a successful takeover offer for Calix:

- all rights or options that have both Performance-vested and Tenure-vested (that is, they have been earned, but not yet exercised), will be converted into shares and included in the equity transaction as part of the takeover; and
- if the Board so determines, then all rights or options that have Performance-vested but not Tenure-vested, are able to be converted into shares and can be included in the equity transaction as part of the takeover; and
- if the Board so determines, then all rights or options not already either Performance or Tenure-vested, can vest and convert into shares and be included in the equity transaction as part of the takeover.

A second round of at-risk incentives "EIS-2" was introduced in the FY22 and will run for a similar 5-year vesting period to end of June 2026 for KMP. The same threshold and performance metrics were established for this scheme and will operate as outlined above with the first "EIS-1" scheme, except for the Board review at the end of last Performance vesting period, where if any options or rights remain unvested (other than due to timing of the grant of such rights, i.e. Performance rights or options), the Board will be able to perform a further performance review and award the Performance vesting of rights or options (which will still be subject to Tenured Vesting) if the team has delivered a superior TSR performance measured as follows:

- 50% of the remaining unvested rights if the Measured TSR at the end of the last Performance vesting period has exceeded the FY21 Baseline by 75%; and
- the remaining 50% of the unvested rights if the Measured TSR at the end of the last Performance vesting period has exceeded the FY21 Baseline by 125%.

#### **Vesting of options or rights for performance to 30 June 2022**

The Board is yet to assess performance against the three performance thresholds for vesting of options or rights, namely:

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

As a result, the Board will only resolve to award management and staff certain options or rights as and when they have been assessed against the threshold criteria, noting that such options or 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 2022 for those options or rights for EIS 1 and EIS 2 that were earned during the year.

As at the date of this report, 5,579,188 options remain on issue with certain options having lapsed as a result of staffing changes, 2,344,186 being earned, vested and converted into Ordinary Shares, 2,244,350 being earned and vested and a further 863,248 remain unearned and unvested.

30 June 2022	Balance at the start of the year	Options issued	Options exercised	Balance as at 30 June 2022	Options earned & vested	Unearned Options
<i>EIS options or rights issued to KMP</i>						
Phil Hodgson	1,239,383	-	(204,223)	1,035,160	663,345	371,815
Mark Sceats	641,186	-	-	641,186	411,279	229,907
Darren Charles	727,437	-	(118,815)	608,622	390,391	218,231
Daniel Rennie	137,017	-	-	137,017	95,912	41,105
Doug Kelley	-	-	-	-	-	-
Hinne Temminck Tuinstra	76,569	-	-	76,569	51,046	25,523
	2,821,592	-	(323,038)	2,498,554	1,611,973	886,581

#### **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).

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



P J Turnbull AM  
Chair  
Sydney  
24 August 2022

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

As lead auditor of Calix Limited for the year ended 30 June 2022, 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', is written over a light blue horizontal line.

Ian Hooper  
Director

**BDO Audit Pty Ltd**

Sydney, 24 August 2022





Annual Financial Report  
2022



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

### For the year ended 30 June 2022

	Note	June 2022 \$	June 2021 \$
Sales of goods	3	18,467,734	19,209,578
Cost of sales		(13,268,028)	(14,163,410)
<b>Gross profit</b>		<b>5,199,706</b>	<b>5,046,168</b>
Other income	3	2,323,551	10,646,904
<b>Gross profit and other income</b>		<b>7,523,257</b>	<b>15,693,072</b>
Sales and marketing expenses		(7,674,523)	(5,889,880)
Research and development expenses		(7,095,063)	(7,133,473)
Administration and other expenses		(4,898,001)	(2,630,344)
<b>Total operating expenses</b>		<b>(19,667,587)</b>	<b>(15,653,697)</b>
(Loss)/Profit before finance costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments and income tax		<b>(12,144,330)</b>	<b>39,375</b>
Depreciation, amortisation and impairment expenses	4	(4,221,936)	(6,973,344)
Finance costs		(82,811)	(110,811)
Foreign exchange losses		(10,858)	(114,506)
Share based payment expense	19	(312,524)	(1,947,485)
<b>Loss from ordinary activities before income tax</b>		<b>(16,772,459)</b>	<b>(9,106,771)</b>
Income tax benefit	5	264,640	-
<b>Loss for the year</b>		<b>(16,507,819)</b>	<b>(9,106,771)</b>
<b>Total loss for the year is attributable to:</b>			
Owners of Calix Limited		(16,338,243)	(7,489,159)
Non-controlling interests		(169,576)	177,495
		<b>(16,507,819)</b>	<b>(7,311,664)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(814,247)	(126,275)
<b>Total comprehensive income for the year</b>		<b>(17,322,066)</b>	<b>(9,233,046)</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of Calix Limited		(17,067,118)	(7,550,821)
Non-controlling interests		(254,948)	177,495
		<b>(17,322,066)</b>	<b>(7,373,326)</b>
Basic and diluted earnings per share (cents)	20	(10.29)	(6.05)

