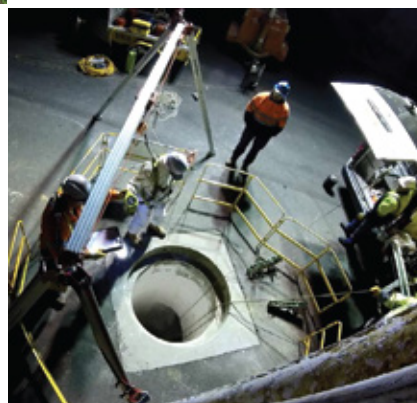


ANNUAL REPORT

# 2017

CREATING NEW MATERIALS  
SOLVING GLOBAL CHALLENGES



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## CORPORATE DIRECTORY

### DIRECTORS

P J Turnbull – Chairman

Dr J A Hamilton

L A W O’Neill

D Zeiden

Dr P H Hodgson – Managing Director & CEO

Dr M G Sceats

### SECRETARY

D Charles

### NOTICE OF GENERAL MEETING

The annual general meeting of Calix Limited will be held at:-

Location – Boardroom Pty Ltd,  
Grosvenor Place, Level 12, 225 George Street  
Sydney, NSW 2000

Time – 4.00pm

Date – 23 November 2017

### PRINCIPAL PLACE OF BUSINESS

Level 1, 9 Bridge Street

Pymble, NSW 2073

(02) 8199 7400

### AUDITOR

#### **BDO**

Level 11, 1 Margaret Street

Sydney, NSW 2000

### SOLICITOR TO THE COMPANY

#### **Piper Alderman**

Level 33, Governor Macquarie Tower, 1 Farrer Place

Sydney, NSW 2000

### SHARE REGISTRY

#### **Boardroom Pty Limited**

Grosvenor Place, Level 12, 225 George Street

Sydney, NSW 2000

### WEBSITE

[www.calix.com.au](http://www.calix.com.au)



## Creating new materials, solving global challenges...

Calix is a multi-award-winning Australian technology company that is developing new processes and materials to solve global challenges.

The core technology is a world-first, patented “kiln” - the Calix Flash Calciner or “CFC” - that produces “mineral honeycomb” - very highly active minerals!

Calix is using these minerals, which are safe and environmentally friendly, to improve waste water treatment and phosphate removal, help protect sewer assets from corrosion, and help improve food production from aquaculture and agriculture without anti-biotics, fungicides and pesticides.

Calix’s technology has also been adopted overseas, where we are working with some of the world’s largest companies, governments and research institutions.

Three novel CFC process applications have also been developed and are being piloted in Europe, with over €20M in EU and UK funding: Low Emissions Intensity Lime and Cement (LEILAC) for efficient direct separation of CO<sub>2</sub> during cement and lime production; the Endothermic / Exothermic (ENDEX) process for efficient pre-combustion CO<sub>2</sub> capture in hydrogen production from natural gas and syngas; and the application of our ENDEX process in solar thermal-chemical energy storage (SOCRATCES project).

