ASX Announcement

August 27, 2020

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 2020

2. Results for announcement to the market:

				$ 000's
Total revenues from ordinary activities	up	76%	to	24,436
Profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses and income tax	up	233%	to	1,478
(Loss) for the year attributable to the owners of Calix Limited	down	7%	to	(7,047)

3. Net tangible assets:

	Current reporting period	Previous reporting period
Net tangible assets per ordinary security	$0.12	$0.13

4. Dividends:

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

5. Control gained over entities

Calix Limited gained control over Inland Environmental Resources Inc., on 1 December 2019.

6. Audit qualification or review:

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

Authorised for release to the ASX by:-
Darren Charles
Company Secretary
Calix Limited
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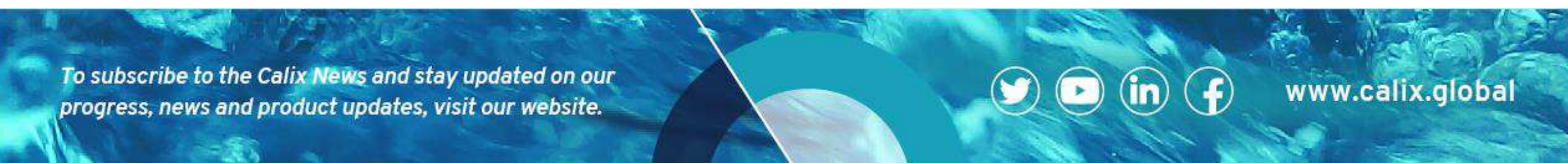

About Calix

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

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

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

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

Website: https://www.calix.global/
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For more information:

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calix

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 2020.

DIRECTORS

The following persons were directors of the Company during the whole of the year ended 30 June 2020 and up to the date of the report.

Peter Turnbull, AM
Jack Hamilton
Phil Hodgson
Lance O'Neill
Mark Sceats

PRINCIPAL ACTIVITIES

Calix has developed a patent-protected, platform technology that produces new materials and processes, targeted at solving global challenges in water and wastewater treatment, sustainable food production, CO_2 mitigation and advanced battery development.

The core technology platform – the Calix Flash Calciner ("CFC") - is a reinvention of the kiln process, to produce more highly reactive, but safe and environmentally friendly, products. Sales of these products are expanding into water and waste water treatment, aquaculture, and agricultural pest control, and are being developed for advanced lithium ion batteries. Additionally, when processing limestone into lime or cement, the CFC can efficiently separate the CO_2 coming out of the limestone (about ½ the weight of limestone is CO_2 trapped in the rock). With the lime and cement industries the largest global industrial emitter of CO_2, and with many countries and companies now committing to net zero CO_2 by 2050, or even earlier, our CFC technology is being developed to help these industries mitigate their CO_2 emissions.

The Group has operations, customers and 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 safe agricultural pest inhibition market, fresh-water lake remediation, and numerous applications of the CFC in different minerals processing industries.
- Our R&D function manages a pipeline of opportunities that leverage the core technology. It has been successfully self-funded for several years with grants from the Australian Government and the European Union (EU). The key current development focus is on demonstration of the technology for the cement and lime industries, primarily in Europe, and the development of the CFC technology in the field of advanced batteries at the Group's R&D facilities in Australia.

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 CO_2 capture from lime and cement ("LEILAC" facility) in Lixhe, Belgium, and an electric calciner for advanced materials including battery materials

("BATMn" facility) at Bacchus Marsh. While our Pre-Commercial and Commercial functions are based primarily 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 strong growth in revenues driven by organic sales growth and a significant contribution from the sales of newly acquired US based subsidiary Inland Environmental Resources, Inc ("IER"). Total revenue and other income rose 76% to $24.4m (2019: $13.9m) which included product sales growth of 327% to $14.1m (2019: $3.3m) and other income of $10.4m (2019: $10.6m). Gross profit grew to $3.4m (2019: $1.3m) however this was at a reduced margin of 23.9% (2019: 39.4%) as a result of the contribution of lower margin sales from IER. The Group reported growth in its operating results to $1.5m up 233% (2019: $0.5m). Net cash increased for the year by $6.7m to $11.1m (2019: $4.4m).

REVIEW OF OPERATIONS

The 2019/20 financial year saw the global community face an unprecedented operating environment because of the emergence of COVID-19 during the second half of the year. For the Group, this resulted in the adoption of new methods of working together as a team and required us to pursue new methods of engagement with our customers and suppliers to ensure we could continue to deliver high quality products and services, with safety, health and wellbeing for everyone maintained.

Having successfully completed the acquisition of IER, a US based wastewater treatment business, in December 2019, the Group went on to very successfully navigate the COVID-19 "new normal" and delivered record growth in revenue of 76% to $24.4m (2019: $13.9m), mainly driven by sales revenues of $14.1m for the financial year which was up 327% on the prior financial year (2019: $3.3m). Operating (cash) profit was $1.5m – an increase of 200% on 2019.

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

1. Aggressively pursuing growth in sales revenues across all commercial lines,
2. Promoting the adoption of our technology through licensing and joint venture activities, and
3. Continuing to innovate new applications of the core technology through research and development.

Product sales consisted of Australian, New Zealand and Asian revenues of $4.4m (growth of 33% over the previous corresponding period "PCP") plus the contribution of $9.6m from the US-based IER business which was acquired in December 2019. Sales for the IER business were robust during the period despite some disruption due to COVID-19 with a small number of customers in the food processing industry closing operations for short periods for deep cleaning. The Group's primary products are used in water and wastewater treatment by municipal water authorities and industries such as food producers, which continued to operate through the months that suffered the most significant impact of the pandemic.

Upon the completion of the IER acquisition, the Group has a significantly enhanced platform from which it can further develop and accelerate growth and operations in the US. The Group has expanded its sales and marketing capabilities and has the capacity to service a broader customer base from four additional production sites across three US states. The integration of the IER operations into the Group and the initiation of our technical and expansion plans, has progressed very successfully, notwithstanding the significant challenges bought about because of restricted international travel since the pandemic began. This is testament to the talent and experience of the IER team who are all very valuable additions to the Group.

In South East Asia, the Group was pleased to see strong growth of 100% pcp in the first half of the period of the AQUA-Cal+ product for aquaculture water conditioning. However, with most of these sales occurring in the Chinese market, when the pandemic hit, this positive sales momentum was affected. Whilst this did not result in a material impact on the performance of the Group, with AQUA-Cal+ representing less than 3% of annual product revenues, the Group is working with its partners to rebuild revenue growth in the region as the economic and health impact of the COVID-19 virus hopefully subsides.

In August 2019, The Group announced that it had entered in to its first distribution agreement for BOOSTER-Mag when it signed a multi-year licence agreement with European based AFEPASA, which will help to further develop its BOOSTER-Mag crop protection commercialisation strategy. Initial sales are targeting the folia spray market in the current northern hemisphere summer. The Group also continued to work with other multi-national crop protection companies who have executed Material Transfer Agreements (MTA's) and are conducting testing and due diligence. A further milestone for the product was achieved in February 2020 when the Group applied for registration for BOOSTER-Mag as a crop protection product with the Australian Pesticides and Veterinary Medicine's Authority ("APVMA") following over five years of independent testing and trials in Australia. The APVMA approval process typically may take 12-18 months but upon successful completion, the Group would be able to sell and market the specifics of the products' pest and disease efficacy in Australia under an approved label.