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 2022

	Note	June 2022 \$	June 2021 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	24,982,760	15,130,147
Trade and other receivables	7	3,231,784	9,718,745
Inventories	8	3,396,736	2,172,629
<b>Total current assets</b>		<b>31,611,280</b>	<b>27,021,521</b>
<b>Non-current assets</b>			
Trade and other receivables	7	284,419	292,970
Intangible assets	9	6,441,630	5,349,584
Goodwill	10	3,638,392	3,638,392
Right of use asset	14	536,793	793,901
Property, plant and equipment	11	18,698,327	14,527,117
<b>Total non-current assets</b>		<b>29,599,561</b>	<b>24,601,964</b>
<b>Total assets</b>		<b>61,210,841</b>	<b>51,623,485</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	3,256,009	3,379,930
Borrowings	13	863,489	405,387
Current lease liabilities	14	277,535	222,618
Provisions	15	1,380,424	1,195,027
Deferred revenue	16	9,349,670	6,511,929
<b>Total current liabilities</b>		<b>15,127,127</b>	<b>11,714,891</b>
<b>Non-current liabilities</b>			
Borrowings	13	15,261	44,464
Non-current lease liabilities	14	315,390	614,025
Provisions	15	367,458	308,490
Deferred Tax		588,579	793,590
<b>Total non-current liabilities</b>		<b>1,286,688</b>	<b>1,760,569</b>
<b>Total liabilities</b>		<b>16,413,815</b>	<b>13,475,460</b>
<b>NET ASSETS</b>		<b>44,797,026</b>	<b>38,148,025</b>
<b>EQUITY</b>			
Issued capital	17	72,955,801	70,967,717
Reserves	18	23,234,046	3,543,560
Accumulated losses		(52,701,495)	(36,363,252)
<b>Capital and reserves attributable to the owners of Calix Limited</b>		<b>43,488,352</b>	<b>38,148,025</b>
Non-controlling interests	30	1,308,674	-
<b>TOTAL EQUITY</b>		<b>44,797,026</b>	<b>38,148,025</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 2022

	Note	June 2022 \$	June 2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		18,415,832	19,246,991
Receipts from government bodies		12,607,272	7,051,438
Payments to suppliers and employees		(34,756,931)	(29,988,209)
Payments to LEILAC partners		-	(4,341,725)
Interest received		30,669	20,397
Interest paid		(37,354)	(110,811)
<b>Net cash used in operating activities</b>	28	<b>(3,740,512)</b>	<b>(8,121,919)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(7,438,761)	(6,313,804)
Purchase of intellectual property	9	(1,581,162)	(622,208)
<b>Net cash used in investing activities</b>		<b>(9,019,923)</b>	<b>(6,936,012)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares (net of transaction costs)		813,170	19,203,203
Proceeds from sale of minority interest in subsidiary, net of transaction costs	30	22,845,374	-
Payments for loans to directors		(1,166,049)	-
Payment for lease principal	14	(308,347)	(303,228)
Net proceeds from borrowings		428,900	205,747
<b>Net cash provided from financing activities</b>		<b>22,613,048</b>	<b>19,105,722</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,852,613</b>	<b>4,047,791</b>
Cash and cash equivalents at the beginning of the year		15,130,147	11,082,356
<b>Cash and cash equivalents at the end of the year</b>	6	<b>24,982,760</b>	<b>15,130,147</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 2022

	Issued Capital	Reserves	Accumulated losses	Total Parent Entity Interest	Non-Controlling Interest	Total
<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>
<b>Net losses for the year after tax</b>	-	-	(16,338,243)	(16,338,243)	(169,576)	(16,507,819)
<b>Other comprehensive income for the year</b>						
Net movement in foreign currency translation reserve	-	(728,875)	-	(728,875)	(85,372)	(814,247)
<b>Total comprehensive income for the year</b>	-	(728,875)	(16,338,243)	(17,067,118)	(254,948)	(17,322,066)
<b>Other transactions</b>						
New issues of shares (net of transaction costs)	813,170	-	-	813,170	-	813,170
Fair value of EIS rights granted	-	312,524	-	312,524	-	312,524
Fair value of EIS rights issued	919,850	(919,850)	-	-	-	-
Conversion of warrants	255,064	(255,064)	-	-	-	-
Divestment of investment in subsidiary, net of transaction costs	-	21,281,751	-	21,281,751	1,563,622	22,845,373
<b>Balance at 30 June 2022</b>	<b>72,955,801</b>	<b>23,234,046</b>	<b>(52,701,495)</b>	<b>43,488,352</b>	<b>1,308,674</b>	<b>44,797,026</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 2022



#### 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 and compliance 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 2022, the Group incurred a net loss after tax of \$16,507,819. (June 2021: \$9,106,771), and cash flow out from operating activities of \$3,740,512 (June 2021: cash flow out: \$8,121,919). As at 30 June 2022, the Group had cash reserves of \$24,982,760 (June 2021: \$15,130,147), net current assets of \$16,484,153 (June 2021: \$15,306,630).

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 2022



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

##### d) 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

##### e) 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.

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

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

##### g) New accounting standards and interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

##### h) 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.

## Notes to the Financial Report

### For the year ended 30 June 2022



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

##### *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.

##### **i) 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
Inventory	8
Intangibles	9
Goodwill impairment test	10
Property, plant and equipment	11
Right of use assets and lease liabilities	14
Provisions	15
Share-based payment transactions	19

## Notes to the Financial Report

### For the year ended 30 June 2022



## 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 13 to 19. For the year ended 30 June 2022, the Group has identified three segments based on the geographical regions in which it operates. The European segment is also known as the LEILAC group, the US segment is the US section of the water business line and the Australian & SE Asian segments comprise of all business segments. The Group has implemented a business line reporting approach in the current financial year and is looking to improve upon the implementation in the next financial year.