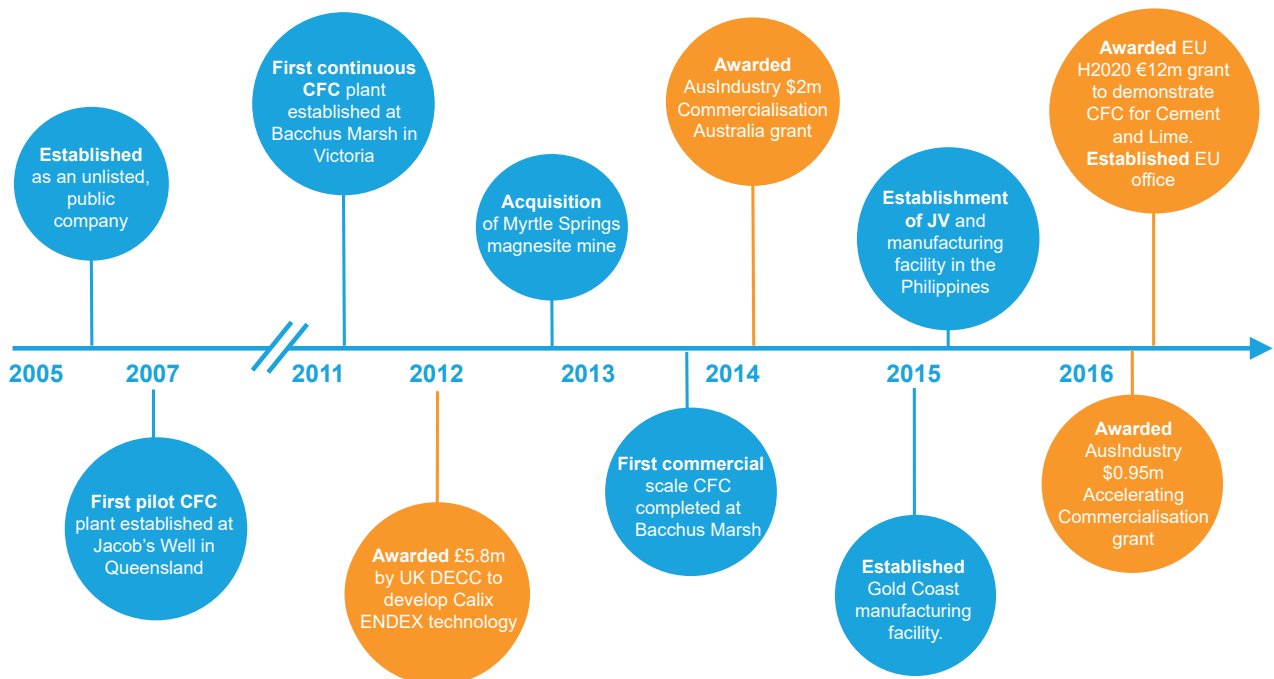
## A platform technology with huge potential...

Calix’s unique, patented CFC technology re-invents the kiln. Our CFC process involves grinding minerals to around one thousandth of a millimetre in size, and then “flash” heating them in a very short time at up to 800 C. As trapped gases in the mineral “bubble out” of the particles, we snap freeze them in a very high energy state, leaving a very porous, honey-comb-like structure.

New materials produced by our CFC are proving to have similar properties to highly active nano-materials, without the safety concerns and high cost, but with all the benefits that nano-technology is developing into numerous products and markets.

The CFC’s processes and products currently in - or near-market have an addressable global market in excess of \$50b. Many more applications are still to be investigated including for novel medicines, batteries, catalysts and 3D printing materials.

## Our history...





At the core of Calix's business is a great team, and a world-first, patented Australian technology that re-invents the calcination (kiln) process to enable novel applications and produce new materials, that address key global challenges...



## MESSAGE FROM THE CHAIRMAN, AND THE MANAGING DIRECTOR

We are pleased to present to you our Annual Report for the 2016 / 17 financial year.

It has been a busy year in which good progress has been made. We continue to successfully pursue our three-point growth strategy of:

- accelerating sales revenue,
- seeking international technology licensing partners, and,
- continuing to innovate through our technology and product development pipelines.

These strategies are all designed to achieve shorter, medium and longer-term value creation for shareholders.

On the sales front, excluding projects and one-off events, our recurring revenues grew by 32% despite some stiff competition from established and emerging players in our local waste water dosing (ACTI-Mag) business. We were particularly pleased to see export sales earnings, comprising our highly active magnesium oxide powder as well as our AQUA-Cal+ aquaculture water conditioner, increase by 84 %, validating our push into overseas markets where further growth opportunities remain very prospective.

We “prototyped” our market entry strategy and business model for our PROTECTA-Mag product for sewer infrastructure protection in Eastern Australia, and then New Zealand, establishing 4 licensed applicator partnerships and rapidly grew our revenues and customer base, without scaling our costs. Our success has given us the confidence and the operational processes to begin planning our US and European market entries in the 2017/18 year ahead.

In relation to technology licensing, in addition to establishing our licensed partner PROTECTA-Mag business model, we continued the development of our BOOSTER-Mag sustainable crop protection product through our joint project with AusIndustry, completing numerous successful efficacy and farm trials and progressing our local “APVMA” regulatory approval process to sell the product in Australia.

Given our excellent technical progress and trial results, we launched a global licensed partnership search for BOOSTER-Mag to crop protection tier 1 and tier 2 companies – all multi-billion-dollar enterprises and all with multiple other touch points with our technology. The search for value-adding partners will take some time, however, interest shown to date has given us the confidence to pursue this process as we see significant potential value over the medium term with this disruptive product.