During the financial year, the Group took further steps towards developing the application of its technology for CO_2 capture for CO_2 intensive industries such as the manufacturing of cement and lime. Developments at the Low Emissions Intensity Lime & Cement ("LEILAC") R&D project at Lixhe, Belgium saw the transition from commissioning for the LEILAC-1 pilot plant to operations and testing with early results proving the technology concept and operations gradually extending throughputs and operating conditions to maximum design over the course of 2020. As a result of this progress, the Group and its consortium partners were successful in December 2019 in securing a further €16m in funding from the European Commission to further scale the technology with support for a LEILAC-2 project, to be built in Hannover, Germany. Project agreements were successfully executed in April 2020, with a further €18m in cash and in-kind pledged from industry participants. The LEILAC-2 project will run through to 2025 and see the construction of a 100,000 tonne per annum CO_2 capture plant to prove the technology at commercial demonstration scale.

The year also saw the adoption by the EU of the European Green Deal, targeting net zero CO_2 by 2050, along with multiple pledges of similar commitment by other governments, and corporations such as HeidelbergCement, one of Calix's partners in the LEILAC projects. The Group is increasingly encouraged with the global tail winds that can lead to the adoption of CO_2 mitigation technologies such as LEILAC.

The Group’s research and development in the field of advanced batteries also progressed well. In August 2019, the Group announced the award of $3m in funding from the Australian Federal Government to support the Co-operative Research Centre Project for the development of Advanced Hybrid Batteries. This will see Calix work with its partners Boron Molecular and Deakin University on the development of new cathode and anode materials for lithium-ion batteries, targeting better performance, lower cost and enhanced sustainability. Work will be undertaken at the Group’s new “BATMn” reactor - an electrically powered calciner at Bacchus Marsh that was commissioned in November 2019. In December 2019, the Group also announced that it had joined the $150m Future Batteries Initiative Co-operative Research Centre, which is part-funded by the Australian Government aimed at supporting and developing a battery industry in Australia.

In addition to these R&D projects, the Group continued research associated with its technology and filed a further 5 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.

FINANCIAL POSITION

The Group held $11.1m in cash and cash equivalents at 30 June 2020 (2019: $4.4m) and had a surplus of $3.9m of total current assets over total current liabilities (2019: $2.9m).

FUTURE DEVELOPMENT, PROSPECTS AND BUSINESS STRATEGIES

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the significant milestones as set out in the review of operations 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 (2019: $NIL).

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the year which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

INFORMATION ON DIRECTORS

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

Experience
Peter Turnbull is an experienced chair and professional non-executive director of publicly listed, unlisted and evolving technology companies. Sector experience spans oil and gas, mining, technology commerialisation and industrial manufacturing.

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

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

Current positions and directorships include:
- Chair, Calix Limited (ASX: CXL)
- Non-Executive Director, Karoon Gas Australia Ltd (ASX: KAR)
- Chair, Auxita Pty Ltd

Peter is a non-executive director, former President, Life Member and Fellow of Governance Institute of Australia and is 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
1,121,934 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 AnteoTech Limited (ASX – ADO) and has held numerous publicly-listed non-executive director roles including Renu Energy Limited and DUET Group Ltd.

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

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

Interest in shares and options
2,189,278 ordinary shares in Calix Limited
Nil options or rights over ordinary shares in Calix Limited

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

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

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

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

Special responsibilities
Nil
Interest in shares and options
138,000 ordinary shares in Calix Limited
Nil options or rights over ordinary shares in Calix Limited

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

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

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

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

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

Special responsibilities
Managing Director & CEO, member of the Technology Committee

Interest in shares and options
4,080,943 ordinary shares in Calix Limited
Nil options or rights over ordinary shares in Calix Limited

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

<u>Experience</u>
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.

<u>Special responsibilities</u>
Member of the Technology Committee

<u>Interest in shares and options</u>
7,804,448 ordinary shares in Calix Limited
Nil options or rights over ordinary shares in Calix Limited

COMPANY SECRETARY

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

DIRECTORS AND COMMITTEE MEETINGS

The number of meetings of the Company's board of directors and each board committee held during the year ended 30 June 2020, 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	16	16	4	4	2	2	*	*
Jack Hamilton	16	16	4	4	2	2	3	3
Lance O'Neill	15	16	*	*	*	*	*	*
Phil Hodgson	16	16	*	*	*	*	3	3
Mark Sceats	15	16	*	*	*	*	3	3

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

ENVIRONMENTAL REGULATION

The Group's operations are subject to local, state and federal environmental legislation and regulations in both the testing and operational areas. The board of directors 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 the financial year, the Company paid a premium to insure the directors, officers and senior managers against certain liabilities that may be incurred whilst they perform their duties for the Company. This may include liabilities and costs associated with defending civil or criminal proceedings bought against the individuals in their capacity as officers of the entities in the Group.

OPTIONS, WARRANTS AND RIGHTS

At the date of this report, there were no unissued ordinary shares of the Company under option, 2,359,155 warrants on issue and 7,818,601 share rights on issue. Refer to Note 17 of the financial statements for further details of the warrants outstanding at balance date.

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

PROCEEDINGS ON BEHALF OF COMPANY

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

AUDITOR

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

NON-AUDIT SERVICES

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

Amounts paid or payable to the auditors for non-audit services provided during the year are as follows: Due diligence relating to IER acquisition $102,047 (2019: $NIL) and Other assurance services $10,000 (2019: $NIL).

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 16.

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 2020 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
Adam Vincent, GM R&D/Projects

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.

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

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

30 June 2019	Short term benefits $	Post-employment benefits $	Equity settled share-based benefits $	Total $
Company directors				
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
Other KMP of the Group				
Darren Charles	309,628	20,531	-	330,159
Bill Karis	274,334	20,531	-	294,865
Andrew Okely	290,467	25,000	-	315,467
Adam Vincent	228,191	25,131	-	253,322
	1,102,620	91,193	-	1,193,813
Total KMP Compensation	**1,803,283**	**107,125**	**-**	**1,910,408**

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 2020	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance as at 30 June 2020
Ordinary shares					
Peter Turnbull	957,484	-	14,286	-	971,770
Jack Hamilton	1,793,881	-	270,524	-	2,064,405
Lance O'Neill	5,500	-	132,500	-	138,000
Phil Hodgson	2,891,518	-	96,786	-	2,988,304
Mark Sceats	6,030,252	-	1,774,196	-	7,804,448
Darren Charles	685,349	-	82,500	-	767,849
Andrew Okely	751,940	-	41,250	(56,180)	737,010
Bill Karis	14,400	-	-	-	14,400
Adam Vincent	1,480,662	-	247,500	(303,971)	1,424,191
	14,610,986	-	2,659,542	(360,151)	16,910,377

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 2020	Balance at the start of the year	Additions	Disposals	Converted to shares	Balance as at 30 June 2020
Warrants					
Peter Turnbull	-	-	-	-	-
Jack Hamilton	206,250	-	-	(206,250)	-
Lance O'Neill	132,500	-	-	(132,500)	-
Phil Hodgson	82,500	-	-	(82,500)	-
Mark Sceats	462,000	-	-	(462,000)	-
Darren Charles	82,500	-	-	(82,500)	-
Andrew Okely	41,250	-	-	(41,250)	-
Bill Karis	-	-	-	-	-
Adam Vincent	247,500	-	-	(247,500)	-
	1,254,500	-	-	(1,254,500)	-

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 was bought to account in the 2018/19 financial statements accordingly.