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

	Australia & SE Asia	US	Europe	Elimination	Total
For the period ended June 2022	\$	\$	\$	\$	\$
<b>Segment Revenue</b>					
Products sold	3,177,076	13,931,798	-	(432,556)	16,676,318
Revenue from rental agreements	124,785	-	-	-	124,785
Other services	1,442,797	79,940	143,894	-	1,666,631
<b>Total Segment Revenue</b>	<b>4,744,658</b>	<b>14,011,738</b>	<b>143,894</b>	<b>(432,556)</b>	<b>18,467,734</b>
<b>Timing of revenue recognition</b>					
Good transferred at a point in time	4,587,848	13,931,798	-	(432,556)	18,087,090
Services transferred over time	156,810	79,940	143,894	-	380,644
<b>Total Segment Revenue</b>	<b>4,744,658</b>	<b>14,011,738</b>	<b>143,894</b>	<b>(432,556)</b>	<b>18,467,734</b>
Other Income	631,055	8,862	1,683,634	-	2,323,551
<b>Total Revenue and Other Income</b>	<b>5,375,713</b>	<b>14,020,600</b>	<b>1,827,528</b>	<b>(432,556)</b>	<b>20,791,285</b>
<b>EBITDA</b>	<b>(9,084,887)</b>	<b>(314,494)</b>	<b>(2,744,951)</b>	<b>2</b>	<b>(12,144,330)</b>
Depreciation and amortisation including leases	2,672,139	379,260	760,243	377,900	4,189,542
Impairment	-	-	32,394	-	32,394
<b>Loss before income tax expense</b>	<b>(12,150,889)</b>	<b>(707,803)</b>	<b>(3,535,431)</b>	<b>(378,336)</b>	<b>(16,772,459)</b>
Income tax expense/(benefit)	-	(66,047)	6,418	(205,011)	(264,640)
<b>Loss after income tax expense</b>	<b>(12,150,889)</b>	<b>(641,756)</b>	<b>(3,541,849)</b>	<b>(173,325)</b>	<b>(16,507,819)</b>
	Australia & SE Asia	US	Europe	Elimination	Total
For the period ended June 2022	\$	\$	\$	\$	\$
Total Segment Assets	25,550,090	6,166,705	26,854,078	2,639,968	61,210,841
Total Segment Liabilities	7,304,740	3,801,693	8,662,005	(3,354,623)	16,413,815

**Notes to the Financial Report**  
**For the year ended 30 June 2022**

**2. SEGMENT INFORMATION (CONTINUED)**

	Australia & SE Asia	US	Europe	Elimination	Total
For the period ended June 2021	\$	\$	\$	\$	\$
<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 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 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>

	Australia & SE Asia	US	Europe	Elimination	Total
For the period ended June 2021	\$	\$	\$	\$	\$
Total Segment Assets	37,940,353	5,259,496	5,382,949	3,040,687	51,623,485
Total Segment Liabilities	7,654,748	2,487,638	6,413,269	(3,080,195)	13,475,460

## Notes to the Financial Report

### For the year ended 30 June 2022



### 3. REVENUE AND OTHER INCOME

	June 2022 \$	June 2021 \$
Revenue		
Water and Biotech revenues	3,438,752	3,546,577
IER product revenues	13,428,424	15,576,421
Other product revenues	1,600,558	86,580
<b>Total revenue</b>	<b>18,467,734</b>	<b>19,209,578</b>
Other income		
LEILAC project income	1,463,925	3,772,214
Other grant income	627,365	1,435,494
R&D incentive income	186,332	5,380,757
Interest income	30,669	20,396
Other income	15,260	38,043
<b>Total other income</b>	<b>2,323,551</b>	<b>10,646,904</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.

##### *Services transferred over time*

Revenue for these activities are recognised as the customers obtains the benefit of the service over time; rental income is recognised in the corresponding rental period that a service is provided. If payments are received in advance that income is deferred into the period that the service is delivered.

##### *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 2022



### 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>2022</b>				
<b>Business lines*</b>				
Water	16,610,563	124,785	121,964	16,857,312
Biotech	65,755	-	-	65,755
CO <sub>2</sub> Mitigation	-	-	143,894	143,894
Sustainable Processing	-	-	1,400,773	1,400,773
	<b>16,676,318</b>	<b>124,785</b>	<b>1,666,631</b>	<b>18,467,734</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	16,676,318	-	1,410,772	18,087,090
Services transferred over time	-	124,785	255,859	380,644
	<b>16,676,318</b>	<b>124,785</b>	<b>1,666,631</b>	<b>18,467,734</b>

	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>18,659,292</b>	<b>170,321</b>	<b>379,965</b>	<b>19,209,578</b>



## Notes to the Financial Report

### For the year ended 30 June 2022



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

Other income disaggregated along business lines:

	June 2022 \$	June 2021 \$
Other income		
<b>Business lines</b>		
Water	56,060	1,591,221
Biotech	30,159	197,959
Advanced Batteries	530,251	1,984,047
CO <sub>2</sub> Mitigation	1,652,832	6,366,299
Sustainable Processing	15,817	448,939
Corporate	38,432	58,439
<b>Total other income</b>	<b>2,323,551</b>	<b>10,646,904</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 2022 \$	June 2021 \$
Employee benefit expenses		11,975,499	10,743,820
Depreciation and amortisation expense	9, 11	3,913,263	2,916,627
Depreciation of right of use asset	14	276,279	272,084
Impairment expense	11	32,394	3,772,603

#### 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 2022, assets relating to the SOCRATCES project 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 2022



#### 5. INCOME TAX

##### Income tax expense

	June 2022 \$	June 2021 \$
<b>Current tax</b>		
Current tax on profits for the year	-	-
Adjustments for current tax of prior periods	(59,629)	-
<b>Total current tax expense</b>	<b>(59,629)</b>	<b>-</b>
<b>Deferred income tax</b>		
(Decrease)/Increase in deferred tax liabilities	(205,011)	-
<b>Total deferred tax benefit</b>	<b>(205,011)</b>	<b>-</b>
<b>Income tax benefit attributable to the Group</b>	<b>(264,640)</b>	<b>-</b>

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

	June 2022 \$	June 2021 \$
Prima facie income tax expense/(benefit) on loss from ordinary activities (25%)*	(3,015,701)	(2,564,229)
Amortisation of intangibles	(205,011)	-
Adjustments for current tax of prior periods	(59,629)	-
Tax effect of R&D incentive**	-	1,655,697
Expenses not deductible for tax purposes	-	266,747
Temporary differences not recognised	381,899	474,056
Unutilised tax losses	2,633,802	167,729
<b>Income tax benefit attributable to the Group</b>	<b>(264,640)</b>	<b>-</b>
<b>Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	14,312,009	2,083,445
<b>Potential income tax benefit @ 25%*</b>	<b>3,578,002</b>	<b>541,696</b>

\*As at 30 June 2022, income tax effects has only been incurred at the Australian tax rate of 25%. 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.