**Peter Turnbull**  
Non-Executive Chairman

**Phil Hodgson**  
Managing Director and CEO

From left to right: **Peter Turnbull**; **Jack Hamilton** - Non-Executive Director; **Mark Sceats** - Executive Director and Chief Scientist; **Darren Charles** - CFO / Company Secretary; **Phil Hodgson**.

Our technology development pipeline also saw significant advances over the last financial year. We filed two new patents, one updating our core calcining technology, and another for the application of our technology in making advanced battery materials, following successful initial testing at Imperial College in London. Our technology was also successful in another EU Horizon 2020 grant win of €5m to develop advanced thermo-chemical batteries, as part of a consortium of European Universities, research institutes and energy companies. The project will commence in January 2018. Our €21m “LEILAC” (Low Emissions Intensity Lime And Cement) project successfully completed its front-end engineering and design, and moved into procurement and construction. We are targeting the end of 2018 to commission the facility at HeidelbergCement’s plant at Lixhe, Belgium.

While our business continues to “boot-strap” from a good position of cash-flow positivity, achieved two years ago and which we have maintained last financial year, the success of our business and strategy across multiple streams has encouraged us to look at raising some growth capital in in the 2017/2018 year to accelerate value creation. We will be actively pursuing various options in this regard in the coming months and will keep you posted as we progress.

Suffice to say, our efforts to raise some growth capital goes hand-in-hand with continuing to raise our public profile, and to this end, we have continued to focus on our website, social media, numerous keynote speaking engagements, exhibitions and various other public promotion avenues. Calix is a judge in the Australian Technologies Competition, has been awarded an Australian Business Award 2017 – New Product Innovation (for our AQUA-Cal+ product), and has reached the finals for the third year running in the NSW Premier’s Export Awards.

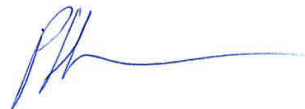
As has been our mantra since inception, the future success of the company continues to rest with its people. All are shareholders in the company, and their tireless focus and dedication continues to impress and create value. The Board has also remained a consistent and cohesive team throughout the year working closely with management. On behalf of Calix as a whole we thank the staff, management and Board for their significant contribution throughout the 2016/17 financial year.

As noted, good progress has been made over the last year and we will continue to devote all efforts and resources to increasing the value of Calix for shareholders in the short, medium and longer term.

We would also, again, like to take this opportunity to thank the shareholders for their continued support and belief in our future.



Peter Turnbull  
Chairman



Phil Hodgson  
Managing Director & CEO

## 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 2017.

### DIRECTORS

The following persons were directors of the Company during the whole of the year ended 30 June 2017 and up to the date of the report, unless otherwise stated:

P J Turnbull  
 J A Hamilton  
 P H Hodgson  
 L A W O’Neill  
 M G Sceats  
 D Zeiden

### INFORMATION ON DIRECTORS

**P J Turnbull** - BCom, LLB, FCIS, FAICD (Non-executive chairman)

#### Experience

Mr. Turnbull is a company director with more than 25 years’ experience in commercial law, corporate governance and executive management. This experience includes group general counsel, company secretary, general manager and subsidiary director roles with ASX Top 50 companies, regulatory authorities in Australia and Hong Kong, government owned and major not-for-profit Australian and global governance organisations. ASX listed company directorships are – Non-Executive Director, Karoon Gas Australia Ltd. (ASX: KAR) and Chairman of Metallica Minerals Limited (ASX:MLM).

#### Special responsibilities

Chairman of the board and Audit and Risk Management Committee

#### Interest in shares and options

18,026,088 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

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

#### Experience

Dr. Hamilton has over 30 years’ experience in local and overseas energy industries including refining, petrochemicals, gas and LNG production covering roles in operations, project, commercial and marketing management. Previously, he was CEO of Exergen Pty Ltd, a low emission coal resource development company, and Director of NWS Ventures with Woodside Energy, overseeing Australia’s largest resource project, the North West Shelf project. Dr. Hamilton formally held non-executive directorships with Geodynamics Ltd. and DUET Group. Dr. Hamilton was appointed to the board in 2012.

