

August 29, 2019

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 2019

2. Results for announcement to the market:

				\$ 000's
Total revenues and other income from ordinary activities	up	14%	to	13,906
Profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments and income tax	down	76%	to	456
(Loss) for the year attributable to the owners of Calix Limited	up	124%	to	(7,489)

Proforma adjustments

The loss for the year includes a one-off amount of \$2.36m of costs associated with the Company's IPO in July 2018. Adjusting for these two items, the profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses and income tax and the loss attributable to the owners of Calix Limited would be as follows:

				\$ 000's
(Loss) for the year attributable to the owners of Calix Limited	up	124%	to	(7,489)
Adjustment for IPO expenses				2,363
(Loss) for the year attributable to the owners of Calix Limited	up	53%	to	(5,126)

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3. Net tangible assets:

	Current reporting period	Previous reporting period
Net tangible assets per ordinary security	\$0.13	\$0.13

4. Dividends:

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

5. Audit qualification or review:

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

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For more information:

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About Calix

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

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

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

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

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Annual report
2019

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 2019.

DIRECTORS

The following persons were directors of the Company during the whole of the year ended 30 June 2019 and up to the date of the report.

Peter Turnbull
Jack Hamilton
Phil Hodgson
Lance O’Neill
Mark Sceats

PRINCIPAL ACTIVITIES

Calix has developed a patent-protected, platform technology that produces new materials and processes, targeted at solving some significant global challenges in water and wastewater treatment, sustainable food production, CO₂ mitigation and advanced battery development.

The core technology platform – the Calix Flash Calciner (“CFC”) - is a reinvention of the kiln process, which can produce high purity, high surface area products that have high levels of reactivity. Additionally, when processing limestone into lime or cement, or magnesite into magnesium oxide for refractories and other applications, that same patented process can efficiently separate the CO₂ coming out of the mineral (about ½ the weight of the limestone or magnesite).

These new materials and processes are being commercialised via a variety of business models including direct sales of products, licensed distributor sales, and licensing of the technology. The Group has operations, customers or distribution partners across Australia, New Zealand, Asia, Europe and the United States of America.

The business is focussed in three main areas across Commercial, Pre-Commercial, and R&D products and applications.

- The commercial activity manages the growth in direct sales, or licensing of the product or application, including iteration and improvement of the offering. Current commercial activity focuses on water and wastewater applications of Calix’s high reactivity magnesium oxide, including sewer network improvement, industrial wastewater treatment, bio-treater and biogas efficiency enhancement, and aquaculture farming system improvement.
- The pre-commercial function involves taking promising products or applications and developing the business model for commercialisation, including via paid trials, potential licensed partner assessments, or indeed considering the spin-out or sale of a technology application. The focus of this work area is currently in the agriculture market, and fresh-water lake remediation.
- Our R&D function manages a pipeline of opportunities that leverage the core technology. It has been successfully self-funded for 5 years with grants from the Australian Government and the European Union (EU). The key current development focus is in demonstration of the technology for the cement and lime industries and the development of the CFC technology in the field of advanced batteries.

Our business activities are under-pinned by a commercial-scale 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 CO₂ capture from lime and cement (“LEILAC” facility) in Lixhe, Belgium, and an electric calciner for advanced materials including battery materials (“BATMn” facility) at Bacchus Marsh in Victoria. While our Pre-Commercial and Commercial functions are based upon magnesium oxide and hydroxide, multiple other minerals have been processed successfully by the technology and are being developed into a range of potential new products and applications as part of our R&D.

OPERATING RESULTS

The Group recorded an improvement in overall revenues as a result of improved project income and product margins, with total revenue and other income rising 14% to \$13.9m (2018: \$12.2m). Product gross margins also improved to 39.4% (2018: 34.4%). However, revenues from core products sales were down 18%, primarily due to a major Australian utility contracted program for PROTECTA-Mag being suspended. Net cash increased for the year by \$2.0m to \$4.4m (2018: \$2.4m).

REVIEW OF OPERATIONS

The 2018/19 financial year saw the Group achieve a continuation in its growth trajectory with growth on total revenue and other income to \$13.9m (up 14% on 2018) and improving product margins (39.4% vs 34.4% in 2018). Core product sales were down 18% to \$3.23m (2018 \$3.97m) primarily due to a major Australian utility delaying a contracted PROTECTA-Mag program, however Other Income was up 31% to \$10.6m (2018 \$8.1m) primarily due to increased project revenues from the LEILAC project, as well as additional revenue from grants awarded to support research and development and commercialisation efforts across Calix's development program.

The business strategy for the year continued with a focus on:

1. Aggressively pursuing revenues with product sales in ACTI-Mag, PROTECTA-Mag, and AQUA-Cal+ and targeting grant opportunities to support core R&D and commercialisation activities,
2. Active promotion of our technology through licensing and joint venture activities, and
3. Continuation of innovation to enhance core technology and applications through research and development.

Core product sales experienced a difficult year, primarily due to the continual delay of a contracted PROTECTA-Mag work program with a major Australian utility. Following push-back during FY19, as previously communicated to shareholders, the utility notified the Company on 7 August 2019 that it had decided to undertake a two to three-year R&D program to evaluate a number of alternative technologies for sewer asset protection, which would include the Group's PROTECTA-Mag product. As this utility was the marquee technology leader for this type of sewer asset protection in Australia, having utilised the technology for over ten years, the utility's R&D program effectively represents a hiatus in PROTECTA-Mag commercial development in Australia. Calix will continue to pursue a market entry in the US, where a local generic product is also well-known and has been utilised for many years. In the US, PROTECTA-Mag is currently undergoing coupon testing in a sewer with a major West Coast US utility. Calix will keep the market updated of the R&D program in Australia and coupon testing in the US.

After an excellent start to the year (40% growth) Calix's ACTI-Mag finished slightly down on full year to \$2.45m (2018: \$2.7m) primarily due to some aggressive local competition for larger accounts. Through increasing the total number of accounts by over 40%, the sales team were able to both spread risk and improve margin and have established a good platform for growth in the year ahead in Australia. In the US, ACTI-Mag has achieved a toehold with repeat sales with two customers (in Hawaii and the US West Coast) with a growing pipeline on the back of some excellent trial results. In Asia, ACTI-Mag has achieved repeat sales at two biogas plants, with multiple trials continuing in Thailand and Malaysia. In Europe, following initial extended lab-scale testing, two trials have been agreed with German biogas producers on full-scale bio-treaters.

Excellent product sales growth was achieved in aquaculture with AQUA-Cal+, growing at 251% (2018: growth of 96%) primarily due to excellent penetration into China – the largest global producer of farmed prawns. AQUA-Cal+ achieved revenues of \$0.4m (2018: \$0.1m) and has effectively passed from pre-Commercial to Commercial in our development pipeline, a major milestone. Good progress in paid trials is being made in Vietnam, and two major customers in Malaysia continue to expand their use of the product across their prawn farm network. Plans are underway to look at market entries into India, Bangladesh and Taiwan in 2020. Also of interest were continued excellent results from a fresh water lake remediation trial in Malaysia – now well into its second year. AQUA-Cal+ has been used as a core part of a treatment regime to restore a decorative lake, suffering continued blue-green algal outbreaks, to health. Calix will keep the market updated on progress in this highly prospective market.

The Group further developed its BOOSTER-Mag crop protection commercialisation strategy. During the year, excellent further trial results were achieved in the European summer, fourth season farm-scale trials were performed successfully in Australia and good progress continued to be made towards achievement of registration with the Australian, Pesticides and Veterinary Medicines Authority. As at the date of this report, four Material Transfer Agreements (MTA's) had been executed with multi-national crop protection companies, with more in negotiation, covering IP ownership and trial protocols as part of the due diligence by our counter parties on the product. These MTAs represent a considerable investment to be undertaken by the counterparts in assessing our product over several seasons of trials. Following the end of the year (August 2019) Calix entered into its first BOOSTER-Mag distribution agreement, as noted below.

Activity on the Low Emissions Intensity Lime & Cement ("LEILAC") R&D project continued to progress during the year with the successful completion of construction, on time and on budget, of a pilot facility to demonstrate direct CO₂ separation for the cement and lime industries in Lixhe, Belgium. The LEILAC Consortium, led by Calix, includes some of the largest cement and lime companies in the world, such as HeidelbergCement, Cemex and Lhoist. During 2019, HeidelbergCement publicly committed to produce zero CO₂ emissions cement by 2050, the first cement company to do so.

The Group's development in the field of advanced batteries also progressed well. the "BATMn" project - a new electric powered calciner at Bacchus Marsh for the development and manufacture of advanced battery materials for lithium ion batteries – was completed on time and under budget. The project was supported by Australian

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Federal Government through its Advanced Manufacturing Growth Fund. A battery development program has been developed with local and international consortia of Universities and research institutes and will commence in FY20. Also, the €5m “SOCRATCES” solar-powered thermo-chemical (base load renewable energy) storage R&D project continued to track well, with the pilot plant construction underway. Both projects play into exciting, growing markets for advanced batteries over the coming decades.