30 June 2020	Balance at the start of the year	Additions	Disposals	Transferred to direct holding	Balance as at 30 June 2020
ESS Shares allocated					
Peter Turnbull	124,873	-	-	-	124,873
Jack Hamilton	124,873	-	-	-	124,873
Lance O'Neill	-	-	-	-	-
Phil Hodgson	1,106,925	-	-	-	1,106,925
Mark Sceats	1,312,196	-	-	(1,312,196)	-
Darren Charles	232,152	-	-	-	232,152
Andrew Okely	512,228	-	-	-	512,228
Bill Karis	-	-	-	-	-
Adam Vincent	422,939	-	-	-	422,939
	3,936,186	-	-	(1,312,196)	2,523,990

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 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 2018/2019 financial year 8,264,318 rights were issued to management and staff pursuant to the Calix EIS. As at the date of this report, 7,818,601 rights remain on issue with certain rights having lapsed as a result of staffing changes and 1,542,265 being earned and vested and 6,276,336 remain unearned and unvested.

30 June 2020	Balance at the start of the year	Rights issued	Rights earned & vested	Unearned rights	Balance as at 30 June 2020
EIS rights issued					
Peter Turnbull	-	-	-	-	-
Jack Hamilton	-	-	-	-	-
Lance O'Neill	-	-	-	-	-
Phil Hodgson	1,239,383	-	247,921	991,462	1,239,383
Mark Sceats	766,357	-	153,299	613,058	766,357
Darren Charles	727,437	-	145,513	581,924	727,437
Andrew Okely	524,911	-	97,109	427,802	524,911
Bill Karis	467,054	-	98,797	368,257	467,054
Adam Vincent	410,862	-	83,277	327,585	410,862
	4,136,004	-	825,916	3,310,088	4,136,004

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 traches 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 2020

When applying the performance criteria for the period to 30 June 2020, the Board assessed the actual performance against the vesting criteria as follows:-

Threshold 1 – Performance against the Company's annual safety and quality action plan, the sales target and gross margin targets for the year were met and achieved in full.

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

Threshold 3 – The Board assessed the individual performance against the individual KPI's.

The assessed result for the year was an average of 87% achievement against target Key Performance Indicators. On this basis, all management and staff would earn an allocation of rights and the senior management who voluntarily elected to postpone their allocation for the prior year were awarded their postponed rights. 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 2020.

Service agreements for Executives

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

- Nature and Term of Employment: Full-time employment
- Termination: If convicted of an 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.

Rounding of amounts

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

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

P J Turnbull AM
Chair
Sydney
27 August 2020

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Australia

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

As lead auditor of Calix Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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, 27 August 2020

calix

Financial report 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June 2020

	Note	June 2020 $	June 2019 $
Sales of goods	3	14,063,414	3,294,182
Cost of sales		(10,703,697)	(1,995,383)
Gross profit		**3,359,717**	**1,298,799**
Other income	3	10,372,306	10,611,684
Gross profit and other income		**13,732,023**	**11,910,483**
Sales and marketing expenses		(4,997,962)	(3,033,661)
Research and development expenses		(5,581,503)	(7,064,766)
Administration and other expenses		(1,674,173)	(1,356,387)
Total operating expenses		**(12,253,638)**	**(11,454,814)**
Profit before funding costs, depreciation, amortisation, impairment, foreign exchange losses, share based payments, acquisition costs and income tax		**1,478,385**	**455,669**
Depreciation, amortisation and impairment expenses	4	(6,609,396)	(4,449,571)
Finance costs		(155,744)	(139,908)
Foreign exchange losses		(211,332)	(71,986)
IPO expenses		-	(2,363,273)
Acquisition and related costs		(362,620)	-
Share based payment expense	18	(1,216,125)	(742,584)
Loss from ordinary activities before income tax		**(7,076,832)**	**(7,311,653)**
Income tax expense	5	-	-
Loss for the year		**(7,076,832)**	**(7,311,653)**
Total loss for the year is attributable to:			
Owners of Calix Limited		(7,076,832)	(7,489,159)
Non-controlling interests		-	177,495
		(7,076,832)	**(7,311,653)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	17	29,974	(61,673)
Total comprehensive income for the year		**(7,046,858)**	**(7,373,326)**
Total comprehensive income for the year is attributable to:			
Owners of Calix Limited		(7,046,858)	(7,550,821)
Non-controlling interests		-	177,495
		(7,046,858)	**(7,373,326)**
Basic and diluted earnings per share (cents)	19	(5.03)	(6.06)

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 2020

	Note	June 2020 $	June 2019 $
ASSETS			
Current assets			
Cash and cash equivalents	6	11,082,356	4,426,030
Trade and other receivables	7	7,060,220	6,272,471
Inventories	8	1,293,908	324,973
Total current assets		**19,436,484**	**11,023,474**
Non-current assets			
Trade and other receivables	7	276,476	274,000
Intangible assets	9	5,196,148	872,961
Goodwill	10	2,808,406	-
Right of use asset	1(f)	426,109	-
Property, plant and equipment	11	14,618,695	13,103,114
Total non-current assets		**23,325,834**	**14,250,075**
Total assets		**42,762,318**	**25,273,549**
LIABILITIES			
Current liabilities			
Trade and other payables	12	7,417,437	1,678,018
Borrowings	13	112,255	2,588,667
Current lease liabilities	1(f)	192,508	-
Provisions	14	567,874	394,743
Deferred revenue	15	7,222,974	3,138,456
Total current liabilities		**15,513,048**	**7,799,884**
Non-current liabilities			
Borrowings	13	131,846	103,786
Non-current lease liabilities	1(f)	247,587	-
Provisions	14	639,454	563,748
Total non-current liabilities		**1,018,887**	**667,534**
Total liabilities		**16,531,935**	**8,467,418**
NET ASSETS		**26,230,383**	**16,806,131**
EQUITY			
Issued capital	16	49,676,807	33,546,039
Reserves	17	3,810,057	3,433,018
Accumulated losses		(27,256,481)	(20,350,953)
Capital and reserves attributable to the owners of Calix Limited		**26,230,383**	**16,628,104**
Non-controlling interests		-	178,027
TOTAL EQUITY		**26,230,383**	**16,806,131**

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 2020

	Note	June 2020 $	June 2019 $
Cash flows from operating activities			
Receipts from customers		15,607,268	3,617,172
Receipts from government bodies		16,317,904	12,425,112
Payments to suppliers and employees		(21,532,514)	(15,206,628)
Interest received		8,804	22,879
Interest paid		(155,744)	(139,908)
Net cash from/(used in) operating activities	29	**10,245,718**	**718,627**
Cash flows from investing activities			
Payment for acquisition of property, plant and equipment		(5,725,214)	(5,680,095)
Payment for acquisition of intellectual property		(837,450)	(312,933)
Payment for acquisition of business and related costs (net of cash obtained)	23	(9,630,741)	-
Net cash used in investing activities		**(16,193,405)**	**(5,993,028)**
Cash flows from financing activities			
Proceeds from issues of shares (net of transaction costs)		15,257,657	6,559,965
Net proceeds from/(repayments of) borrowings		(2,653,646)	695,250
Net cash provided from financing activities		**12,604,011**	**7,255,215**
Net increase in cash and cash equivalents		**6,656,326**	**1,980,814**
Cash and cash equivalents at the beginning of the year		4,426,030	2,445,217
Cash and cash equivalents at the end of the year	6	**11,082,356**	**4,426,030**