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 5. INCOME TAX (CONTINUED)

##### *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.

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 2022 \$	June 2021 \$
Cash at bank and on hand	24,982,760	15,130,147

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 0.7% (2021: between 0.00% and 0.52%).

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 2022



#### 7. TRADE AND OTHER RECEIVABLES

	June 2022 \$	June 2021 \$
<b>Current</b>		
Trade receivables	1,454,366	1,395,190
R&D incentive receivable	-	5,000,000
Other receivables	152,573	2,845,112
Prepayments	261,636	162,836
Deposits	197,160	315,607
Director advances	1,166,049	-
<b>Total current trade and other receivables</b>	<b>3,231,784</b>	<b>9,718,745</b>
<b>Non-current</b>		
Deposits	274,000	274,000
Other	10,419	18,970
<b>Total non-current trade and other receivables</b>	<b>284,419</b>	<b>292,970</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 debtor 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 2022



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

##### R&D incentive receivable

The Company was eligible for an R&D grant which was 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. The company exceeded the group turnover threshold to be eligible for the R&D incentive rebate in the current year, and this will be a tax offset for the current year's Australian tax return.

##### 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 an overseas employment agency; and a bond paid to the Department of Energy & Mining in South Australia for future mine rehabilitation work.

##### Director advances

See directors' report on loans made to directors during the year. The fair value of the advances are considered to be at face value as they are repayable before the end of the calendar year.

#### 8. CURRENT ASSETS – INVENTORY

	June 2022 \$	June 2021 \$
Raw materials and consumables	2,966,783	1,040,714
Work-in-progress	189,485	407,947
Finished goods and goods for resale	240,468	723,968
<b>Total inventory</b>	<b>3,396,736</b>	<b>2,172,629</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 2022 \$	June 2021 \$
Customer contracts	2,091,000	2,091,000
Less: accumulated amortisation	(540,175)	(331,075)
Intellectual property	1,359,000	1,359,000
Less: accumulated amortisation	(351,075)	(215,175)
Brand names	329,000	329,000
Less: accumulated amortisation	(84,992)	(52,092)
Capitalised development costs	1,699,523	592,507
Patents and trademarks	2,330,459	1,856,313
Less: accumulated amortisation	(391,110)	(279,894)
<b>Total intangibles</b>	<b>6,441,630</b>	<b>5,349,584</b>

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 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 2021</b>	5,349,584
Additions during the period	
Capitalised development costs	1,107,016
Patents and trademarks	474,146
Less amortisation during the period	(489,116)
<b>Balance as at 30 June 2022</b>	<b>6,441,630</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. 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. 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. 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. The capitalised development costs are not amortised until the associated product and service are demonstrated to be available for commercial use and an appropriate amortisation period set.

##### *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 2022



#### 10. GOODWILL

	June 2022 \$	June 2021 \$
Goodwill	3,638,392	3,638,392
<b>Total goodwill</b>	<b>3,638,392</b>	<b>3,638,392</b>
At the beginning of the period	3,638,392	2,808,406
Additions through business combination	-	829,986
<b>Balance at the end of the period</b>	<b>3,638,392</b>	<b>3,638,392</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 from the second year was 2.6%, being the prior year's US inflation rate, rather than the higher internally budgeted growth rate. The discount rate used in the cash flow forecast was 10%, being an externally sourced rate based on an analysis of the Group. 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 1.9% before an impairment would need to be recognised. In the case of the discount factor, this would need to rise above 11% 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 2022**

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

	June 2022 \$	June 2021 \$
Office furniture, fittings & equipment	1,637,393	1,502,490
Less: accumulated depreciation	(1,346,190)	(1,265,431)
Baccus March Calciner and R&D facilities	19,923,267	19,139,187
Less: accumulated depreciation	(15,309,187)	(13,600,139)
Slurry manufacturing and application assets	6,601,674	5,278,825
Less: accumulated depreciation	(1,848,739)	(1,085,066)
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(38,147)	(33,905)
LEILAC plants	19,238,099	13,530,405
Less: accumulated impairment and depreciation	(14,276,686)	(12,777,382)
SOCRATCES project	447,948	415,554
Less: accumulated impairment	(447,948)	(415,554)
BATMn project Calciner	2,650,496	2,155,568
Less: accumulated depreciation	(545,816)	(329,598)
Land	838,499	838,499
<b>Total property, plant and equipment</b>	<b>18,698,327</b>	<b>14,527,117</b>

There has been a reclassification to the above and below property, plant and equipment tables – the BATMn project Calciner has been combined with the CRC Calciner facility to form a new classification - Baccus Marsh Calciner and R&D facilities.

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 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 \$	Baccus Marsh Calciner & R&D facilities \$	Slurry assets \$	Mining tenements \$	LEILAC plants \$	SOCRATCES project \$	Land \$	Total \$
<b>Balance as at 30 June 2020</b>	<b>249,166</b>	<b>8,635,788</b>	<b>3,750,017</b>	<b>1,145,225</b>	<b>-</b>	<b>-</b>	<b>838,499</b>	<b>14,618,695</b>
Additions	89,021	522,089	1,177,068	-	4,428,854	96,772	-	6,313,804
Depreciation and amortisation expense	(97,434)	(1,792,859)	(552,096)	(5,466)	-	-	-	(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>7,365,018</b>	<b>4,193,759</b>	<b>1,139,759</b>	<b>753,023</b>	<b>-</b>	<b>838,499</b>	<b>14,527,117</b>
Additions	178,439	1,331,803	910,711	-	4,985,414	32,394	-	7,438,761
Disposals	(26,290)	-	(43,538)	-	-	-	-	(69,828)
Depreciation and amortisation expense	(98,541)	(1,978,061)	(594,381)	(4,242)	(748,204)	-	-	(3,423,429)
Impairment expense	-	-	-	-	-	(32,394)	-	(32,394)
Realised exchange rate adjustment	536	-	286,384	-	(28,820)	-	-	258,100
<b>Balance as at 30 June 2022</b>	<b>291,203</b>	<b>6,718,760</b>	<b>4,752,935</b>	<b>1,135,517</b>	<b>4,961,413</b>	<b>-</b>	<b>838,499</b>	<b>18,698,327</b>

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 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.