In addition to these R&D projects, the Group continued research associated with its technology and filed a further five new patents during the period. The Group has continued to develop its patent protection across core technology, manufacturing process and product application in multiple markets around the world.

Following the IPO of the Group in July, 2018, the Group has invested an additional \$3.8m in sales and marketing, operations and increased research and development to \$11.4m (2018: \$7.6m) but in line with plans have continued to deliver a positive pro-forma EBITDA of \$2.1m (2018: \$1.9m). The Group will continue to look at ways to carefully manage costs at the same time as investing in growing sales and broadening its product capability through targeted research and development activity.

FINANCIAL POSITION

The Group held \$4.43m in cash and cash equivalents at 30 June 2019 (2018: \$2.45m) and had a surplus of \$3.22m of total current assets over total current liabilities (2018: \$4.33m), and a surplus of \$6.36m of current assets over total current liabilities when excluding deferred revenues (2018: \$4.53m).

FUTURE DEVELOPMENT, PROSPECTS AND BUSINESS STRATEGIES

Having completed its IPO on 20 July 2018, the Group will continue to pursue the following strategies and activities:

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the significant milestones as set out in the review of operations 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 (2018: \$NIL).

AFTER BALANCE DATE EVENTS

On 30 July 2019, the Company announced that it had successfully demonstrated separation of CO₂ with more than 95% purity at the Project LEILAC plant at the HeidelbergCement site at Lixhe in Belgium. After preliminary test runs were completed, the Calix technology concept was shown to work on both lime and cement meal with calcination near to target levels and high purity CO₂ successfully separated at the top of the LEILAC reactor, albeit not yet at full design capacity.

On 7 August 2019, the Company announced that it had entered a 10-year distribution agreement with Afepasa (Azufrera y Fertilizantes Pallares, SAU) a European leader in sulphur-based fertilizer and crop protection products, for Calix's bioactive magnesium hydroxide for agriculture.

On 12 August 2019, the Company announced that it had been awarded grants for two new development projects:

- \$3.0m in funding over 3 years from the Department of Industry, Innovation and Science to support an Australian project focused on developing high performance, low-cost, fast charge-discharge lithium-ion hybrid batteries on nano-active electrode materials – The CRC-P for Advanced Hybrid Batteries.
- \$0.5m in funding from the European Union ACT-CCS Program for a new CO₂ capture project for cement production – Project ANICA.

Other than the items mentioned above, no other matters or circumstances have arisen since the end of the year which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

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INFORMATION ON DIRECTORS

Peter J Turnbull - BCom, LLB, FGIA (Life), FCIS, FAICD (Non-executive Chair)

Experience

Peter Turnbull is an experienced chair and professional non-executive director of publicly listed, unlisted public, not for profit and early stage companies.

Peter brings to the board significant legal, risk management and commercial experience gained from working with boards and management to conceive, fund, structure and complete corporate transactions and to prioritise and maximise the value of organic growth strategies for shareholders.

Peter has significant regulatory and public policy experience from prior executive roles including as a Director of the Securities & Futures Commission of Hong Kong and is also a regular contributor and speaker in Australia and overseas on corporate governance and public policy issues.

Peter's senior executive roles over 30 years involved significant experience in large publicly listed organisations with global operations, particularly South East Asia, Europe and the USA. Peter's executive experience included over a decade in energy markets and the resources sector including as Company Secretary of Newcrest Mining Limited, Company Secretary and General Counsel of BTR Nylex Limited and General Manager, Legal and Corporate Affairs with Energex Limited.

Current positions and directorships include:

Chair, Calix Limited (ASX – CXL)
 Non-executive director, Karoon Gas Australia Ltd (ASX – KAR)
 Non-executive director, Governance Institute of Australia
 Chair, Auxita Pty Ltd

Peter is an Adjunct Professor at the University of Queensland, a former President, Life Member and Fellow of the Governance Institute of Australia and a Fellow of the Australian Institute of Company Directors.

Special responsibilities

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

Interest in shares and options

957,484 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 management covering refining, petrochemicals and gas production, marketing, strategy and liquefied natural gas project management. Jack was previously CEO of Exergen Pty Ltd, a low emission coal resource development company and formerly, director of NWS Ventures with Woodside Energy overseeing one of Australia's largest resource projects, the North West Shelf Project.

Jack is the non-executive chair of Anteo Diagnostics Limited (ASX – ADO), Advisory Board member of GHD Engineering Ltd., and has held numerous publicly-listed non-executive director roles including Renu Energy Limited and DUET Group Ltd.

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

Special responsibilities

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

Interest in shares and options

1,918,754 ordinary shares in Calix Limited
 Nil options, 206,250 warrants for ordinary shares in Calix Limited

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

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

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

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

Special responsibilities

Nil

Interest in shares and options

5,500 ordinary shares in Calix Limited

Nil options, 132,500 warrants for ordinary shares in Calix Limited

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

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

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

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

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

Special responsibilities

Managing Director & CEO, member of the Technology Committee

Interest in shares and options

3,225,866 ordinary shares in Calix Limited

Nil options, 82,500 warrants for 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 40 years' experience. He has degrees in Science (Hons 1st Class) and a PhD (University of Queensland).

Mark has previously worked at the James Franck Institute at the University of Chicago, and as an Assistant Professor of the University of Rochester NY, USA, where he was awarded the Alfred P Sloan Fellowship for his work. Later he was employed by the University of Sydney as a Reader in the School of Chemistry for his research work on chemical reaction kinetics. Mark has published more than 140 academic papers in physical chemistry and is an inventor of 36 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, was re-elected as a Director in 2014.

Special responsibilities

Member of the Technology Committee

Interest in shares and options

7,004,084 ordinary shares in Calix Limited

Nil options, 412,500 warrants for ordinary shares in Calix Limited

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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 2019, and the number of meetings attended by each director were:

Director name	Committee meetings							
	Full Board		ARMC		REM		TECH	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Peter Turnbull	10	10	2	2	3	3	*	*
Jack Hamilton	10	10	2	2	3	3	2	2
Lance O'Neill	9	10	*	*	*	*	*	*
Phil Hodgson	10	10	*	*	*	*	2	2
Mark Sceats	9	10	*	*	*	*	2	2

* = Not a member of the relevant committee
 ARMC = Audit & Risk Management committee
 REM = Remuneration and Nomination committee
 TECH = Technology committee

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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 are responsible for the regular monitoring of environmental exposure and compliance with environmental regulations and are 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 or since the end of the financial year, the Company has given an indemnity by way of deed of indemnity to directors and senior management. The Company also paid a premium in relation to insuring the directors and other officers against liability incurred in their capacity as a director or officer.

OPTIONS AND WARRANTS

At the date of this report, there were no unissued ordinary shares of the Company under option and 8,754,955 warrants on issue. The warrants on issue include 3,242,405 that are subject to mandatory escrow period until 20 July 2020. Refer to note 16 of the financial statements for further details of the warrants outstanding at balance date.

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

PROCEEDINGS ON BEHALF OF COMPANY

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

AUDITOR

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

NON-AUDIT SERVICES

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

Amounts paid or payable to the auditors for non-audit services provided during the year are as follows: - Due diligence relating to IPO \$NIL (2018: \$0.12m) and Other assurance services \$NIL (2018: \$0.01m).

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

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

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 14.

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REMUNERATION REPORT (AUDITED)

Introduction

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

KMP remuneration

The following executives of the Group were classified as KMP during the 2019 financial year and unless otherwise indicated were classified as KMP for the entire year.

Non-Executive Directors

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

Executive Directors

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

Senior Executives

Darren Charles, CFO & Company Secretary
Bill Karis, GM Sales
Andrew Okely, GM Strategy & Commercial

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

- Non-executive director's remuneration is approved by the board and shareholders. Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.
- All KMP, including the CEO, receive a base salary which is based on factors such as length of service and experience. The board reviews KMP salary annually by reference to the Group's performance, individual performance and comparable information from industry sectors.
- KMP employees also receive a superannuation guarantee contribution, which is currently 9.50% and do not receive any other retirement benefits.
- An incentive or bonus scheme may be applied based upon performance versus both company and Individual Key Performance Indicators (KPI). The board sets yearly KPIs to drive performance to be in line with the longer-term strategy. The actual performance against KPIs is reviewed regularly and assessed at the end of the financial year by the Remuneration and Nomination Committee, for the purpose of determining incentives or bonuses.