#### Special responsibilities

Chairman of Technology Committee and member of Audit & Risk Management Committee

#### Interest in shares and options

31,195,981 ordinary shares in Calix Limited

Nil options, 4,125,000 warrants for ordinary shares in Calix Limited

**L A W O’Neill** – BSc (Econ) Hons (Non-executive director)

#### Experience

Mr. O’Neill is a London-based director of DFB (Australia) Pty. Ltd, a Sydney based investment adviser and is also chairman of EP&F Capital Plc. He has worked in international securities and investment markets since 1981 in the UK, Australia, USA and the Far East. During this time he has worked for Price Waterhouse & Co, Prudential-Bache Securities, Société Générale (Australia) Securities and Rivkin Securities Limited. He is a director of, and/or investor in, a number of private and public companies in the UK, Australia, USA and Japan.

#### Special responsibilities

Nil

#### Interest in shares and options

170,000 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited



**D Zeiden – BA, JD (Non-executive Director)**Experience

Mr. Zeiden is Sculptor Finance Shareholder's nominee to the Board of the Company. He is currently a Managing Director, General Counsel and Chief Operating Officer - Asia for Oz Management, the investment manager of the Sculptor Finance Shareholders. Prior to joining Oz Management, Mr. Zeiden was an associate attorney at Paul Weiss Rifkind Wharton & Garrison and Debevoise & Plimpton, specializing in mergers & acquisitions and private equity transactions. Mr. Zeiden holds a B.A. from the University of Wisconsin-Madison and a J.D. from The UCLA School of Law. Mr. Zeiden is a member of the Bar of the State of New York.

Special responsibilities

Nil.

Interest in shares and options

Nil ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

**P H Hodgson – BE (Hons) (Chem), PhD (Managing Director & CEO)**Experience

Phil Hodgson had 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. During his time with Shell, Phil also held the position of General Manager and Alternate Director of Fuelink Pty Ltd, a \$700 million revenue, 300 - employee distribution and sales subsidiary and also managed several portfolio / M&A projects involving over \$100million in transactions. After leaving Shell, Phil ran his own consultancy business providing project development, commercial and M&A expertise to a number of industry sectors. From 2009 to 2012, Phil was the Managing Director of Jatenergy Limited, an ASX listed clean-technology business.

Special responsibilities

Managing Director & CEO, member of the Technology Committee

Interest in shares and options

49,645,276 ordinary shares in Calix Limited

Nil options, 1,650,000 warrants for ordinary shares in Calix Limited

**M G Sceats – BSc (Hons 1st Class), PhD (Executive Director & Chief Scientist)**Experience

Dr Mark Sceats is a qualified physical chemist with over 40 years' experience. 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. Mark has published more than 140 academic papers in physical chemistry, and is the inventor of 25 patented inventions. Mark was awarded the M.A. Sargent Medal of the Institute of Engineers Australia and the Centenary Medal of the Commonwealth of Australia. 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 was a co-founder of the Company.

Special responsibilities

Member of the Technology Committee

Interest in shares and options

120,118,138 ordinary shares in Calix Limited

Nil options, 9,240,000 warrants for ordinary shares in Calix Limited

**COMPANY SECRETARY**

D 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 2017, and the number of meetings attended by each director were:

Director name	Full meetings of directors		Committee meetings			
	A	B	ARMC		TECH	
	A	B	A	B	A	B
PJ Turnbull	7	7	3	3	*	*
JA Hamilton	7	7	3	3	3	3
LAW O'Neill	6	7	*	*	*	*
D Zeiden	4	7	*	*	*	*
PH Hodgson	7	7	*	*	3	3
MG Sceats	6	7	*	*	2	3

A = Number of meetings attended

B = Number of meetings held

\* = Not a member of the relevant committee

ARMC = Audit & Risk Management committee

TECH = Technology committee

**PRINCIPAL ACTIVITIES**

The principal activities of the Group during the year were:

- continuing research and development of carbon capture technologies and advanced nano-active materials with global application;
- pursuing commercial opportunities for both the Continuous Flash Calciner ("CFC") carbon capture technologies and advanced nano-active materials;
- operation of the CFC commercial scale calciner at Bacchus Marsh in Victoria and an associated materials processing facility for the development of waste water, infrastructure, agricultural products and aquaculture products; and
- production and sale of calcined minerals and derivative products such as nano-active magnesium hydroxide slurry for waste water treatment.