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2020

	Issued Capital	Reserves	Accumulated losses	Total Parent Entity Interest	Non-Controlling Interest	Total
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)
Other transactions						
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
Movement in warrant reserve	-	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**
Net losses for the year after tax	-	-	(7,076,832)	(7,076,832)	-	(7,076,832)
Other comprehensive income for the year						
Net movement in foreign currency translation reserve	-	29,974	-	29,974	-	29,974
Total comprehensive income for the year	-	29,974	(7,076,832)	(7,046,858)	-	(7,046,858)
Other transactions						
New issues of shares (net of transaction costs)	15,261,708	-	-	15,261,708	-	15,261,708
Share issued from ESS Trust	721,601	(721,601)	-	-	-	-
Shares issued to ESS Trust	-	-	-	-	-	-
Fair value of EIS rights granted	-	1,216,125	-	1,216,125	-	1,216,125
Movement in warrant reserve	147,459	(147,459)	-	-	-	-
Acquisition of non-controlling interest	-	-	171,304	171,304	(178,027)	(6,723)
Balance at 30 June 2020	**49,676,807**	**3,810,057**	**(27,256,481)**	**26,230,383**	**-**	**26,230,383**

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

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 $7,076,832. The Group had a net assets position at 30 June 2020 of $26,230,383 and net operating cash inflows of $10,245,718. With these assets 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. The Group saw minimal impact on its business performance as a result of the COVID-19 pandemic with operations able to continue in a COVID-safe manner throughout the first half of the calendar year 2020. Some of the Group's customers in China and US had to close for short periods to ensure their sites were free from COVID-19, but these closures did not impact the financial performance of the Group in a material way.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

AASB 16: Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The impact of the adoption of AASB 16 was the recognition of a right of use asset of $426,109 (balance on transition of $670,867) and lease liabilities of $440,095 (balance on transition of $670,867). For the period, the payments and expenses associated with leases ($255,385) were allocated to financing costs ($24,613) and the reduction of the lease liability ($230,772) as required by the new standard. In addition, the right of use assets relating to the leases were depreciated during the period by $260,969. The net effect was a decrease in the Loss for the period of $13,987. AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

Right-of-use assets

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Critical accounting estimates and judgments

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

Judgement Area	Note
Income tax	5
Recovery of trade and other receivables	7
Intangibles	9
Goodwill impairment test	10
Property, plant and equipment	11
Provisions	14
Share-based payment transactions	18

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 9 to 15. For the year ended 30 June 2020, the Group has identified three segments based on the geographical regions in which it operates.

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

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

Notes to the Financial Report
For the year ended 30 June 2020

2. SEGMENT INFORMATION (CONTINUED)

For the period ended June 2019	Australia & SE Asia $	US $	Europe $	Elimination $	Total $
Segment Revenue					
Products sold	2,819,849	46,165	-	(20,736)	**2,845,278**
Revenue from rental agreements	109,026	-	-	-	**109,026**
Other services	339,877	-	-	-	**339,877**
Total Segment Revenue	**3,268,752**	**46,165**	**-**	**(20,736)**	**3,294,182**
Timing of revenue recognition					
Good transferred at a point in time	2,819,849	46,165	-	(20,736)	**2,845,278**
Services transferred over time	448,904	-	-	-	**448,904**
Total Segment Revenue	**3,268,752**	**46,165**	**-**	**(20,736)**	**3,294,182**
Other Income	8,440,717	-	8,820,418	(6,649,451)	**10,611,684**
Total Revenue and Other Income	**11,709,470**	**46,165**	**8,820,418**	**(6,670,187)**	**13,905,866**
EBITDA	**36,183**	**(157,695)**	**4,093,661**	**(3,516,480)**	**455,669**
Depreciation and amortisation	1,840,895	-	4,789	-	**1,845,684**
Impairment	-	-	2,603,887	-	**2,603,887**
Loss before income tax expense	**(8,538,882)**	**(157,695)**	**1,409,979**	**(25,056)**	**(7,311,653)**
Income tax expense	-	-	-	-	**-**
Loss after income tax expense	**(8,538,882)**	**(157,695)**	**1,409,979**	**(25,056)**	**(7,311,653)**

3. REVENUE AND OTHER INCOME

	June 2020 $	June 2019 $
Revenue		
Core product revenues*	4,273,537	3,213,985
IER product revenues	9,638,724	-
Other product revenues*	151,153	43,837
Total revenue	**14,063,414**	**3,294,182**
Other income		
LEILAC project income	4,283,587	4,688,251
R&D incentive income	5,109,774	4,515,536
Other grant income	910,351	785,059
Interest income	8,804	22,879
Debt forgiveness of loan	-	516,426
Other income	59,790	83,533
Total other income	**10,372,306**	**10,611,684**

* During the year ended 30 June 2020, the Group recategorised the product BOOSTER-Mag to core products due to the successful commercialisation in the market. The revenues for the year ended 30 June 2020 was $79,749 (2019: $18,180). The figures for the period ended 30 June 2019 have been updated to include BOOSTER-Mag 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.

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

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

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

3. REVENUE AND OTHER INCOME (CONTINUED)

Debt forgiveness of loan

Shareholder loans relating to the subsidiary Millennium Generation Limited, previously recognised as non-current other borrowings (see Note 13), were derecognised in the period ending 30 June 2019 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:

2020	Products sold $	Revenue from rental agreements $	Other services $	Total $
Product lines				
Core products				
ACTI-Mag	3,801,772	135,181	600	**3,937,554**
PROTECTA-Mag	28,128	-	41,775	**69,903**
AQUA-Cal	287,317	-	-	**287,317**
BOOSTER-Mag	79,749	-	-	**79,749**
*AMALGAM**	9,002,347	-	-	**9,002,347**
Other Products	474,621	-	211,923	**686,544**
	13,673,934	**135,181**	**254,298**	**14,063,414**
Timing of revenue recognition				
Goods transferred at a point in time	13,673,934	-	34,558	**13,708,492**
Services transferred over time	-	135,181	219,740	**354,922**
	13,673,934	**135,181**	**254,298**	**14,063,414**

2019	Products sold $	Revenue from rental agreements $	Other services $	Total $
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**

4. EXPENSES

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

	Note	June 2020 $	June 2019 $
Rental expense relating to operating leases		-	213,916
Employee benefit expenses		8,268,400	6,368,083
Financing costs		155,744	139,908
Depreciation and amortisation expense	9, 11	2,448,105	1,845,684
Depreciation of right of use asset	1(f)	260,969	-
IPO expense		-	2,363,273
IER acquisition expenses		362,620	-
Impairment expense	11	3,900,322	2,603,887

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 14 and Note 18 for details on provisions for employee benefits and details of share-based payments.

Financing costs

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

Impairment expense

In the period ended 30 June 2020, assets relating to the LEILAC and SOCRATCES projects were found to require impairment under the Group's accounting policy on the basis that their value in use had dropped below their carrying value.

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 16 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 have been recognised in the Share Based Payment Reserve (see Note 17 Reserves). The balance of the expenses related to associated costs of the IPO which were recognised through the profit and loss in the period.

5. INCOME TAX

Numerical reconciliation of income tax to prima facie tax payable:

	June 2020 $	June 2019 $
Prima facie income tax expense/(benefit) on loss from ordinary activities (27.5%)*	(1,714,366)	(2,282,462)
Tax effect of R&D incentive**	2,095,944	1,691,539
Temporary differences not recognised	257,514	536,840
Utilisation of prior period tax losses	(639,092)	-
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	1,175,528	3,499,498
Potential income tax benefit @ 27.5%*	**323,270**	**962,362**

*As at 30 June 2020, income tax effects have only been incurred at the Australian tax rate of 27.5%. There were no income tax effects from overseas subsidiaries.