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

30 June 2019	Short term benefits	Post-employment benefits	Share-based payments	Total
	\$	\$	\$	\$
<i>Company directors</i>				
Peter Turnbull	105,000	-	-	105,000
Jack Hamilton	75,417	-	-	75,417
Lance O'Neill	42,672	-	-	42,672
Phil Hodgson	395,372	20,531	-	415,903
Mark Sceats	310,392	20,531	-	330,913
	928,853	41,063	-	969,916
<i>Other KMP of the Group</i>				
Darren Charles	309,628	20,531	-	330,159
Bill Karis	274,334	20,531	-	294,865
Andrew Okely	290,467	25,000	-	315,467
	874,430	66,062	-	940,492
Total KMP Compensation	1,803,283	107,125	-	1,910,408

30 June 2018	Short term benefits	Post-employment benefits	Share-based payments	Total
	\$	\$	\$	\$
<i>Company directors</i>				
Peter Turnbull	105,000	-	-	105,000
Jack Hamilton	69,000	-	-	69,000
Lance O'Neill	42,672	-	-	42,672
David Zeiden (to 28 Feb 2018)	-	-	-	-
Phil Hodgson	348,000	20,049	-	368,049
Mark Sceats	304,755	20,049	-	324,804
	869,427	40,098	-	909,525
<i>Other KMP of the Group</i>				
Darren Charles	272,822	20,049	-	292,871
Bill Karis (from 28 May 2018)	13,282	1,262	-	14,544
Andrew Okely	278,320	20,049	-	298,369
	564,424	41,360	-	605,784
Total KMP Compensation	1,433,851	81,458	-	1,515,309

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 2019	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance as at 30 June 2019
<i>Ordinary shares</i>					
Peter Turnbull	957,484	-	-	-	957,484
Jack Hamilton	1,918,754	-	-	-	1,918,754
Lance O'Neill	5,500	-	-	-	5,500
Phil Hodgson	3,225,866	-	-	-	3,225,866
Mark Sceats	7,004,084	-	-	-	7,004,084
Darren Charles	685,349	-	-	-	685,349
Andrew Okely	751,940	-	-	-	751,940
Bill Karis	-	-	14,400	-	14,400
	14,548,977	-	-	-	14,563,377

The number of warrants 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 2019	Balance at the start of the year	Additions	Disposals	Balance as at 30 June 2019
<i>Warrants</i>				
Peter Turnbull	-	-	-	-
Jack Hamilton	206,250	-	-	206,250
Lance O'Neill	132,500	-	-	132,500
Phil Hodgson	82,500	-	-	82,500
Mark Sceats	412,500	-	-	412,500
Darren Charles	82,500	-	-	82,500
Andrew Okely	41,250	-	-	41,250
Bill Karis	-	-	-	-
	957,500	-	-	957,500

Short and long-term incentive schemes

a) Calix ESS

In 2013, the board established a share-based payments scheme under which directors and employees could earn shares for achievement of short and long-term goals. The Calix Employee Share Scheme Trust ("ESS") was established to administer the scheme on behalf of the board. A post consolidation equivalent of 6,804,603 shares were issued to the Employee Share Scheme Trust. The accounting treatment of the ESS shares is to expense the shares at fair value at the time they are awarded and vest to the participating directors and employees.

In the periods from FY 2013/14 to FY 2016/17, 3,403,856 ESS shares were awarded and vested to participating directors and employees at a fair value of \$638,813 which was recognised in the statements of profit or loss. For the FY 2017/18, the remaining shares in the ESS were subject to performance vesting criteria that was linked to a successful listing of the Company on the ASX. As this event did not occur by 30 June 2018, the ESS shares did not vest and were returned to the ESS pool.

The Company undertook a public offer of 15,094,340 shares at an issue price of \$0.53 and completed its initial public offering when its shares commenced trading on the ASX on 20 July 2018. The Board resolved to grant and vest the remaining 3,400,747 shares in the trust as a result of the Company achieving its IPO. A fair value expense of \$1.80m for these ESS shares will be bought to account in the 2018/19 financial statements accordingly.

30 June 2019	Balance at the start of the year	Shares issued	Shares earned & vested	Unearned Shares	Balance as at 30 June 2019
<i>ESS Shares</i>					
Peter Turnbull	-	124,873	-	-	124,873
Jack Hamilton	-	124,873	-	-	124,873
Lance O'Neill	-	-	-	-	-
Phil Hodgson	334,348	772,577	-	-	1,106,925
Mark Sceats	473,832	838,364	-	-	1,312,196
Darren Charles	-	232,152	-	-	232,152
Andrew Okely	287,938	224,290	-	-	512,228
Bill Karis	-	-	-	-	-
	1,096,118	2,317,129	-	3,725,142	3,413,247

b) Calix EIS

On 18 April 2018 at an extraordinary general meeting, the shareholders approved a new Employee Incentive Scheme to operate once the Company is 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

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to provide competitive, performance-based remuneration supporting the retention, incentive and reward functions of that remuneration and drive alignment with shareholders.

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

During the period, 8,264,318 rights were issued to management and staff pursuant to the Calix EIS. As at the date of this report, 7,518,242 rights remain on issue and unvested and 746,076 rights have lapsed as a result of staffing changes.

30 June 2019	Balance at the start of the year	Rights issued	Rights earned & vested	Unearned rights	Balance as at 30 June 2019
<i>EIS rights issued</i>					
Peter Turnbull	-	-	-	-	-
Jack Hamilton	-	-	-	-	-
Lance O'Neill	-	-	-	-	-
Phil Hodgson	-	1,239,383	-	1,239,383	1,239,383
Mark Sceats	-	766,357	-	766,357	766,357
Darren Charles	-	727,437	-	727,437	727,437
Andrew Okely	-	524,911	-	524,911	524,911
Bill Karis	-	467,054	-	467,054	467,054
	-	3,725,142	-	3,725,142	3,725,142

These rights are subject to certain threshold conditions including: -

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

Additional conditions related to the vesting of these rights are:

- Timing of vested rights: the rights will vest in 3 equal tranches at the end of each full financial year following the grant of the rights (i.e. commencing on 1 July 2019), Any cash bonus declared in respect of a financial year will also be paid at the same time. The vesting of the rights is subject to the vesting criteria outlined with respect to Total Shareholder Return (TSR), below.
- TSR is measured as Calix's share price performance, being the 30-day VWAP (over the 15 days preceding, and the 15 days after, Calix announcement of its financial year results) (Measured TSR) as compared to:
 - for year 1, the Offer Price; and
 - for each subsequent financial year, the 30 day VWAP over the 15 days preceding, and the 15 days after the announcement of the company's financial year results for the prior financial year, (each a Baseline TSR).

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

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

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

In event of a successful takeover offer for Calix:

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

Vesting of rights for performance to 30 June 2019

When applying the performance criteria for the period to 30 June 2019, the Board assessed the actual performance against the vesting criteria as follows:-

Threshold 1 – Performance against the Company's annual safety action plan was achieved in full

Threshold 2 – The Board have assumed that the TSR performance threshold will be met.

Threshold 3 – The Board assessed the performance against the annual KPI scorecard and noted that:-

- KPI 1 (representing 37.5%) – Sales Revenue Growth target had not been met
- KPI 2 (representing 37.5%) – The gross margin & EBITDA target had partially met as a result of operating expenditures being within or under budget for the year
- KPI 3 (representing 25%) – Other value development items had been met primarily as a result of the successful commissioning of the LEILAC and BATMn projects

The assessed result for the year was a 30% achievement against target Key Performance Indicators. On this basis, all management and staff would earn a portion of rights however, the senior management have voluntarily elected to forgo their allocation for the year. For the rights that have been earned by staff, an estimated share rights expense has been brought to account in the profit and loss to 30 June 2019.

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 until 31 March, 2020, at which point the contract will become evergreen subject to certain termination conditions.
- Termination: If convicted of an offense, 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 offense, becomes bankrupt, breach of contract or commits wilful misconduct.
- Notice: 3 months by either party (or payment in lieu).

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

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

Options holdings

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

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



Peter Turnbull, Chair
29 August 2019

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

As lead auditor of Calix Limited for the year ended 30 June 2019, 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.



Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 29 August 2019

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Financial report
2019

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2019

	Note	June 2019 \$	June 2018 \$
Core product revenues	3	3,232,165	3,971,028
Other product revenues	3	62,017	129,955
Cost of sales of goods		(1,995,383)	(2,688,928)
Gross profit		1,298,799	1,412,055
Other income	3	10,611,684	8,127,792
Gross profit and other income		11,910,483	9,539,847
Sales and marketing expenses		(3,033,661)	(1,755,150)
Research and development expenses		(7,064,766)	(4,763,814)
Administration and other expenses		(1,356,387)	(1,088,300)
Total operating expenses		(11,454,814)	(7,607,264)
Profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments and income tax		455,669	1,932,583
Depreciation, amortisation and impairment expenses	4	(4,449,571)	(4,669,347)
Finance costs on borrowings		(139,908)	(394,065)
Foreign exchange losses		(71,986)	(209,214)
IPO expenses		(2,363,273)	-
Share based payment expense	17	(742,584)	-
Loss from ordinary activities before income tax		(7,311,653)	(3,340,043)
Income tax expense	5	-	-
Loss for the year		(7,311,653)	(3,340,043)
Total loss for the year is attributable to:			
Owners of Calix Limited		(7,489,159)	(3,340,068)
Non-controlling interests		177,495	25
		(7,311,653)	(3,340,043)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	(61,673)	(20,155)
Total comprehensive income for the year		(7,373,326)	(3,360,198)
Total comprehensive income for the year is attributable to:			
Owners of Calix Limited		(7,550,821)	(3,360,223)
Non-controlling interests		177,495	25
		(7,373,326)	(3,360,198)
Basic and diluted earnings per share (cents)	18	(6.06)	(3.30)

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 2019

	Note	June 2019 \$	June 2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	4,426,030	2,445,217
Trade and other receivables	7	6,272,471	7,866,878
Inventories	8	324,973	180,561
Total current assets		11,023,474	10,492,656
Non-current assets			
Trade and other receivables	7	274,000	274,000
Intangible assets	9	872,961	648,837
Property, plant and equipment	10	13,103,114	11,783,781
Total non-current assets		14,250,075	12,706,618
Total assets		25,273,549	23,199,274
LIABILITIES			
Current liabilities			
Trade and other payables	11	1,678,018	3,740,617
Borrowings	12	2,588,667	1,891,086
Provisions	13	394,743	331,162
Deferred revenue	14	3,138,456	202,171
Total current liabilities		7,799,884	6,165,036
Non-current liabilities			
Borrowings	12	103,786	622,543
Provisions	13	563,748	470,106
Deferred revenue	14	-	1,093,454
Total non-current liabilities		667,534	2,186,103
Total liabilities		8,467,418	8,351,139
NET ASSETS		16,806,131	14,848,135
EQUITY			
Issued capital	15	33,546,039	26,991,683
Reserves	16	3,433,018	717,725
Accumulated losses		(20,350,953)	(12,861,805)
Capital and reserves attributable to the owners of Calix Limited		16,628,104	14,847,603
Non-controlling interests		178,027	532
TOTAL EQUITY		16,806,131	14,848,135

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 2019

	Note	June 2019 \$	June 2018 \$
Cash flows from operating activities			
Receipts from customers		3,617,172	5,722,939
Receipts from government bodies		12,425,112	7,090,576
Payments to suppliers and employees		(15,206,628)	(10,473,760)
Interest received		22,879	11,985
Interest paid		(139,908)	(394,065)
Net cash from/(used in) operating activities	27	718,627	1,957,675
Cash flows from investing activities			
Payment for acquisition of property, plant and equipment		(5,680,095)	(3,513,269)
Payment for acquisition of intellectual property		(312,933)	(245,332)
Net cash used in investing activities		(5,993,028)	(3,758,601)
Cash flows from financing activities			
Proceeds from issues of shares (net of transaction costs)		6,559,965	1,842,266
Net proceeds from borrowings		695,250	519,142
Net cash provided from financing activities		7,255,215	2,361,408
Net increase in cash and cash equivalents		1,980,814	560,482
Cash and cash equivalents at the beginning of the year		2,445,217	1,884,735
Cash and cash equivalents at the end of the year	6	4,426,030	2,445,217

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

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Consolidated Statement of Changes in Equity For the year ended 30 June 2019

	Issued Capital	Reserves	Accumulated losses	Total Parent Entity Interest	Non-Controlling Interest	Total
Balance at 30 June 2017	21,516,054	486,132	(9,148,463)	12,853,723	507	12,854,230
Net losses for the year after tax	-	-	(3,340,068)	(3,340,068)	25	(3,340,043)
Other comprehensive income for the year						
Net movement in foreign currency translation reserve	-	(20,155)	-	(20,155)	-	(20,155)
Total comprehensive income for the year	-	(20,155)	(3,340,068)	(3,360,223)	25	(3,360,198)
Transactions with owners						
New issues of shares (net of transaction costs)	5,354,103	-	-	5,354,103	-	5,354,103
Shares issued from ESS Trust	121,526	(121,526)	-	-	-	-
Recognition of prior period share-based payments ¹	-	373,272	(373,272)	-	-	-
Balance at 30 June 2018	26,991,683	717,725	(12,861,805)	14,847,603	532	14,848,135
Net losses for the year after tax	-	-	(7,489,148)	(7,489,148)	177,495	(7,311,653)
Other comprehensive income for the year						
Net movement in foreign currency translation reserve	-	(61,673)	-	(61,673)	-	(61,673)
Total comprehensive income for the year	-	(61,673)	(7,489,148)	(7,550,821)	177,495	(7,373,326)
Transactions with owners						
New issues of shares (net of transaction costs)	6,291,154	-	-	6,291,154	-	6,291,154
Share issued from ESS Trust	263,202	(263,202)	-	-	-	-
Shares issued to ESS Trust	-	1,809,197	-	1,809,197	-	1,809,197
Fair value of EIS rights granted	-	742,578	-	742,578	-	742,578
Issue of warrants	-	488,393	-	488,393	-	488,393
Balance at 30 June 2019	33,546,039	3,433,018	(20,350,953)	16,628,104	178,027	16,806,131

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

¹ The adjustment above is to reflect the shares allocated to participants within prior periods.

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a) Basis of preparation

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

(i) Historical cost convention

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

(ii) Critical accounting estimates

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

b) Going concern

The financial report has been prepared on a going concern basis. Notwithstanding the Group generated a loss after-tax of \$7,311,653. The Group had a net assets position at 30 June 2019 of \$16,806,130 and net operating cash inflows of \$718,890. With these assets and facilities, the directors believe the going concern basis of preparation of the financial statements is appropriate based on trading forecasts prepared and the future growth of the Group.

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.

d) Goods and services tax

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

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

e) Restatement of comparatives

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

f) New accounting standards and interpretations

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 July 2018.

New standards and amendments to standards which are not effective have not been early adopted. The requirements and their impacts on the Group of the adoption of AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers is as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) **New accounting standards and interpretations (continued)**

AASB 9: Financial Instruments

Mandatory date of application: 1st July 2018

The Standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets and new general hedge accounting requirements. It also carried forward guidance on recognition and derecognition of financial instruments from AASB139.

Assessment of Impact

The Group has assessed the new standard and based on its financial assets and liabilities, the key impact of the standard on the Group will be in relation to trade debtors and the assessment of the provision for doubtful debts under the expected credit loss model.

The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes. The Group has adopted a simplified approach for trade receivables on the initial transition date (1 July 2018) and as there hasn't been a significant increase in credit risk since initial recognition of these assets an amount equal to 12-month ECL is to be recognised. As the ECL assessment has resulted in an immaterial credit loss no impairment allowance has been recognised by the Group.

AASB 15: Revenue from Contracts with Customers

Mandatory date of application: 1st July 2018

AASB 15 establishes a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related interpretations when it becomes effective.

Assessment of Impact

The Group has adopted AASB 15 using the cumulative effect method (by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018). The transition exercise on adopting AASB 15 did not result in an adjustment to the opening balance of equity at 1 July 2018 due to the major component of the Group's revenue encompassing revenue arising from the sale of goods. Revenue for these activities are recognised when the customers obtain control of these assets at the time of delivery of the goods. As this reflects the underlying performance obligation under AASB 15, the application of AASB 15 has not had a material impact on the Group's financial statements. Comparative information has not been restated and continues to be reported under AASB 118.

AASB 16: Leases

Mandatory date of application: 1st July 2019

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a mode where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Assessment of Impact

As at 30 June 2019, the Group has non-cancellable operating lease commitments of \$375,010 (Note 24). The Group is in the process of completing an assessment of the impact of adoption of AASB 16 on these commitments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) New accounting standards and interpretations (continued)

The full financial impact of adopting AASB 16 has not yet been determined, however the following impacts are expected on implementation date:

- A material right-of-use asset and a lease liability will be recognised on the Balance Sheet.
- Finance costs will increase due to the impact of the interest component of the lease liability.
- Depreciation expense will increase due to depreciation of the right-of-use asset over the lease term.
- Lease rental operating expenses will reduce to nil.
- In the Cash Flow Statement, operating cash outflows will decrease and financing cash outflows will increase as repayment of the principal balance in the lease liability will be classified as a financing activity.

g) Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

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

h) Critical accounting estimates and judgements

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:

Notes to the Financial Report

For the year ended 30 June 2019



Judgement Area	Note
Income Tax	5
Recovery of trade and other receivables	7
Intangibles	9
Property Plant and Equipment	10
Provisions	13
Share-based payment transactions	17

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 Key Management Personnel as disclosed in the Remuneration Report on pages 8 to 12. For the year ended 30 June 2019, the Group continues to operate only in one segment being the minerals processing and carbon capture segment.

The aggregation criteria under AASB 8 – Operating Segments has been applied to include the results of Calix Australian and European entities within the minerals processing and carbon capture segment. All the sales revenue and marketing activities are managed within the Group's head office which is based in Sydney, Australia.