**OPERATING RESULTS**

The Group recorded a significant improvement in operating performance as a result of sales growth, improved sales margins and continued prudent cost management. Total revenue and other income was up 9.7% to \$11,220,859 (2016: \$10,230,696) and the group recorded a profit from ordinary activities (before depreciation, impairment, and finance costs) of \$901,501 (2016: loss of \$222,015). The loss after-tax of the Group for the year ended 30 June 2017 was \$2,141,075 (2016: loss of \$1,911,917). Net cash increased for the year by \$7,345 (2016: \$1,154,926).

**REVIEW OF OPERATIONS**

The 2016/17 financial year saw the Group achieve a continuation in its growth trajectory with accelerated sales and revenues, improving margins and an increase in operating performance, as measured by EBITDA. Excluding one off projects, recurring sales revenues grew 32% to \$3,590,882 and the Group earned additional revenues from grants awarded to support research and development and commercialisation efforts.

The business strategy for the year saw a focus on:

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

Product sales growth was achieved across the three primary product segments covering ACTI-Mag with waste water neutralisation, PROTECTA-Mag with asset protection of sewer lines and the new applications in wet wells and manholes, and in aquaculture with AQUA-Cal+. The Group signed agreements with new partners for the application of PROTECTA-Mag in Queensland, NSW and New Zealand.

Export sales grew over 84% as the Group achieved initial trials in several aquaculture markets in South East Asia and rapidly grew exports to Europe through its partnership and distribution agreement with a large French based company specialising in agriculture, while total export earnings from overseas project and grant income reached \$3,665,055, an increase of 564%.

The Group further developed its BOOSTER-Mag commercialisation strategy, supported through the Accelerating Commercialisation scheme from AusIndustry. Second season trials were performed successfully across several crops in

Australia, including tomatoes, cucurbits, and grapes with encouraging results on both yield and pest and disease control. Progress continues to be made towards achievement of registration with the Australian, Pesticides and Veterinary Medicines Authority and towards improved manufacturing capabilities.

Work on the Low Emissions Intensity Lime & Cement (“LEILAC”) project accelerated during the year with several team members engaged in Europe on activities associated with the Front-End Engineering and Design (“FEED”) for the LEILAC pilot plant. Working closely with consortium partners including Heidelberg Cement, Lhoist, Cemex, ECN and Imperial College, the FEED was successfully completed in June and the next stage of the project, being detailed design, procurement and construction is expected to proceed on plan in 2017/18.

The initial stage project funding from the European Commission (“EC”) was received after balance date in July and the consortium received encouraging feedback on its project progress and reporting from the EC.

In addition to the LEILAC R&D project, the Group continued research associated with its nano-active materials and filed a patent on materials for advanced batteries and a further patent update to its core CFC technology. The Group now has patented technology across core technology, manufacturing process and product application in multiple markets around the world. Investment associated with R&D activities during the year was \$10,829,242 and this was supported by R&D grant funding of \$7,054,589 from both Australian and overseas grants and incentive schemes.

Whilst growing top line sales and revenues, the Group maintained cost disciplines which saw overall operating expenditure up by just 3.7% from \$7,661,526 in 2015/16 to \$7,945,097 in 2016/17. As a result of growth in sales, gross margins and continued cost discipline, the Group was able to report a significant increase in EBITDA from a loss in 2015/16 of \$222,015 to a surplus on 2016/17 of \$901,501. The Group will continue to look at ways to carefully manage costs at the same time as investing in growing sales and broadening its product capability through targeted research and development activity.

#### **FINANCIAL POSITION**

The Group held \$1,884,735 in cash and cash equivalents at 30 June 2017 (2016: \$1,877,390). The Group had a surplus of \$6,357,249 of total current assets over total current liabilities (excluding deferred revenue).

#### **GOING CONCERN**

The financial report has been prepared on a going concern basis. The Group had a net assets position at 30 June 2017 of \$12,854,230. After balance date, the Company received its \$4,693,873 R&D tax incentive and the loan note borrowing facility has been extended to 30 November 2018. With these assets and facilities, the directors believe the going concern basis of preparation of the financial statements is appropriate based on trading forecasts prepared and the future growth of the Company.