**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 is it probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

5. INCOME TAX (CONTINUED)

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

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

6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	June 2020 $	June 2019 $
Cash at bank and on hand	11,082,356	4,426,030

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 1.00% (2019: 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 2020 $	June 2019 $
Current		
Trade receivables	1,443,423	634,126
R&D incentive receivable	5,003,439	4,499,679
Other receivables	237,768	700,955
Prepayments	205,015	252,202
Deposits	170,897	171,753
Other current assets	(322)	13,755
Total current trade and other receivables	**7,060,220**	**6,272,471**
Non-current		
Deposits	274,000	274,000
Other	2,476	-
Total non-current trade and other receivables	**276,476**	**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

Credit risk management processes

Credit risk is managed through the maintenance of procedures ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairments. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default. Where a creditor is more than 60 days overdue, and there is no agreed payment plan in place, the debt shall be considered impaired and a bad debt provision shall be raised in accordance with the Group's policy on recoverability of trade receivables, see Note 14. Where a creditor is more than 90 days overdue, and there is no agreed payment plan in place, the debt shall be defined to be in default on the basis that there is a low expectation of recoverability of the amount.

Recognition and measurement of expected credit losses

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

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

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 20 for more information on the risk management policy of the Group and credit quality of the receivables.

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

8. CURRENT ASSETS – INVENTORY

	June 2020 $	June 2019 $
Inventory	1,293,908	324,973

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 2020 $	June 2019 $
Customer contracts	2,091,000	-
Less: accumulated amortisation	(121,975)	-
Intellectual property	2,785,567	955,544
Less: accumulated amortisation	(261,719)	(112,251)
Brand names	329,000	-
Less: accumulated amortisation	(19,192)	-
Capitalised development costs	348,613	-
Patents and trademarks	51,432	33,617
Less: accumulated amortisation	(6,578)	(3,949)
Total intangibles	**5,196,148**	**872,961**

Movement in the carrying amounts (dollars) for intellectual property between the beginning and the end of the year:	Intangible Assets $
Balance as at 30 June 2019	872,961
Additions through business combination (Note 23)	
Customer contracts	2,091,000
Intellectual property	1,359,000
Brand names	329,000
Other additions during the period	
Capitalised development costs	348,613
Patents and trademarks	488,837
Less amortisation during the period	(293,264)
Balance as at 30 June 2020	**5,196,148**

Intangibles

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

Customer contracts

Customer contracts were acquired as part of a business combination (see Note 23 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. Customer contracts have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, customer contracts are taken to have a useful life of 10 years.

Intellectual property

Intellectual property was acquired as part of a business combination (see Note 23 for details). It is recognised at fair value at the date of acquisition and is subsequently amortised on a straight-line basis over its estimated useful life. Intellectual property has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, intellectual property is are taken to have a useful life of 10 years.

9. NON-CURRENT ASSETS – INTANGIBLES (CONTINUED)

Brand names

Brand names were acquired as part of a business combination (see Note 23 for details). They are recognised at fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. Brand names have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, brand names are taken to have a useful life of 10 years.

Capitalised development costs

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

Patent and trademarks

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

10. GOODWILL

	June 2020 $	June 2019 $
Goodwill	2,808,406	-
Total goodwill	**2,808,406**	-
At the beginning of the period	-	-
Additions through business combination (Note 23)	2,808,406	-
Balance at the end of the period	**2,808,406**	**-**

Accounting for goodwill

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

Goodwill is tested for impairment by comparing the recoverable amount to the carrying value of the asset. For the current period, the recoverable amount was determined based on value-in-use calculations which required the use of assumptions. In order to calculate the value-in-use, cash flows associated with the US operations, which is the cash generating unit to which the goodwill was assigned, was forecasted for the next 5 years. Historical averages were the primary sources of assumed values. Where possible, these were cross referenced with external sources. The growth rate used in the cash flow forecast was 7.1%, being the average historical growth rate over the past 5 years. The discount rate used in the cash flow forecast was 9.8%, being an externally sourced rate based on an analysis of the Company. These growth and discount rates were also used to determine the terminal value.

A sensitivity analysis was performed on the key assumptions of the cash flow forecast to determine how much each of the assumptions would have to move in order for the recoverable amount to drop below the carrying amount for the goodwill. In the case of the growth factor, this would need to drop to below 0.1% before an impairment would need to be recognised. In the case of the discount factor, this would need to rise above 14.7% before an impairment would need to be recognised. Impairment losses on goodwill are taken to the profit or loss and not subsequently reversed.

Notes to the Financial Report
For the year ended 30 June 2020

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

	June 2020 $	June 2019 $
Office furniture, fittings & equipment	1,417,645	1,386,089
Less: accumulated depreciation	(1,168,479)	(1,060,075)
CFC Calciner facility	18,692,385	18,258,340
Less: accumulated depreciation	(12,018,538)	(10,486,374)
Slurry manufacturing and application assets	4,603,236	1,717,074
Less: accumulated depreciation	(853,219)	(510,692)
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(28,439)	(22,807)
LEILAC project calciner	3,581,539	2,603,887
Less: accumulated impairment	(3,581,539)	(2,603,887)
SOCRATCES project	318,783	64,034
Less: accumulated impairment	(318,783)	-
BATMn project Calciner	2,080,280	1,745,362
Less: accumulated depreciation	(118,340)	-
Land	838,499	838,499
Total property, plant & equipment	**14,618,695**	**13,103,114**

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

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

	Office furniture, fittings & equipment $	CFC Calciner facility $	Slurry assets $	Mining tenements $	LEILAC project Calciner $	SOCRATCES project $	BATMn project $	Land $	Total $
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 2019	**326,013**	**7,771,967**	**1,206,383**	**1,150,857**	**-**	**64,034**	**1,745,362**	**838,499**	**13,103,114**
Additions	30,706	434,045	*2,923,929	-	3,581,539	254,749	334,918	-	7,559,886
Depreciation and amortisation expense	(109,972)	(1,532,164)	(406,081)	(5,631)	-	-	(118,340)	-	(2,172,187)
Impairment expense	-	-	-	-	(3,581,539)	(318,783)	-	-	(3,900,322)
Realised exchange rate adjustment	2,418	-	25,786	-	-	-	-	-	28,204
Balance as at 30 June 2020	**249,166**	**6,673,847**	**3,750,017**	**1,145,227**	**-**	**-**	**1,961,941**	**838,499**	**14,618,695**

*The additions to Slurry assets includes $1,834,673 in assets purchased through acquisition of IER. See Note 23 for more information.

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

Recognition and Measurement

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

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

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

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

Mining tenements and associated mineral resources

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

Impairment

In the year ended 30 June 2020, assets relating to the LEILAC and SOCRATCES projects were found to require impairment under the Group's accounting policy on the basis that their value in use taken to be the value at the end of the project had dropped below their carrying value. These assets both belong to the Europe segment as per Note 2 and are items of plant and equipment developed for the demonstration of CO_2 separation, capture and mitigation. During the period, certain activities performed during testing the technology and innovation identified during our research and development activities indicated that the assets would have minimal value beyond the completion of the current project. The Group recorded a non-cash impairment loss of $3,581,539 relating to the LEILAC project (2019: $2,603,887) and a non-cash impairment loss of $318,783 relating to the SOCRATCES project during the period (2019: $NIL).