3. REVENUE AND OTHER INCOME

	June 2019 \$	June 2018 \$
Revenue		
Core product revenues*	3,232,165	3,971,028
Other product revenues*	62,017	129,955
Total revenue	3,294,182	4,100,983
Other income		
Grant Income (LEILAC Project)	4,688,251	2,584,064
Other grant income	785,059	409,617
R&D incentive income	4,515,536	5,079,825
Interest income	22,879	11,985
Debt forgiveness of loan	516,426	-
Other income	83,533	42,301
Total other income	10,611,684	8,127,792

* During the year ended 30 June 2019, the Group reclassified the product AQUA-Cal to core products due to the successful commercialisation in the market. The sales for the year ended 30 June 2019 was \$372,100 (2018: \$106,155). The figures for the period ended 30 June 2018 have been updated to include AQUA-Cal as a core product for comparative purposes.

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.

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Notes to the Financial Report

For the year ended 30 June 2019



Grant revenue

Grant revenue 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.

Debt forgiveness of loan

Shareholder loans relating to the subsidiary Millennium Generation Limited, previously recognised as non-current other borrowings (see Note 12), were derecognised during the period as a result of debt forgiveness for these loans. Differences in the closing balance of the previous period represent changes in foreign exchange rates in the functional currency of the subsidiary to the presentation currency over the reporting period.

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
2019				
Product lines				
Core products				
ACTI-Mag	2,249,091	73,026	-	2,322,117
PROTECTA-Mag	-	36,000	279,238	315,238
AQUA-Cal	372,100	-	-	372,100
Other Products	224,088	-	60,639	284,727
	2,845,279	109,026	339,877	3,294,182
Timing of revenue recognition				
Good transferred at a point in time	2,845,279	-	-	2,845,279
Services transferred over time	-	109,026	339,877	448,904
	2,845,279	109,026	339,877	3,294,182

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For the year ended 30 June 2019



	Products sold	Revenue from rental agreements	Other services	Total
	\$	\$	\$	
2018				
Product lines				
Core products				
ACTI-Mag	2,642,038	71,717	2400	2,716,155
PROTECTA-Mag	-	72,000	709,843	781,843
AQUA-Cal	106,155	-	-	106,155
Other Products	388,503	-	108,326	496,829
	3,136,697	143,717	820,569	4,100,983
Timing of revenue recognition				
Good transferred at a point in time	3,136,697	-	-	3,136,697
Services transferred over time	-	143,717	820,569	964,286
	3,136,697	143,717	820,569	4,100,983

4. EXPENSES

Loss before income tax includes the following specific expenses

	Note	June 2019	June 2018
		\$	\$
Rental expense relating to operating leases		213,916	217,838
Employee benefit expenses		6,368,083	4,491,205
Financing costs		139,908	394,065
Amortisation expense	9	88,809	28,793
Depreciation expense	10	1,756,875	1,724,429
Impairment expense	10	2,603,887	2,916,125
IPO expense		2,363,273	-

Lease

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of profit or loss in equal instalments over the period of the lease. Lease incentives received are recognised as an integral part of the total lease payments made and are spread on a basis representative of the pattern of benefits expected to be derived from the leased asset.

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 13 and Note 17 for details on provisions for employee benefits and details of share-based payments.

Financing costs

Finance costs includes interest relating to borrowings and vehicle financing facilities. Interest is recognised over the life of the facilities calculated using the effective interest rate. Refer to Note 12 for details on borrowings and vehicle financing facilities.

Impairment expense

In the period ended 30 June 2019, assets relating to the LEILAC 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.

IPO expense

In the period ended 30 June 2019, the Group issued 15,094,340 shares as part of an initial public offering (IPO) which raised \$8,000,000 in funds (see Note 15 issued capital). As a result of the Company achieving its IPO, the Board resolved to grant and vest the remaining 3,400,747 shares (\$1,809,198) held in the Employee Share Scheme trust. These are recognised in the Share Based Payment Reserve (see Note 16 Reserves). The balance of the expenses related to associated costs of the IPO which were recognised through the profit and loss in the period.

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For the year ended 30 June 2019



5. INCOME TAX

Numerical reconciliation of income tax to prima facie tax payable:

	June 2019 \$	June 2018 \$
Prima facie income tax expense/(benefit) on loss from ordinary activities (27.5%)	(2,282,462)	(918,512)
Tax effect of R&D incentive *	1,691,539	1,839,322
Temporary differences not recognised	536,840	(162,035)
Utilisation of prior period tax losses	-	(758,775)
Unutilised tax losses	(54,083)	-
Income tax attributable to the Group	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	3,499,498	3,302,833
Potential income tax benefit @ 27.5%	962,362	908,279

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

Recognition and Measurement

Current tax

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

Deferred tax

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

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

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

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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 2019 \$	June 2018 \$
Cash at bank and on hand	4,426,030	2,445,217

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 2.40% (2017-18: between 0.00% and 2.40%).

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.

7. TRADE AND OTHER RECEIVABLES

	June 2019 \$	June 2018 \$
Current		
Trade receivables	634,126	940,255
LEILAC grant receivable	-	644,958
R&D incentive receivable	4,499,679	5,078,952
Other receivables	700,955	121,385
Prepayments	252,202	183,270
Deposits	171,753	549,810
Prepaid capital raising costs	-	345,405
Other current assets	13,755	2,843
	6,272,471	7,866,878
Non-current		
Deposits	274,000	274,000
	274,000	274,000

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

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 recognized 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 19 for more information on the risk management policy of the Group and credit quality of the receivables.

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

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8. CURRENT ASSETS – INVENTORY

	June 2019 \$	June 2018 \$
Inventory	324,973	180,561

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 2019 \$	June 2018 \$
Patents and Trademarks	989,161	677,630
Less: accumulated amortisation	(116,200)	(28,793)
Total	872,961	648,837

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

	Patents and Trademarks \$
Balance as at 30 June 2018	648,837
Additions	311,531
Amortisation expense	(87,407)
Balance as at 30 June 2019	872,961

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.

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10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	June 2019 \$	June 2018 \$
Office furniture, fittings and equipment	1,386,089	1,161,492
Less: accumulated depreciation	(1,060,075)	(943,803)
CFC Calciner facility	18,258,340	17,602,790
Less: accumulated depreciation	(10,486,374)	(9,011,012)
Slurry manufacturing and application assets	1,717,074	1,329,024
Less: accumulated depreciation	(510,692)	(347,226)
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(22,807)	(19,647)
LEILAC project Calciner	2,603,887	2,916,125
Less: accumulated depreciation and impairment	(2,603,887)	(2,916,125)
SOCRATCES project*	64,034	-
Less: accumulated depreciation	-	-
BATMn project Calciner*	1,745,362	-
Less: accumulated depreciation	-	-
Land	838,499	838,499
Total property, plant and equipment	13,103,114	11,783,781

*The SOCRATCES project and BATMn project Calciner are currently classified as 'assets under construction'. See note below for more information regarding these projects.

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

	Office furniture, fittings & equipment \$	CFC Calciner facility \$	Slurry assets \$	Mining tenements \$	LEILAC project Calciner \$	SOCRATCES project* \$	BATMn project* \$	Land \$	Total \$
Balance as at 30 June 2017	231,068	10,204,820	479,863	1,156,816	-	-	-	838,499	12,911,066
Additions	99,225	27,118	470,801	-	2,916,125	-	-	-	3,513,269
Transfers	-	(189,191)	189,191	-	-	-	-	-	-
Depreciation and amortisation expense	(112,604)	(1,450,969)	(158,057)	(2,799)	-	-	-	-	(1,724,429)
Impairment expense	-	-	-	-	(2,916,125)	-	-	-	(2,916,125)
Balance as at 30 June 2018	217,689	8,591,778	981,798	1,154,017	-	-	-	838,499	11,783,781
Additions	224,596	675,497	388,050	-	2,603,887	63,205	1,726,244	-	5,681,480
Transfers	-	(19,946)	-	-	-	828	19,118	-	-
Depreciation and amortisation expense	(116,272)	(1,475,362)	(163,466)	(3,160)	-	-	-	-	(1,758,259)
Impairment expense	-	-	-	-	(2,603,887)	-	-	-	(2,603,887)
Balance as at 30 June 19	326,013	7,771,967	1,206,383	1,150,857	-	64,034	1,745,362	838,499	13,103,114

*The SOCRATCES project and BATMn project Calciner are currently classified as 'assets under construction'. See note below for more information regarding these projects.

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

Recognition and Measurement

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

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

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

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

Assets under construction

The BATMn project is to build a world-first electric CFC Calciner at Bacchus Marsh. The calciner will be used to process new advanced materials including battery materials in the project "The CRC-P for Advanced Hybrid Batteries". Its design forms the basis for new initiatives in which CFC Calciners can be used by industry to consume low cost excess renewable power for load balancing the grid. Its sister project SOCRATCES in Europe will focus on directly using solar energy, potentially reducing fuel costs with zero-emissions. These projects are not complete and are not being depreciated.