- Office, furniture, fittings and equipment- 10%-25%
- Baccus Marsh calciner and R&D facilities – 5%-25%
- Slurry manufacturing and application assets – 2%-50%
- LEILAC plants – 20-25%
- Mining tenements – extraction rate of ore

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. The tenement is expected to be retired in 2044.

##### Impairment

In the year ended 30 June 2022, assets relating to the SOCRATCES project 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 \$nil relating to the LEILAC project (2021: \$3,675,831) and a non-cash impairment loss of \$32,394 relating to the SOCRATCES project during the period (2021: \$96,772).

## Notes to the Financial Report

### For the year ended 30 June 2022



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

	June 2022 \$	June 2021 \$
Trade payables	2,476,129	2,891,531
Other payables & accrued expenses	779,880	488,399
<b>Total trade and other payables</b>	<b>3,256,009</b>	<b>3,379,930</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 2022 \$	June 2021 \$
Current borrowings		
Loan facility	715,633	266,028
Asset financing facilities	33,194	41,602
Insurance premium funding	114,662	97,757
<b>Total current borrowings</b>	<b>863,489</b>	<b>405,387</b>
Non-current borrowings		
Asset financing facilities	15,261	44,464
<b>Total non-current borrowings</b>	<b>15,261</b>	<b>44,464</b>
<b>Total borrowings</b>	<b>878,750</b>	<b>449,851</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 5% p.a.

##### *Other borrowings*

The other borrowings balances comprise of asset financing facilities totalling \$48,455 (2021: \$86,066) with interest rates ranging from 3.75% p.a. to 4.75% p.a., and insurance premium funding facilities totalling \$114,662 (2021: \$97,757) with an interest rate of 2.49% p.a.

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 13. BORROWINGS (CONTINUED)

	Facilities Available	Facilities Drawn
Commonwealth Bank of Australia	AUD 540,000	\$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.

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

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

	June 2022 \$	June 2021 \$
<b>Right of use assets</b>		
At the beginning of the period	793,901	426,109
Additions	-	415,307
Effect of modification to lease terms	-	240,205
Depreciation	(276,279)	(272,084)
Foreign exchange movements	19,171	(15,636)
<b>Balance at the end of the period</b>	<b>536,793</b>	<b>793,901</b>
<b>Lease liabilities</b>		
At the beginning of the period	836,643	440,095
Additions	-	415,307
Effect of modification to lease terms	-	242,456
Interest expense	45,457	58,032
Lease payments	(308,347)	(303,228)
Foreign exchange movements	19,172	(16,019)
<b>Balance at the end of the period</b>	<b>592,925</b>	<b>836,643</b>

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

There were no additions or modifications to lease terms during the financial year.

#### *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 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.



## Notes to the Financial Report

### For the year ended 30 June 2022



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

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 2022 \$	June 2021 \$
Current provisions		
Employee benefits	1,380,424	1,195,027
<b>Total current provisions</b>	<b>1,380,424</b>	<b>1,195,027</b>
Non-current provisions		
Employee benefits	308,256	254,670
Mine rehabilitation provision	59,202	53,820
<b>Total non-current provisions</b>	<b>367,458</b>	<b>308,490</b>
<b>Total provisions</b>	<b>1,747,882</b>	<b>1,503,517</b>

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

	Employee benefits \$	Mine rehabilitation \$	Total provisions \$
<b>Balance as at 30 June 2021</b>	1,449,697	53,820	1,503,517
Additions and increases to provisions	546,931	5,382	552,313
Amounts used during the period	(352,248)	-	(352,248)
Advanced payment	(5,969)	-	(5,969)
Unused amounts reversed during the period*	(62,994)	-	(62,994)
Increase in discounted cash flows due to the passage of time	113,263	-	113,263
<b>Balance as at 30 June 2022</b>	<b>1,688,680</b>	<b>59,202</b>	<b>1,747,882</b>

\* Unused amounts reversed during the period relate to long service leave provisions that lapsed when an employee ceased employment with Calix Limited.

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 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 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 2022



#### 16. DEFERRED REVENUE

	June 2022 \$	June 2021 \$
Current deferred revenue and income	9,349,670	6,511,929
<b>Total deferred revenue</b>	<b>9,349,670</b>	<b>6,511,929</b>

#### Recognition and Measurement

Deferred revenue includes billings or payments received in advance of revenue recognition and is recognised as revenue when 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 2022 primarily included \$7,435,141 relating to the LEILAC EU Horizons 2020 project (2021: \$5,380,229), \$842,862 relating to the CRC-P project (2021: \$448,835) and \$746,815 relating to the MMF project (2021: \$nil).