12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	June 2020 $	June 2019 $
Trade payables	4,571,274	1,554,079
Other payables & accrued expenses	2,846,163	123,939
Total trade and other payables	**7,417,437**	**1,678,018**

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 20.

13. BORROWINGS

	June 2020 $	June 2019 $
Current borrowings		
Export Finance Australia	-	2,424,078
Asset financing facilities	28,587	65,455
Insurance premium funding	83,668	99,134
Total current borrowings	**112,255**	**2,588,667**
Non-current borrowings		
Asset financing facilities	131,846	103,786
Total non-current borrowings	**131,846**	**103,786**
Total borrowings	**244,101**	**2,692,453**

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.

Export Finance Australia

The Group secured a working capital facility for up to €1.5 million with the Export Finance Australia (EFA) to assist with funding the LEILAC project expenditures to be incurred between 04 April 2019 and 28 February 2020. The interest rate on the facility was 6.2%. The balance of the facility for the year ended 30 June 2019 was $2,424,078 and was fully repaid on 2 March 2020.

Other borrowings

The other borrowings balances comprise of asset financing facilities totalling $160,433 (2019: $169,241) with interest rates ranging from 5.78% to 11.65%, and insurance premium funding facilities totalling $83,668 (2019: $99,134) with an interest rate of 9.97%.

14. PROVISIONS

	June 2020 $	June 2019 $
Current provisions		
Employee benefits	567,874	394,743
Total current provisions	**567,874**	**394,743**
Non-current provisions		
Employee benefits	590,527	519,268
Mine rehabilitation provision	48,927	44,480
Total non-current provisions	**639,454**	**563,748**
Total provisions	**1,207,328**	**958,491**

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

	Provisions $
Balance as at 30 June 2019	**958,491**
Additions and increases to provisions made during the period	375,366
Amounts used during the period	(242,521)
Unused amounts reversed during the period	(15,412)
Increased in discounted cash flows due to the passage of time	131,404
Balance as at 30 June 2020	**1,207,328**

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

14. PROVISIONS (CONTINUED)

employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

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

Rehabilitation provision

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

15. DEFERRED REVENUE

	June 2020 $	June 2019 $
Current deferred revenue	7,222,974	3,138,456
Total deferred revenue	**7,222,974**	**3,138,456**

Recognition and Measurement

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

Associated Projects
The current deferred revenue balance includes grant revenue received but not yet recognised. The current balance as at 30 June 2020 was comprised of $6,320,338 relating to the LEILAC EU Horizons 2020 project (2019: $2,047,326) as well as $902,636 relating to the SOCRATCES project (2019: $1,091,130).

16. ISSUED CAPITAL

	June 2020 $	June 2019 $
Fully paid ordinary shares	54,456,883	37,643,918
Costs of fund raising recognised	(4,780,076)	(4,097,879)
Total issued capital	**49,676,807**	**33,546,039**

a. Fully paid ordinary shares

	2020 Number of shares	2019 Number of shares
At the beginning of the year	122,872,895	107,613,555
Issued during the year	24,497,668	15,259,340
Balance at the end of year	**147,370,563**	**122,872,895**

	2020 $	2019 $
At the beginning of the year	37,643,918	29,298,216
Issued during the year	16,812,965	8,345,702
Balance at the end of year	**54,456,883**	**37,643,918**

b. Costs of fund raising recognised

	2020 $	2019 $
At the beginning of the year	4,097,879	2,306,533
Incurred during the year	682,197	1,791,346
At the end of the year	**4,780,076**	**4,097,879**

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16. ISSUED CAPITAL (CONTINUED)

c. Movements in ordinary share capital

	Number of shares	$
30 June 2018 – Opening 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**
19-September-2019 – Warrants exercised	293,100	146,550
04-October-2019 – Placement for IER Acquisition	17,142,858	12,000,001
09-October-2019 – Warrants exercised	288,750	144,375
11-October-2019 – Warrants exercised	33,000	17,000
16-October-2019 – Warrants exercised	668,250	334,125
22-October-2019 – Placement	1,330,010	931,004
22-October-2019 – Warrants exercised	33,000	16,500
23-October-2019 – Warrants exercised	1,511,400	755,700
24-October-2019 – Warrants exercised	430,000	215,000
25-October-2019 – Warrants exercised	793,250	396,625
29-October-2019 – Warrants exercised	1,654,750	827,375
31-October-2019 – Warrants exercised	319,300	159,650
31-December-2019 – ESS withdrawals	-	26,625
31-December-2019 - Warrant reserve conversion	-	147,459
30-June-2020 – ESS withdrawals	-	694,976
30 June 2020 – Closing Balance	**147,370,563**	**54,456,883**

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 2020, $721,601 shares were issued from the ESS trust (2019: $263,202).

16. ISSUED CAPITAL (CONTINUED)

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

Warrants exercised

During the year ended 30 June 2020, 6,024,800 warrants were exercised (2019: 165,000) by warrant holders at an exercise price of $0.50 per share which resulted in a new issue of 6,024,800 ordinary shares (2019: 165,000). Further details of the Warrants on issue are set out in the notes below.

17. RESERVES

	June 2020 $	June 2019 $
Foreign currency translation reserve	21,299	(8,675)
Share-based payment reserve	3,300,365	2,805,841
Warrant reserve	488,393	635,852
Total reserves	**3,810,057**	**3,433,018**
At the beginning of the year	**3,433,018**	**717,725**
Revaluations to foreign currency translation reserve	29,974	(61,673)
Shares issued from the ESS trust	(721,601)	(263,202)
Fair value of EIS rights granted	1,216,125	742,578
Shares issued to the ESS trust	-	1,809,197
Conversion of warrants	(147,459)	-
Additions to warrant reserve	-	488,393
At the end of the year	**3,810,057**	**3,433,018**

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 18 for more information on share-based payments.

17. RESERVES (CONTINUED)

As a result of a successful IPO, in the year ended 30 June 2019, the Company issued $1,809,197 in shares to the ESS Trust. In the current year, $721,601 were withdrawn by employees and officers from the ESS trust (2019: $263,202).

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 expired on 31 October 2019. 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. 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). All of the warrants related to this issuing were exercised in the current financial year.

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).

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

18. 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 years ended 30 June 2019 and 30 June 2020, the Group recognised a share based payment expense related to the number of rights vesting and to be vested in connection with the fulfilment of the vesting conditions related to these financial periods as well as the forecasted value of those rights at their expected exercise date. The Monte Carlo Simulation method was used for valuation using the following inputs to determine fair value as at 30 June 2020:

Valuation model inputs	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 602,517 new rights (2019: 8,264,318) at an exercise price of $NIL. Of the total rights granted to date, 189,967 were exercisable at the end of the period (2019: NIL), while 497,438 were forfeited during the year (2019: 550,797). No rights were exercised during the period (2019: NIL) and no rights expired during the period (2019: NIL). The balance of rights at the end of the year is 7,818,600 (2019: 7,713,521). The fair value of these rights is $1,958,709. An expense of $1,216,125 was recognised during the year in order to revalue the share-based payment reserve in accordance with the updated valuation model and fair value of the EIS rights.

19. LOSS PER SHARE

	June 2020 $	June 2019 $
a. Earnings used to calculate basic and diluted EPS from continuing operations	(7,076,832)	(7,311,653)
	Number	**Number**
b. Weighted average number of ordinary shares during the year used in calculating:		
Basic EPS*	140,627,893	121,733,798
c. Earnings per share (cents per share)		
Basic EPS*	(5.03)	(6.06)

*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.