Mining tenements and associated mineral resources

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

Impairment

The Group uses discounted cash flow models to determine that the capitalised development costs in the consolidated entity are not being carried at a value that is materially in excess of recoverable value. The models value each group of assets (cash generating units or CGUs) by estimating future cash flows and discounting the future net cash flows for the risks specific to the assets as well as for the time value of money. The following approach and assumptions have been applied:

- Revenue from a product is estimated using current market data and projections of volumes and product price.
- The discounted cash flows have been prepared based on a 5 year cash flow forecast plus a terminal value calculation.
- The cash flows have been discounted using a post-tax rate of 18%.

In the year ended 30 June 2019, assets relating to the LEILAC 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. The Company recorded a non-cash impairment loss of \$2,603,887 relating to the LEILAC project during the period.

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11. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	June 2019 \$	June 2018 \$
Trade payables	1,554,079	3,506,295
Other payables & accrued expenses	123,939	234,322
Total trade and other payables	1,678,018	3,740,617

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 with 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 19.

12. BORROWINGS

	June 2019 \$	June 2018 \$
Current borrowings		
EFIC ⁽¹⁾	2,424,078	1,571,270
Loan notes ⁽²⁾	-	280,000
Other borrowings ⁽⁴⁾	164,589	39,816
	2,588,667	1,891,086
Non-current borrowings		
Shareholder loans ⁽³⁾	-	505,885
Other borrowings ⁽⁴⁾	103,786	116,658
	103,786	622,543
Total borrowings	2,692,453	2,513,629

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.

(1) EFIC

The Group has secured a working capital facility for up to €1.5 million with the Export Finance and Insurance Corporation (EFIC) to assist with funding the LEILAC project expenditures to be incurred between 04 April 2019 and 28 February 2020. The facility is repayable on 28 February 2020 and is secured against the assets of the Group. The balance of the facility from EFIC for the year ended 30 June 2019 is \$2,424,078 (2018: \$1,571,270) at an interest rate of 5.75% (2018: 5.75%).

(2) Loan note issuance

In November 2016, Calix raised funds by issuing loan notes. This facility raised \$4,106,063 at an interest rate of 10% per annum and replaced the previous facility in place at June 2016. The remaining balance as at 30 June 2018 for these notes was \$280,000. The loan notes expired in November 2018 and were completely repaid.

(3) Shareholder Loans

The shareholder loans balance as at 30 June 2018 comprise of debts outstanding in Millennium Generation Limited, a 65% owned subsidiary of Calix Europe Limited. These debts had been forgiven (see Note 3) in their entirety leaving a balance of \$NIL at the reporting date (30 June 2018: \$505,885).

(4) Other borrowings

The other borrowings balance comprises of vehicle financing facilities totalling \$169,241 (2018: \$156,474) and insurance premium funding facilities totalling \$99,134 (2018: \$0).

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13. PROVISIONS

	June 2019 \$	June 2018 \$
Current provisions		
Employee benefits	394,743	331,162
	394,743	331,162
Non-current provisions		
Employee benefits	519,268	431,508
Mine rehabilitation provision	44,480	38,598
	563,748	470,106
Total provisions	958,491	801,268

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 the amounts expected to be paid when the liabilities are settled.

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.

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14. DEFERRED REVENUE

	June 2019 \$	June 2018 \$
Current deferred revenue	3,138,456	202,171
Non-current deferred revenue	-	1,093,454
Total deferred revenue	3,138,456	1,295,625

Recognition and Measurement

Deferred revenue includes billings or payments received in advance of revenue recognition and is recognised as the revenue recognition criteria are met. Deferred revenue primarily consists of funds received but not yet recognised due to unearned portions of projects.

Associated Projects

The current deferred revenue balance includes grant revenue received but not yet recognised. The current balance as at 30 June 2019 was comprised of \$2,047,326 relating to the LEILAC EU Horizons 2020 project (2018: \$NIL) as well as \$1,091,130 relating to the SOCRATCES project. As at 30 June 2019 the amount associated with the AMGF project was \$NIL (2018: \$135,491). The amount associated with the ASCENT Project was also \$NIL (2018: \$66,680).

The non-current deferred revenue balance was \$NIL as at 30 June 2019. The balance at 30 June 2018 of \$1,093,454 was associated entirely with the SOCRATCES Project.

15. ISSUED CAPITAL

	June 2019 \$	June 2018 \$
Fully paid ordinary shares	37,643,918	29,298,216
Costs of fund raising recognised	(4,097,879)	(2,306,533)
Total issued capital	33,546,039	26,991,683

a. Fully paid ordinary shares

	2019 Number of shares	2018 Number of shares
At the beginning of the year	107,613,555	1,947,502,882
Issued during the year	15,259,340	204,768,195
Consolidation of shares	-	(2,044,657,522)
Balance at the end of year	122,872,895	107,613,555

	2019 \$	2018 \$
At the beginning of the year	29,298,216	23,709,354
Issued during the year	8,345,702	5,588,862
Balance at the end of year	37,643,918	29,298,216

b. Costs of fund raising recognised

	2019 \$	2018 \$
At the beginning of the year	2,306,533	2,193,300
Incurred during the year	1,791,346	113,233
At the end of the year	4,097,879	2,306,533

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15. ISSUED CAPITAL (CONTINUED)

c. Movements in ordinary share capital

	Number of shares	\$
30 June 2017 – Opening Balance	1,947,502,882	23,709,354
31 December 2017 – ESS withdrawals	-	112,650
09 March 2018 – Pre-IPO fundraising	186,041,603	4,967,311
12 March 2018 – Pre-IPO fundraising	18,726,592	500,000
20 April 2018 – 20-1 Share consolidation	(2,152,271,077)	-
20 April 2018 – 20-1 Share consolidation	107,613,555	-
01 June 2018 – ESS withdrawals	-	8,901
30 June 2018 – Closing Balance	107,613,555	29,298,216
20 July 2018 – IPO subscriptions	15,094,340	8,000,000
07 August 2018 – Warrants exercised	165,000	82,500
31 December 2018 – ESS withdrawals	-	73,913
30 June 2019 – ESS withdrawals	-	189,289
30 June 2019 – Closing Balance	122,872,895	37,643,918

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 2019, \$263,202 shares were issued from the ESS trust (2018: \$121,551).

Pre-IPO fund raising

In March 2018, the Company undertook a placement of new equity to a small number of institutional shareholder, existing shareholders and senior management to provide funding to support the planned IPO of the Company's shares on the ASX. On a pre-consolidated basis, 73,680,325 new shares were issued raising \$1,967,265 to this end. At the same time, 131,087,852 new shares were issued to convert \$3,500,046 of loan notes into new equity to further strengthen the Company's balance sheet in preparation for the listing.

20:1 Share consolidation

In April 2018, at an extraordinary general meeting of members, in preparation for the planned listing of the Company on the ASX, the Board requested that shareholders approve a restructuring of the ordinary share capital of the Company. Pursuant to Chapter 2 of the Listing Rules of ASX Limited (Listing Rules) the issue price or sale price of all the securities for which an entity seeks quotation must be at least 20 cents in cash. The company sought to list the shares with a market capitalisation that would require a share consolidation to satisfy this requirement. Shareholders voted to approve a consolidation of share capital on a 1 for 20 basis.

IPO subscriptions

On 20 July 2018, the Company completed the Initial Public Offering of its shares on the ASX through the issue of 15,094,340 shares at an offer price of \$0.53 per share raising \$8,000,000. The proceeds of the offer were targeted to be used for:

- enhancing the efficiency of existing production facilities to drive margin expansion;
- expanding sales and marketing capabilities to increase revenues and enter new markets;
- to continue specific R&D projects;
- to provide working capital;
- to provide liquidity for its shares; and
- to provide Calix with the benefits of an increased profile as a listed entity

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Warrants exercised

In August 2018, 165,000 warrants were exercised by a Warrant holder at an exercise price of \$0.50 per share which resulted in a new issue of 165,000 ordinary shares. Further details of the Warrants on issue are set out in the notes below.

16. RESERVES

	June 2019 \$	June 2018 \$
Foreign currency translation reserve	(8,675)	53,005
Share-based payment reserve	2,805,841	517,261
Warrant reserve	635,852	147,459
Total reserves	3,433,018	717,725
At the beginning of the year	717,725	486,134
Revaluations made to foreign currency translation reserve made during the year	(61,673)	(20,155)
Shares issued from ESS trust	(263,202)	(121,526)
Shares issued to ESS Trust	1,809,197	-
Fair value of EIS rights granted	742,578	-
Recognition of prior period share based payments*	-	373,272
Issue of warrants	488,393	-
At the end of the year	3,433,018	717,725

*The adjustment above is to reflect shares allocated to participants within prior periods.