#### 17. ISSUED CAPITAL

	June 2022 \$	June 2021 \$
Fully paid ordinary shares	78,276,547	76,288,463
Costs of fund raising recognised	(5,320,746)	(5,320,746)
<b>Total issued capital</b>	<b>72,955,801</b>	<b>70,967,717</b>

##### a. Fully paid ordinary shares

	2022 Number of shares	2021 Number of shares
At the beginning of the year	158,551,249	147,370,563
Issued during the year	2,946,666	11,180,686
<b>Balance at the end of year</b>	<b>161,497,915</b>	<b>158,551,249</b>

	2022 \$	2021 \$
At the beginning of the year	76,288,463	54,456,883
Issued during the year	1,988,084	21,831,580
<b>Balance at the end of year</b>	<b>78,276,547</b>	<b>76,288,463</b>

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

	2022 \$	2021 \$
At the beginning of the year	5,320,746	4,780,076
Incurred during the year	-	540,670
<b>At the end of the year</b>	<b>5,320,746</b>	<b>5,320,746</b>

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 17. ISSUED CAPITAL (CONTINUED)

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

	Number of shares	\$
<b>30 June 2020 – Opening 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
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>
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

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 17. ISSUED CAPITAL (CONTINUED)

##### c. Movements in ordinary share capital (continued)

	Number of shares	\$
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
24-February-2022 - EIS withdrawals	97,532	45,675
01-March-2022 - EIS withdrawals	28,173	13,213
07-April-2022 - EIS withdrawals	10,000	4,818
11-April-2022 - EIS withdrawals	6,083	2,727
21-April-2022 - EIS withdrawals	40,000	22,202
<b>30 June 2022 – Closing Balance</b>	<b>161,497,915</b>	<b>78,276,547</b>

#### 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 2022, \$nil in shares were issued from the ESS trust (2021: \$1,341,656).

##### *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 2022, \$919,850 in shares were issued (2021: \$512,723).

##### *Warrants exercised*

During the year ended 30 June 2022, 1,232,076 warrants were exercised (2021: 1,127,080) by warrant holders at an exercise price of \$0.66 per share which resulted in a new issue of 1,232,076 ordinary shares (2021: 1,127,080). Further details of the Warrants are set out in the notes below.

## Notes to the Financial Report

### For the year ended 30 June 2022



#### 18. RESERVES

	June 2022 \$	June 2021 \$
Foreign currency translation reserve	(833,850)	(104,975)
Share-based payment reserve	2,786,145	3,393,471
Warrant reserve	-	255,064
Transactions with NCI reserve	21,281,751	-
<b>Total reserves</b>	<b>23,234,046</b>	<b>3,543,560</b>
<b>Foreign currency translation reserve</b>		
At the beginning of the year	(104,976)	21,309
Revaluations to foreign currency translation reserve	(728,874)	(126,285)
<b>At the end of the year</b>	<b>(833,850)</b>	<b>(104,976)</b>
<b>Share-based payment reserve</b>		
At the beginning of the year	3,393,470	3,300,364
Shares issued from the ESS trust	-	(1,341,656)
Fair value of EIS rights granted	312,524	1,947,485
Fair value of EIS rights issued	(919,849)	(512,723)
<b>At the end of the year</b>	<b>2,786,145</b>	<b>3,393,470</b>
<b>Warrant reserve</b>		
At the beginning of the year	255,064	488,392
Conversion of warrants	(255,064)	(233,328)
<b>At the end of the year</b>	<b>-</b>	<b>255,064</b>
<b>Transactions with NCI reserve</b>		
At the beginning of the year	-	-
Divestment of investment in subsidiary	22,324,449	-
Transaction costs of divestment	(1,042,698)	-
<b>At the end of the year</b>	<b>21,281,751</b>	<b>-</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 20 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, \$nil worth of shares was withdrawn by employees and officers from the ESS Trust (2021: \$1,341,656).



## Notes to the Financial Report

### For the year ended 30 June 2022



#### 18. RESERVES (CONTINUED)

##### *Warrant reserve*

On 20 July 2018, the Company issued 2,359,155 warrants, which expired 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.

#### 19. SHARE BASED PAYMENTS

##### **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 to 30 June 2022, 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 2022:

##### **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 no new rights (2021: 178,866) at an exercise price of \$NIL. Of the total rights granted to date, 4,651,254 were exercisable at the end of the period (2021: 1,569,766), while nil were forfeited during the year (2021: 61,279). 1,714,591 rights were exercised during the period (2021: 553,406) and no rights expired during the period (2021: NIL). The balance of rights at the end of the year is 7,382,781 (2021: 7,382,781). The fair value on issue of these rights is \$2,786,145. An expense of \$312,524 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.

During the year, Calix granted rights under a new EIS scheme, none of these rights were earned or vested during the year. The grant date is 14 February 2022 when the letters were released to the employees. The share price on this date was \$5.21. The exercise price is \$Nil and can be up to 6 years from issue.



## Notes to the Financial Report

### For the year ended 30 June 2022



#### 20. LOSS PER SHARE

	June 2022 \$	June 2021 \$
a. Earnings used to calculate basic and diluted EPS from continuing operations	(16,507,819)	(9,106,771)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating:		
Basic EPS and Diluted EPS*	160,437,064	150,479,340
c. Earnings per share (cents per share)		
Basic EPS and Diluted EPS*	(10.29)	(6.05)

\*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. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### 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 2022 \$	June 2021 \$
<b>Financial assets</b>		
Cash and cash equivalents	24,982,760	15,130,147
Current trade and other receivables	2,970,148	4,555,909
Non-current trade and other receivables	284,419	292,970
<b>Total financial assets</b>	<b>28,237,327</b>	<b>19,979,026</b>
<b>Financial liabilities</b>		
Trade and other payables	3,256,009	3,379,930
Current borrowings	863,489	405,387
Current lease liabilities	277,535	222,618
Non-current borrowings	15,261	44,464
Non-current lease liabilities	315,390	614,025
<b>Total financial liabilities</b>	<b>4,727,684</b>	<b>4,666,424</b>

## Notes to the Financial Report

### For the year ended 30 June 2022



## 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 2022, trade receivables of \$27,811 were past due but not impaired (2021: \$23,210). These relate to a number of independent customers for whom there is not recent history of default. The ageing analysis of trade receivables is as below:

	June 2022 \$	June 2021 \$
Current	1,327,757	1,330,587
Less than 30 days overdue	77,606	39,743
Less than 60 days overdue	21,192	1,650
More than 60 days overdue	27,811	23,210
<b>Total trade receivables</b>	<b>1,454,366</b>	<b>1,395,190</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 2022**

**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>2022</b>				
<b>Financial assets</b>				
Cash and cash equivalents	24,982,760	-	24,982,760	24,982,760
Deposits	1,166,049	284,419	1,450,468	1,450,468
Trade receivables	1,454,366	-	1,454,366	1,454,366
Other current receivables	349,733	-	349,733	349,733
<b>Total Financial assets</b>	<b>27,952,908</b>	<b>284,419</b>	<b>28,237,327</b>	<b>28,237,327</b>
<b>Financial liabilities</b>				
Trade and other payables	3,256,009	-	3,256,009	3,256,009
Current borrowings	863,489	-	863,489	866,528
Current lease liabilities	277,535	-	277,535	313,562
Non-current borrowings	-	15,261	15,261	15,261
Non-current lease liabilities	-	315,390	315,390	366,118
<b>Total Financial liabilities</b>	<b>4,397,033</b>	<b>330,651</b>	<b>4,727,684</b>	<b>4,817,478</b>
<b>Net Financial Assets/(liabilities)</b>	<b>23,555,875</b>	<b>(46,232)</b>	<b>23,509,643</b>	<b>23,419,849</b>

	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	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 2022



## 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 2022 \$	Impact on post tax profit 2021 \$
Increase by 100 basis points	43,801	39,223
Decrease by 100 basis points	(43,801)	(39,223)

### (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 2022 USD \$	June 2021 USD \$
Cash	356,941	416,160
Trade and other receivables	538,164	732,688
Trade and other payables	(341,169)	(642,378)
<b>Foreign exchange exposure</b>	<b>553,936</b>	<b>506,470</b>
	GBP £	GBP £
Cash	211,259	43,749
Trade and other receivables	(347,961)	-
Trade and other payables	337,893	(61,201)
<b>Foreign exchange exposure</b>	<b>201,191</b>	<b>(17,452)</b>
	EUR €	EUR €
Cash	14,039,962	306,599
Trade and other receivables	(485,771)	-
Trade and other payables	156,481	(298,114)
<b>Foreign exchange exposure</b>	<b>13,710,672</b>	<b>8,485</b>

## Notes to the Financial Report

### For the year ended 30 June 2022



## 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 2022 \$	June 2021 \$
+/- 5% in AUD/USD	80,409	67,368
+/- 5% in AUD/GBP	35,477	(3,215)
+/- 5% in AUD/EUR	2,080,843	1,342

## 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 2022 \$	June 2021 \$
Net debt	878,750	449,851
Total equity	43,488,352	38,148,025
Net debt to equity ratio	2%	1%

## Notes to the Financial Report

### For the year ended 30 June 2022



### 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 2022	% owned 2021
Calicoat Pty Ltd	Australia	100%	100%
MS Minerals Pty Ltd	Australia	100%	100%
Calix (Europe) Limited	UK	93%	100%
- Millennium Generation Limited	UK	93%	100%
Calix (North America) LLC	USA	100%	100%
Calix Technology Pty Ltd	Australia	100%	100%
Calixhe SA	Belgium	96%	100%
Calix Europe Sarl	France	93%	100%
Inland Environmental Resources, Inc.	USA	100%	100%
Westside Environmental Resources LLC.*	USA	<sup>(1)</sup> 100%	<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 2022



#### 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.

#### 24. PARENT ENTITY FINANCIAL INFORMATION

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

	June 2022 \$	June 2021 \$
Current assets	5,589,235	6,001,302
<b>Total assets</b>	<b>32,775,869</b>	<b>43,996,231</b>
Current liabilities	4,076,493	5,109,135
<b>Total liabilities</b>	<b>4,625,292</b>	<b>5,848,206</b>
<i>Equity</i>		
Issued capital	72,955,801	70,967,717
Reserves	1,743,447	3,648,535
Accumulated losses	(46,548,671)	(36,468,227)
<b>Total equity</b>	<b>28,150,577</b>	<b>38,148,025</b>
Loss for the year	(12,062,804)	(9,233,046)
<b>Total comprehensive (loss) for the year</b>	<b>(12,062,804)</b>	<b>(9,233,046)</b>

##### *Contingent liabilities*

The parent entity and other controlled group companies had no contingent liabilities as at 30 June 2022 (2020: \$NIL).

##### *Capital commitments*

The parent entity and other controlled group companies had no capital commitments for property, plant and equipment at as 30 June 2022 (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 2022 was \$10,517,207 (2021: \$10,517,207).



## Notes to the Financial Report

### For the year ended 30 June 2022



## 25. 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 2022, Calix Limited had loaned funds to Calix (Europe) Limited in the amount of \$922,261 (2021: \$342,217).

As at 30 June 2022, Calix Limited had loaned funds to Calix North America LLC in the amount of \$91,709 (2021: \$20,356).

Calicoat Pty Limited ("Calicoat") has not traded since its inception. As at 30 June 2022, Calix Limited had loaned funds to Calicoat in the amount of \$1,977 (2021: \$1,977).

As at 30 June 2022, Calix Limited had loaned funds in the amount of \$2,407,383 to MS Minerals (2021: \$1,705,273).

None of the above loans are secured, nor guarantees given or received. They are repayable on demand and are interest free between all parties.

There were no provisions for doubtful debts related to any of the outstanding related party loans above, nor any expense recognised during the period for bad or doubtful debts due from related parties.

The Group made loans to two of its directors during the year, these are disclosed in the "Loans given to key management personnel" section of the remuneration report above.

Calix Technology Pty Ltd has not traded since its inception.

As at 30 June 2022, Calix Limited had loaned funds in the amount of \$nil to Calixhe SA (2021: \$61,444).