20. 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 2020 $	June 2019 $
Financial assets		
Cash and cash equivalents	11,082,356	4,426,030
Current trade and other receivables	1,851,766	1,520,589
Non-current trade and other receivables	276,476	274,000
Total financial assets	**13,210,598**	**6,220,619**
Financial liabilities		
Trade & other payables	7,417,437	1,678,018
Current borrowings	112,255	2,588,667
Current lease liabilities	192,508	-
Non-current borrowings	131,846	103,786
Non-current lease liabilities	247,587	-
Total financial liabilities	**8,101,633**	**4,370,471**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

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

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

Credit risk exposure

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

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

Past due but not impaired

As at 30 June 2020, trade receivables of $29,302 were past due but not impaired (2019: $136,137). 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 14. The aging analysis of trade receivables is as below:

	June 2020 $	June 2019 $
Current	1,255,660	562,989
Less than 30 days overdue	116,475	30,658
Less than 60 days overdue	41,986	8,162
More than 60 days overdue	29,302	32,317
Total trade receivables	**1,443,423**	**634,126**

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 theses receivables.

(b) Liquidity risk

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

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

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

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

2019	Within 1 year $	1 to 5 years $	Total contractual cash flows $	Total Carrying amount $
Financial assets				
Cash and cash equivalents	4,426,030	-	4,426,030	4,426,030
Deposits	171,753	274,000	445,753	445,753
Trade receivables	634,126	-	634,126	634,126
Other current receivables	714,710	-	714,710	714,710
Total Financial assets	**5,946,619**	**274,000**	**6,220,619**	**6,220,619**
Financial liabilities				
Trade and other payables	1,678,018	-	1,678,018	1,678,018
Current borrowings	2,588,666	-	2,588,666	2,588,666
Non-current borrowings	-	103,786	103,786	103,786
Total Financial liabilities	**4,266,685**	**103,786**	**4,370,471**	**4,370,471**
Net Financial assets/(liabilities)	**1,679,934**	**170,214**	**1,850,148**	**1,850,148**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

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

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

	Impact on post tax profit 2020 $	Impact on post tax profit 2019 $
Increase by 100 basis points	(8,442)	(2,675)
Decrease by 100 basis points	8,442	2,675

(d) Foreign exchange risk

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

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

	June 2020 USD $	June 2019 USD $
Cash	461,779	21,923
Trade and other receivables	729,137	165,838
Trade and other payables	(768,536)	(11,030)
Foreign exchange exposure	**422,380**	**176,731**
	GBP £	**GBP £**
Cash	102,476	895,582
Trade and other receivables	(180)	-
Trade and other payables	3,951	(61,040)
Foreign exchange exposure	**106,247**	**834,542**
	EUR €	**EUR €**
Cash	5,951,907	1,419,379
Trade and other receivables	24,693	703
Trade and other payables	(1,304,649)	(1,669,559)
Foreign exchange exposure	**4,671,950**	**(249,477)**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

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

	June 2020 $	June 2019 $
+/- 5% in AUD/USD	61,545	25,201
+/- 5% in AUD/GBP	19,020	150,775
+/- 5% in AUD/EUR	764,515	(40,427)

21. 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 2020 $	June 2019 $
Net debt	244,101	2,692,453
Total equity	26,230,383	16,628,103
Net debt to equity ratio	1%	16%

Loan covenants
Calix secured a working capital facility for up to €1.5 million with the Export Finance Australia (EFA) to assist with funding the LEILAC project expenditures to be incurred between 04 April 2019 and 28 February 2020. Refer to Note 13 for details of the amounts drawn as at 30 June 2019. Under the terms of the facility a financial covenant existed 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. As at 30 June 2020, this facility has been fully repaid.

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.

22. 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 2020	% owned 2019
Calicoat Pty Ltd	Australia	100%	100%
MS Minerals Pty Ltd	Australia	100%	100%
Calix (Europe) Limited	UK	100%	100%
- Millennium Generation Limited	UK	100%	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%	100%
Inland Environmental Resources, Inc.*	USA	100%	-

* Inland Environmental Resources, Inc. was acquired by the Group in December 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.

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.

23. BUSINESS COMBINATION

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

The consideration for the acquisition was $9.35m.

The fair value of the assets and liabilities acquired at the date of acquisition and used for provisional accounting were as follows;

	Fair value AUD$
Cash and cash equivalents	85,242
Trade receivables	1,685,602
Other assets	565,799
Right of use asset	277,590
Property, plant and equipment	1,834,673
Customer contracts	2,091,000
Intellectual property	1,359,000
Brand names	329,000
Trade and other payables	(1,405,989)
Lease liability	(276,960)
Net assets acquired	**6,544,957**
Goodwill	2,808,406
Acquisition date fair value of the total consideration transferred	**9,353,363**
Representing:	
Cash paid to vendors	6,778,824
Cash paid to vendors – held in escrow	2,574,639
Cash used to acquire business, net of cash acquired:	
Cash paid	9,353,363
Less: cash and cash equivalents acquired	85,242
Net cash used	**9,268,121**

The consideration arrangement required the Company to pay the vendors up to $2.6m over a four-year period of which the full amount has been placed in escrow. Acquisition related costs of $362,620 have been recognised in the statement of profit or loss and other comprehensive income.

IER contributed gross revenues of $9.64m and a net profit before tax of $0.05m to the Group for the period to 30 June 2020

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the statement of profit or loss. The goodwill recognised is attributable to the workforce and the profitability of the acquired business. It will not be deductible for tax purposes.

24. PARENT ENTITY FINANCIAL INFORMATION

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

	June 2020 $	June 2019 $
Current assets	5,967,023	5,945,309
Total assets	**28,756,780**	**19,213,901**
Current liabilities	1,653,125	1,692,586
Total liabilities	**2,526,397**	**2,414,775**
Equity		
Issued capital	49,676,807	33,546,038
Reserves	3,788,758	3,569,901
Retained earnings	(27,235,181)	(20,316,814)
Total equity	**26,230,383**	**16,799,125**
Loss for the year	(6,234,057)	(10,578,720)
Total comprehensive (loss) for the year	**(6,234,057)**	**(10,578,720)**

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 (2019: $NIL).

Capital commitments
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2020 (2019: $NIL).

Parent Company Investment in Subsidiary Companies
Investments in subsidiaries are carried at cost in the individual financial statements of Calix Limited. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs of disposal. The carrying value of the parent's investment in subsidiaries as at 30 June 2020 was $10,480,811 (2019: $1,127,449).

25. RELATED PARTY TRANSACTIONS

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

Ultimate parent company
Calix Limited acquired shares in Calix (Europe) Limited on 6 March 2009. As at 30 June 2020 Calix Limited had loaned funds to Calix (Europe) Limited for the amount of $187,910 (funds loaned to it by Calix (Europe) Limited in 2019: $531,257).

Calix Limited acquired shares in Calix North America LLC on 25 November 2009. As at 30 June 2020 Calix Limited had loaned funds to Calix North America LLC for the amount of $245,172 (2019: $246,364).

Calix Limited acquired shares in Calicoat Pty Limited in 2007. Calicoat has not traded since is its inception. As at 30 June 2020 Calix Limited had loaned funds to Calicoat Pty Limited for the amount of $1,977 (2019: $1,977).

On 8 October 2012 Calix established MS Minerals as a wholly owned subsidiary. As at 30 June 2020 Calix Limited had loaned funds for the amount of $536,402 to MS Minerals (2019: $385,169).