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 Calix Employee Share Scheme Trust ("ESS") plan and the Calix Officers & Employees Incentive Scheme (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 the Calix Employee Share Scheme Trust ("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 17 for more information on share based payments.

During the year ended 30 June 2019, the company issued \$1,809,197 in shares to the ESS Trust as a result of a successful IPO (2018: \$NIL). From the ESS trust, \$263,202 were withdrawn (2018: \$121,526). The fair value of the rights granted as part of the EIS scheme was valued \$742,578 (2018: \$0).

Warrant reserve

Warrants, in the form of embedded derivatives, were issued during the year ended 30 June 2017 as part of a loan note facility. 131,216,000 warrants were issued at a strike price of \$0.025 and are due to expire on 31 October 2019. The warrants may be exercised by a Noteholder at any time up until the expiry date, after which they will cease to be exercisable by the Noteholders. On 18 April 2018 the Company undertook a share consolidation on a 1 for 20 basis. At the same time, the warrants were consolidated on the same basis resulting in the number of warrants on issuing becoming 6,560,800 with an exercise price of \$0.50.

The warrants have been accounted for as an equity (warrant reserve) in accordance with AASB 132 on the basis that the warrant strike price is not subject to any adjustments and conversion of shares is fixed at 33 shares at any time up until expiry. Warrants reserve is non-distributable and will be transferred to share premium account upon the exercise of warrants. Any balance of warrants reserve in relation to the unexercised warrants at expiry of the warrants period will be transferred to accumulated profits. These warrants were valued at \$147,459 using a Black-Scholes pricing model (assuming a pre-consolidation share price of 0.5c 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).

On 20 July 2018, the Company issued 2,359,155 warrants, expiring at 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).

Notes to the Financial Report

For the year ended 30 June 2019



17. SHARE BASED PAYMENTS

Calix Employee Share Scheme (ESS)

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

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

Calix Officers & Employees Incentive Scheme (EIS)

On 18 April 2018 at an extraordinary general meeting, the shareholders approved a new Employee Incentive Scheme to operate once the company is 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. During the year ended 30 June 2019, the group recognised a share based payment expense related with the number of rights vesting and to be vested in connection with the fulfilment of the vesting conditions related to the financial period as well as the forecasted value of those rights at their expected exercise date. For the options granted, the valuation model used the following inputs to determine the fair value as at 30 June 2019:

Valuation model inputs

Grant date	1 December 2018
Exercise price	\$NIL
Expiry date maximum	1 December 2024
Expected volatility	66%
Dividend yield	0%
Average risk-free interest rate	1.84%
Share price at grant date	\$0.77

During the year, Calix granted a total of 7,618,326 rights at an exercise price of \$NIL. None of these rights were vested, expired or forfeited during the year. The balance of rights at the end of the year is 7,618,326. The fair value of these rights are \$742,584.

18. LOSS PER SHARE

	June 2019 \$	June 2018 \$
a. Earnings used to calculate basic EPS from continuing operations	(7,311,653)	(3,340,043)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS*	121,733,798	101,124,246
c. Basic and Diluted earnings per share (cents per share)	(6.06)	(3.30)

*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.

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For the year ended 30 June 2019



19. 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 2019 \$	June 2018 \$
Financial assets		
Cash and cash equivalents	4,426,030	2,445,217
Current trade and other receivables	6,020,268	7,338,203
Non-current trade and other receivables	274,000	274,000
	10,720,298	10,057,420
Financial liabilities		
Trade and other payables	1,678,018	3,740,617
Current borrowings	2,588,667	1,891,086
Non-current borrowings	103,786	622,543
	4,370,471	6,254,246

(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 2019, trade receivables of \$136,137 were past due but not impaired (2018: \$29,970). These relate to a number of independent customers for whom there is not recent history of default. For amounts that were more than 60 days overdue, where there was no agreed payment plan in place, a bad debt provision was raised in accordance with the Group's policy on recoverability of trade receivables, see Note 11. The aging analysis of trade receivables is as below:

	June 2019 \$	June 2018 \$
Current	562,989	910,328
Less than 30 days overdue	30,658	20,070
Less than 60 days overdue	8,162	9,900
More than 60 days overdue	32,317	-
Total trade receivables	634,126	940,255

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For the year ended 30 June 2019



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 12) and cash and cash equivalents (Note 6) on the basis of expected cash flows.

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 \$
2019			
Financial assets			
Cash and cash equivalents	4,426,030	-	4,426,030
Deposits	171,753	274,000	445,753
Trade receivables	634,126	-	634,126
Other current receivables	5,214,389	-	5,214,389
Total Financial assets	10,446,298	274,000	10,720,298
Financial liabilities			
Trade and other payables	1,678,018	-	1,678,018
Current borrowings	2,588,666	-	2,588,666
Non-current borrowings	-	103,786	103,786
Total Financial liabilities	4,266,685	103,786	4,370,471
Net Financial liabilities	6,179,613	170,214	6,349,827

	Within 1 year \$	1 to 5 years \$	Total \$
2018			
Financial assets			
Cash and cash equivalents	2,445,217	-	2,445,217
Deposits	549,810	274,000	823,810
Trade receivables	940,255	-	940,255
Other current receivables	5,848,138	-	5,848,138
Total Financial assets	9,783,420	274,000	10,057,420
Financial liabilities			
Trade and other payables	3,740,617	-	3,740,617
Current borrowings	1,891,086	-	1,891,086
Non-current borrowings	-	622,543	622,543
Total Financial liabilities	5,631,703	622,543	6,254,246
Net Financial liabilities	4,151,717	(348,543)	3,803,174

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For the year ended 30 June 2019



(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 12.

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 2019 \$	Impact on post tax profit 2018 \$
Increase by 100 basis points	(2,675)	(12,903)
Decrease by 100 basis points	2,675	12,903

(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 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 2019 GBP £	June 2018 GBP £
Cash	895,582	469,900
Trade and other receivables	-	363,369
Trade and other payables	(61,040)	(526,815)
Foreign exchange exposure	834,542	306,454

	June 2019 EUR £	June 2018 EUR £
Cash	1,419,379	820,430
Trade and other receivables	703	109,694
Trade and other payables	(1,669,559)	(2,106,406)
Foreign exchange exposure	(249,477)	(1,176,282)

Sensitivity analysis

The table below illustrates the sensitivity of the Group's exposures to changes in 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 2019 \$	June 2018 \$
+/- 5% in AUD/GBP	150,775	54,394
+/- 5% in AUD/EUR	(40,427)	(185,416)

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Notes to the Financial Report

For the year ended 30 June 2019



20. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they 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 2019 \$	June 2018 \$
Net debt	2,692,453	2,361,192
Total equity	16,628,103	14,847,603
Net debt to equity ratio	16%	16%

Loan covenants

Calix has secured a working capital facility for up to €1.5 million with the Export Finance and Insurance Corporation (EFIC) to assist with funding the LEILAC project expenditures to be incurred between 04 April 2019 and 28 February 2020. Refer to Note 12 for details of the amounts drawn as at 30 June 2019. Under the terms of the facility a financial covenant exists requiring that the Group's actual consolidated operating cash flows for each financial quarter must be at least 85% of the Group's budgeted consolidated operating cash flows for that financial quarter, tested quarterly each calendar year.

Calix has also secured a working capital facility totalling \$540,000 from Commonwealth Bank of Australia with 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. This facility was undrawn at balance date and at the date of this report.

21. 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 2019	% owned 2018
Calicoat Pty Ltd	Australia	100%	100%
MS Minerals Pty Ltd	Australia	100%	100%
Calix (Europe) Limited	UK	100%	100%
- Millennium Generation Limited	UK	65%	65%
Calix (North America) LLC	USA	100%	100%
Calix Technology Pty Ltd	Australia	100%	100%
Calixhe SA	Belgium	100%	100%
Calix Europe Sarl	France	100%	NA*

*Calix Europe Sarl was established in 2019, see Note 23 for further information.

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 (ie 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.

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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.

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.

22. PARENT ENTITY FINANCIAL INFORMATION

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

	June 2019 \$	June 2018 \$
Current assets	5,945,309	6,916,232
Total assets	19,213,901	18,488,637
Current liabilities	1,692,586	1,911,462
Total liabilities	2,414,775	2,876,807
<i>Equity</i>		
Issued capital	33,546,038	26,991,682
Reserves	3,569,901	664,720
Retained earnings	(20,316,814)	(12,044,572)
	16,799,125	15,611,830
Loss for the year	(10,578,720)	(4,194,716)
Total comprehensive (loss) for the year	(10,578,720)	(4,339,083)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 (2018: \$0).

Capital commitments

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 (2018: \$0).

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 2019 was \$NIL (2018: \$NIL).

23. 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

Calix Limited acquired shares in Calix (Europe) Limited on 6 March 2009. As at 30 June 2019 Calix Limited had funds loaned to it by Calix (Europe) Limited for the amount of \$531,257 (Loans to Calix (Europe) Limited in 2018: \$533,772).