As at 30 June 2022, Calix Limited had loaned funds in the amount of \$51,230 to Calix Europe Sarl (2021: \$nil).

As at 30 June 2022, Calix Limited loaned funds to Inland Environmental Resources Inc in the amount of \$1,763,438 (2021: \$792,033)

## 26. AUDITORS REMUNERATION

During the year ended 30 June 2022, 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 2022 \$	June 2021 \$
Audit and review of financial statements		
BDO Australia	162,027	132,286
BDO partner firm outside Australia	-	54,034
Other services		
Transfer pricing services	18,081	-
<b>Total remuneration for services</b>	<b>180,108</b>	<b>186,320</b>

## Notes to the Financial Report

### For the year ended 30 June 2022



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

	June 2022 \$	June 2021 \$
Short-term employee benefits	2,306,596	1,783,782
Post-employment benefits	200,435	109,445
Share based payments	534,486	541,118
<b>Total</b>	<b>3,041,517</b>	<b>2,434,345</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 13 of the Annual report.

#### 28. CASH FLOW INFORMATION

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

	June 2022 \$	June 2021 \$
<b>Loss after income tax</b>	<b>(16,507,819)</b>	<b>(9,106,771)</b>
Add back:		
Depreciation, amortisation and impairment expense	4,041,497	6,973,344
Interest classified as financing cash flows	45,457	58,032
Foreign exchange gains	(814,247)	(15,874)
Share based payment expense	312,524	1,947,485
Changes in balance sheet items		
Decrease/(increase) in trade & other receivables	6,486,960	(2,658,524)
(Increase) in inventory	(1,224,106)	(878,721)
(Increase) in other assets	-	(782,117)
(Decrease) in trade and other payables	(123,921)	(4,037,508)
Accrual of provisions	244,364	296,190
Increase/(decrease) in deferred revenue	2,837,741	(711,045)
(Decrease)/increase in deferred tax liabilities	(205,011)	793,590
<b>Net cash used in operating activities</b>	<b>(4,906,561)</b>	<b>(8,121,919)</b>

#### 29. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 30 June 2022 and 30 June 2021.

## Notes to the Financial Report

### For the year ended 30 June 2022



### 30. NON-CONTROLLING INTERESTS

#### (a) 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 received (net of \$1.0m transaction costs) and \$1.6m related to the share of Carbon Direct is accounted for as equity reserves, amounting to \$21.2m as at 30 June 2022 in the statement of changes in equity.

#### (b) Equity - non-controlling interests

	June 2022 \$	June 2021 \$
Reserves	1,478,250	-
Retained profit	(169,576)	-
	<b>1,308,674</b>	-

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, \$182,097, is disclosed as part of non-controlling interest in the income statements.

### 31. 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.

**Notes to the Financial Report**  
**For the year ended 30 June 2022**



**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, and 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 2022 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 2022

## 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 2022, 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 2022 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>Accounting for movement of investments in subsidiary</b></p> <p>During the year 6.98% of Calix Europe Limited was divested to Carbon Direct for €15m (\$23.8m AUD) as detailed in Note 30 of the financial statements. This was considered a key audit matter due to the significant quantum of this non-routine and complex transaction, in which there is a risk that it may be materially misstated and not accounted for in accordance with AASB 10 Consolidated Financial Statements.</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 underlying sales agreement and verified the accuracy of the sales consideration;</li> <li>• Evaluating the capability, competence and objectivity of management's expert used to advise on the accounting treatment of this transaction;</li> <li>• Re-performing the calculation of non-controlling interests in other comprehensive income, equity reserves and cash flow statements;</li> <li>• Selecting a sample of transaction costs and agree to supporting document (e.g. invoices) to ensure the nature of the transaction are correctly treated and allocated between equity and expenses;</li> <li>• Engaging with internal technical accounting experts to consider the accounting and disclosure implications of the disposal;</li> <li>• Ensuring that the transaction has been accounted for in accordance with AASB 10 Consolidated Financial Statements; and</li> <li>• Ensuring correct disclosure in the financial statements in accordance with AASB 101 Presentation of Financial Statements and AASB 12 Disclosure of Interests in Other Entities.</li> </ul>
<p><b>Impairment of goodwill in Inland Environmental Resources, Inc</b></p> <p>The Group recognises a material balance of goodwill as a result of the historical business combination of Inland Environmental Resources within the Calix Group, as detailed in Note 10 to the financial statements.</p> <p>This matter is considered a key audit matter due to the complexity of estimates and judgements applied in the impairment consideration of goodwill, including possible management bias in the impairment assessment. The critical accounting estimates and judgements include forecasts of revenue growth rates and other cash flows, which is affected by future market and economic conditions, the discount rate applied and terminal value. This gives rise to a risk of error associated with management's judgements and estimates made.</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>• Evaluating management's assessment of the cash generating unit ('CGU'), ensuring this is consistent with our understanding of the Group and internal reporting;</li> <li>• Evaluating the discounted cash flow ('DCF') model prepared by management to determine the value in use of the CGU. This included challenging and substantiating the key assumptions made by management, such as forecast revenue growth, operating costs and discount rates;</li> <li>• Consulting with BDO Corporate Finance valuation experts in order to assess the reasonableness of the methodology applied throughout the model and the discount rate;</li> <li>• Reviewing the sensitivity analysis on the DCF model to assess the impact of changes to the key assumptions in the model on the value in use of the CGU; and</li> <li>• Ensuring disclosure in the financial statements is adequate and meets the requirements of Australian Accounting Standards.</li> </ul>

## 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 2022, 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 2022.

In our opinion, the Remuneration Report of Calix Limited, for the year ended 30 June 2022, 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

A handwritten signature in black ink, appearing to read 'Ian Hooper', with a stylized flourish at the end.

Ian Hooper  
Partner

Sydney, 24 August 2022