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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

On 20 April 2017 Calix established Calixhe SA as a wholly owned subsidiary. As at 30 June 2020 Calix Limited had loaned funds for the amount of $63,033 to Calixhe SA (2019: $43,974).

On 12 December 2018 Calix established Calix Europe Sarl as a wholly owned subsidiary. As at 30 June 2020 Calix Limited funds loaned to it by Calix Europe Sarl for the amount of $762,999 (2019: $NIL).

In December 2019, the Company acquired 100% of the share capital of Inland Environmental Resources, Inc. (IER) for US$6.5 million. As part of this acquisition, Calix has obtained control of IER and IER is accounted for as a subsidiary of Calix Limited. For more information, see Note 23.

26. LEASING COMMITMENTS

Operating leases

	June 2020 $	June 2019 $
Minimum lease payments payable: -		
- not later than one year	-	158,551
- later than one year but not later than five years	-	47,219
Total operating lease commitments	**-**	**205,769**

Finance leases

	June 2020 $	June 2019 $
Minimum lease payments payable		
- not later than one year	28,587	65,455
- later than one year but not later than five years	74,762	103,786
Total finance lease commitments	**103,349**	**169,241**

Assets under financial leases

The present value of minimum lease payments associated with finance lease commitments is $103,349 (2019: $169,064). The net carrying amount at the end of the reporting period for assets subject to finance leases was $85,653 (2019: $134,903).

27. 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 2020 $	June 2019 $
Audit and review of financial statements	119,000	94,000
Due diligence services	102,047	-
Other assurance services	10,000	-
Total remuneration for services	**231,047**	**94,000**

28. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

	June 2020 $	June 2019 $
Short-term employee benefits	2,039,670	1,803,282
Post-employment benefits	127,248	107,124
Share based payments	502,212	-
Total	**2,669,130**	**1,910,408**

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 9 of the Annual report. Disclosures relating to related party transactions with Directors or Key Management Personnel are set out in Note 25.

29. CASH FLOW INFORMATION

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

	June 2020 $	June 2019 $
Loss after income tax	(7,076,833)	(7,311,653)
Add back:		
Depreciation, amortisation and impairment expense	6,609,396	4,449,571
Debt forgiveness of loan	-	(516,426)
Foreign exchange losses	(83,217)	(61,680)
IPO Expenses	-	2,363,273
Acquisition Expenses	362,620	-
Share based payment expense	1,216,125	742,584
Changes in balance sheet items		
(Increase)/decrease in trade & other receivables	946,530	1,259,913
(Increase)/decrease in inventory	(402,138)	(144,411)
(Increase)/decrease in other assets	(16,726)	-
Increase/(decrease) in trade & other payables	4,360,726	(2,062,598)
Accrual of provisions	244,719	157,223
Increase/(decrease) in deferred revenue	4,084,518	1,842,830
Increase/(decrease) in other liabilities	-	(2,062,598)
Net cash used in operating activities	**10,245,718**	**718,627**

30. CONTINGENT LIABILITIES

There are no known contingent liabilities as at 30 June 2020 and 30 June 2019.

31. AFTER BALANCE DATE EVENTS

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 2020 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:

P J Turnbull AM
Chair
Sydney
27 August 2020

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

Business Combination

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 23 in the financial report, In December 2019, the Company acquired 100% of the share capital of Inland Environmental Resources, Inc. (IER) for US$6.5 million. As part of this acquisition, the Company has obtained control of IER and IER is accounted for as a subsidiary of the Company. This is a key audit matter due to the complexity of significant estimates and judgements applied by management to calculate the fair value of the acquired assets and assumed liabilities in the business combination. The acquisition also resulted in the recognition of significant balances of intangible assets and goodwill, which is subject to impairment review. As such, this matter required significant auditor attention.	The procedures performed in response to this key audit matter included, but were not limited to; • Reviewed the share purchase agreement to ensure all assets, liabilities, potential contingent liabilities and consideration have been identified correctly at the date of acquisition. • Reviewed and assessed the work performed by management in relation to the purchase price allocation including the fair value of identified intangibles and the calculation of goodwill recognised as a result of the business combination. • Critically reviewed the Value in Use (VIU) model to support carrying value of goodwill prepared by management based on the identified cash generating units (CGU) through challenging and testing the following key assumptions: o Growth on sales; o Budgeted gross margin; o Other operating costs; o Discount rates; and o Long-term growth rate. • Assessed the reasonableness of the useful economic lives of the separately identifiable intangible assets recognised. • Ensured that the resulting business combination has been accounted for and appropriately disclosed in accordance with *AASB 3: Business Combinations* and other applicable accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.

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

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Calix Limited, for the year ended 30 June 2020, 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, 27 August 2020

Shareholder Information

Additional information required by Australian Stock Exchange Listing Rules is as follow. This information is current as at 23 August 2020.

(a) Distribution schedules of shareholders

Holding ranges	Number of holders	Total units	%
1 – 1,000	249	137,683	0.09
1,001 – 5,000	378	1,038,506	0.70
5,001 – 10,000	203	1,588,445	1.07
10,001 – 100,000	410	13,729,524	9.29
100,001 – 9,999,999,999	94	131,371,284	88.85
Totals	**1,334**	**147,865,442**	**100.00**

There were 131 holders of less than marketable parcels of ordinary shares (minimum $500 parcels at $0.785 per share, and 36,652 units)

(b) Class of shares and voting rights

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

(c) Substantial shareholders

The names of the substantial shareholders listed in the Company's register as at 23 August 2020 were:

	Number of Ordinary shares
Perennial Value Management Limited	20,786,300
Sculptor Capital Holding Corporation and Sculptor Capital Management Inc.	16,921,987
Nicholas Merriman	10,830,286
AustralianSuper Pty Ltd	8,962,983
Paul Crowther	8,500,000
Tiga Trading Pty Ltd and Thorney Technologies Ltd	7,833,901
Acorn Capital Limited	6,592,262

(d) Twenty largest register holders – ordinary shares

Balance as at 23 August 2020	Number of Ordinary Shares	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,599,377	19.34
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,399,081	6.36
NATIONAL NOMINEES LIMITED	8,638,122	5.84
MR PAUL CROWTHER	8,500,000	5.75
NICHOLAS MERRIMAN	8,113,286	5.49
BNP PARIBAS NOMS PTY LTD <DRP>	7,649,554	5.17
CITICORP NOMINEES PTY LIMITED	7,029,923	4.75
UBS NOMINEES PTY LTD	4,845,566	3.28
DR MARK GEOFFREY SCEATS	4,277,246	2.89
MARK GEOFFREY SCEATS <SCEATS SUPERANNUATION FUND>	3,172,236	2.15
PIGEONS SUPER PTY LIMITED <THE HODGSON FAMILY S/F A/C>	2,188,280	1.48
JACOB S ULRICH	2,083,133	1.41
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,629,295	1.10
JENEIL SUPER PTY LTD <JENEIL SUPER FUND A/C>	1,554,532	1.05
ADAM VINCENT	1,528,601	1.03
BRIAN N C SWEENEY	1,490,001	1.01
OLIVER GILLIE & SUSAN GILLIE	1,280,455	0.87
MR JOHN ANDREW HAMILTON	1,221,250	0.83
PHIL HODGSON	1,106,925	0.75
SHAREHOLDER SERVICES PTY LTD	1,098,091	0.74
Total	**105,404,954**	**71.28**