Calix Limited acquired shares in Calix North America LLC on 25 November 2009. As at 30 June 2019 Calix Limited had loaned funds to Calix North America LLC for the amount of \$246,364 (2018: \$4,024).

Calix Limited acquired shares in Calicoat Pty Limited in 2007. Calicoat has not traded since its inception. As at 30 June 2019 Calix Limited had loaned funds to Calicoat Pty Limited for the amount of \$1,977 (2018: \$1,977). On 8 October 2012 Calix established MS Minerals as a wholly owned subsidiary. As at 30 June 2019 Calix Limited had loaned funds for the amount of \$385,169 to MS Minerals (2018: \$607,122).

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Notes to the Financial Report

For the year ended 30 June 2019



On 6 August 2014 Calix established Calix Technology Pty Ltd as a wholly owned subsidiary. Calix Technology Pty Ltd has not traded since its inception.

On 20 April 2017 Calix established Calixhe SA as a wholly owned subsidiary. Calixhe SA has not traded since its inception.

On 12 December 2018 Calix established Calix Europe Sarl as a wholly owned subsidiary. Calix Europe Sarl has not traded since its inception.

Key management personnel

Members of the KMP participated in the Loan Note facility on the same terms as all other participants and as set out in Note 11. A balance of \$10,000 was outstanding under this facility as at 30 June 2018 and has been fully repaid as at 30 June 2019. There have been no other transactions with KMP.

24. LEASING COMMITMENTS

Operating leases

	June 2019 \$	June 2018 \$
Minimum lease payments payable: -		
- not later than one year	158,551	207,267
- later than one year but not later than five years	47,219	205,769
Total operating lease commitments	205,769	413,036

Finance leases

	June 2019 \$	June 2018 \$
Minimum lease payments payable		
- not later than one year	65,455	39,816
- later than one year but not later than five years	103,786	116,658
Total finance lease commitments	169,241	156,474

Assets under financial leases

The present value of minimum lease payments associated with finance lease commitments is \$169,064 (2018: \$153,820). The net carrying amount at the end of the reporting period for assets subject to finance leases was \$134,903 (2018: \$134,882).

25. AUDITORS REMUNERATION

During the year 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 2019 \$	June 2018 \$
Audit and review of financial statements	94,000	84,000
Due diligence relating to the IPO	-	117,525
Other assurance services	-	6,500
Total remuneration for services	94,000	208,025

26. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	June 2019 \$	June 2018 \$
Short-term employee benefits	1,803,282	1,433,851
Post-employment benefits	107,124	81,458
Share based payments	-	-
Total	1,910,408	1,515,309

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Notes to the Financial Report

For the year ended 30 June 2019



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 8 of the Annual report. Disclosures relating to related party transactions with Directors or Key Management Personnel are set out in Note 23.

27. CASH FLOW INFORMATION

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

	June 2019 \$	June 2018 \$
Loss after income tax	(7,311,653)	(3,340,043)
Add back:		
- depreciation, amortisation & impairment expense	4,449,571	4,669,347
- debt forgiveness of loan	(516,426)	-
- foreign exchange losses	(61,680)	209,214
- IPO expenses	2,363,273	-
- share based payment expense	742,584	-
Changes in balance sheet items		
- (increase) in trade and other receivables	1,259,913	51,366
- (increase) in inventory	(144,411)	(180,561)
- increase/(decrease) in trade & other payables	(2,062,598)	933,265
- increase in provisions	157,223	297,281
- increase/(decrease) in deferred revenue	1,842,830	(682,194)
Net cash provided by operating activities	718,627	1,957,675

28. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 30 June 2019 and 30 June 2018.

29. AFTER BALANCE DATE EVENTS

On 30 July 2019, the Company announced that it had successfully demonstrated separation of CO₂ with more than 95% purity at the Project LEILAC plant at the HeidelbergCement site at Lixhe in Belgium. After preliminary test runs were completed, the Calix technology concept was shown to work on both lime and cement meal with calcination near to target levels and high purity CO₂ successfully separated at the top of the LEILAC reactor, albeit not yet at full design capacity.

On 7 August 2019, the Company announced that it had entered a 10-year distribution agreement with Afepasa (Azufretera y Fertilizantes Pallares, SAU) a European leader in sulphur-based fertilizer and crop protection products, for Calix's bioactive magnesium hydroxide for agriculture.

On 12 August 2019, the Company announced that it had been awarded grants for two new development projects:

- \$3.0m in funding over 3 years from the Department of Industry, Innovation and Science to support an Australian project focused on developing high performance, low-cost, fast charge-discharge lithium-ion hybrid batteries on nano-active electrode materials – The CRC-P for Advanced Hybrid Batteries.
- \$0.5m in funding from the European Union ACT-CCS Program for a new CO₂ capture project for cement production – Project ANICA.

Other than the items mentioned above, no other matters or circumstances have arisen since the end of the year which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

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DIRECTORS' DECLARATION

1. The directors of the company declare that: The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2019 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
Chairman
Sydney
29 August 2019

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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 2019, 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 2019 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* (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.

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Share-based payments

Key audit matter	How the matter was addressed in our audit
<p>The Company operates share-based compensation plans under which directors and employees can earn shares for achievement of short and long-term goals. Each year, shares are allocated to directors and employees who are participating within the scheme. Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments, we consider the Group's calculation of the share-based payment expense to be a key audit matter.</p> <p>Refer to note 17 to the financial statements for the description of the accounting policy and significant estimates and judgements applied to these transactions.</p>	<p>To determine whether the share-based payment arrangements had been appropriately accounted for and disclosed we undertook the following audit procedures, amongst others:</p> <ul style="list-style-type: none"> • Reviewed the individual agreements, market announcements and board minutes to ensure all new options issued during the year had been accounted for. • Substantively tested a sample of share options granted during the financial year to the supporting documentation. • Considered whether the Group used an appropriate model in valuing the restricted shares and options. • Evaluated management's assumptions used in the calculation being interest rate, volatility, and the expected vesting period. • Evaluated the adequacy and accuracy of the disclosure of the share-based payment arrangements within the financial report including disclosures comprising key management personnel remuneration.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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, 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.

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: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Calix Limited, for the year ended 30 June 2019, 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 East Coast Partnership

BDO



Ian Hooper
Partner

Sydney, 29 August 2019

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Shareholder Information

Additional information required by Australian Stock Exchange Listing Rules is as follow. This information is current as at 19 August 2019.

(a) Distribution schedules of shareholders

Holding ranges	Number of holders	Total units	%
1 – 1,000	171	98,646	0.080
1,001 – 5,000	246	699,166	0.569
5,001 – 10,000	122	987,177	0.803
10,001 – 100,000	237	8,128,669	6.616
100,001 – 9,999,999,999	71	112,959,237	91.932
Totals	847	122,872,895	100.000

(b) Class of shares and voting rights

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

(c) Substantial shareholders

The names of the substantial shareholders listed in the company's register as at 19 August 2019 were:

	Number of shares
OCH-ZIFF HOLDING CORPORATION & OCH ZILL CAPITAL MANAGEMENT GROUP LLC	21,458,333
IOOF HOLDINGS LIMITED	11,732,903
NICHOLAS MERRIMAN	10,499,036
PAUL CROWTHER	8,290,005
ACORN CAPITAL LIMITED	6,592,262

(d) Twenty largest register holders – ordinary shares

Balance as at 19 August 2018	Number of Ordinary Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,807,146	24.259%
NICHOLAS MERRIMAN	10,499,036	8.545%
BNP PARIBAS NOMS PTY LTD <DRP>	8,428,228	6.859%
CITICORP NOMINEES PTY LIMITED	7,733,097	6.294%
NATIONAL NOMINEES LIMITED	6,142,743	4.999%
MR ADAM VINCENT & MR SINA KASSRA <EMPLOYEE SHARE SCHEME A/C>	5,339,106	4.345%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,528,000	2.871%
MARK GEOFFREY SCEATS	2,965,050	2.413%
MARK GEOFFREY SCEATS <SCEATS SUPERANNUATION FUND>	2,759,736	2.246%
RICHARD THWAITE	2,515,125	2.047%
PIGEONS SUPER PTY LIMITED <THE HODGSON FAMILY S/F A/C>	2,091,494	1.702%
JACOB S ULRICH	2,083,133	1.695%
UBS NOMINEES PTY LTD	1,804,872	1.469%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,411,300	1.149%
BRIAN N C SWEENEY	1,357,501	1.105%
JENEIL SUPER PTY LTD <JENEIL SUPER FUND A/C>	1,224,532	0.997%
JOHN ANDREW HAMILTON	1,221,250	0.994%
ADAM VINCENT	1,105,662	0.900%
SHAREHOLDER SERVICES PTY LTD	1,098,091	0.894%
OLIVER GILLIE & SUSAN GILLIE	1,081,705	0.880%
Total	94,196,807	76.662%