#### **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 (2016: NIL).

#### **AFTER BALANCE DATE EVENTS**

On the 3<sup>rd</sup> August 2017, the Company received its R&D tax incentive from the Australian Taxation Office at an assessed amount of \$4,693,873 in agreement with the receivable amount accounted for during the year.

Other than the item 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.

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

Likely developments in operations and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

#### **ENVIRONMENTAL REGULATION**

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

**INDEMNIFICATION AND INSURANCE OF OFFICERS**

During or since the end of the financial year, the Company has given an indemnity by way of deed of indemnity to directors and senior management. The Company also paid a premium in relation to insuring the directors and other officers against liability incurred in their capacity as a director or officer.

**OPTIONS AND WARRANTS**

At the date of this report, there were no unissued ordinary shares of the Company under option and 131,216,000 warrants on issue. Refer to note 18 of the financial statements for further details of the warrants outstanding at balance date.

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

**PROCEEDINGS ON BEHALF OF COMPANY**

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

**AUDITOR**

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

**NON-AUDIT SERVICES**

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

Amounts paid or payable to the auditors for non-audit services provided during the year are as follows: - Other assurance services \$5,300 (2016: \$6,000), and Taxation services \$nil (2016: \$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 14.

## REMUNERATION REPORT (UNAUDITED)

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.

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.

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

30 June 2017	Short term benefits	Post-employment benefits	Share-based payments	Total
	\$	\$	\$	\$
<i>Company directors</i>				
P J Turnbull	105,000	-	-	105,000
J A Hamilton	69,000	-	-	69,000
L A W O'Neill	42,672	-	-	42,672
D Zeiden	-	-	-	-
P H Hodgson	348,000	19,616	69,305	436,921
M G Sceats	299,657	19,616	51,733	371,006
	864,329	39,232	121,038	1,024,599
<i>Other KMP of the Group</i>				
D Charles (CFO)	269,177	19,616	-	288,793
A C Okely (Divisional Manager)	287,958	19,616	-	307,574
	557,135	39,232	-	596,367
<b>Total KMP Compensation</b>	<b>1,421,464</b>	<b>78,464</b>	<b>121,038</b>	<b>1,620,966</b>

30 June 2016	Short term benefits	Post-employment benefits	Share-based payments	Total
	\$	\$	\$	\$
<i>Company directors</i>				
P J Turnbull	80,000	-	-	80,000
W Lan	-	-	-	-
J H P Lin	-	-	-	-
D Zeiden	-	-	-	-
J A Hamilton	34,151	-	44,250	78,401
L A W O'Neill	80,000	-	-	80,000
P H Hodgson	216,768	21,575	-	238,343
M G Sceats	276,016	1,077	95,750	372,843
	686,935	22,652	140,000	849,587
<i>Other KMP of the Group</i>				
D Charles (CFO)	231,387	23,601	-	254,988
A C Okely (Divisional Manager)	199,720	25,833	-	225,553
	431,107	49,434	-	480,541
<b>Total KMP Compensation</b>	<b>1,118,042</b>	<b>72,086</b>	<b>140,000</b>	<b>1,330,128</b>

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. Pursuant to resolution of the board, 136,092,051 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.

As at the date of this report, no shares have been allocated under the short-term incentive scheme for performance in the 2016/17 financial year. However, it is anticipated that allocations will occur before the end of the 2017 calendar year as certain performance criteria were met.

During the 2015/16 financial year, KMP were allocated shares under the short-term incentive scheme as a result of company performance for the 2014/15 financial year. All shares issued under the short-term incentive scheme remain held within the ESS trust and have not been distributed to individuals as at the date of this report.

The following shares were allocated to KMP as a result of achieving the performance goals in the 2015/16 financial year with the corresponding expense being recorded and a reserve of \$189,070 being raised in equity:-

Performance award for year ended 30 June 2016	STI component payable as Shares allocated within ESS Trust (number)*	STI component payable at the election of KMP as either shares or cash or combination of both*	
		Share allocation (number)	Cash bonus \$
<i>Company directors</i>			
P H Hodgson	5,923,481	1,747,427	-
M G Sceats	4,421,595	1,304,371	-
<i>Other KMP of the Group</i>			
D Charles (CFO)	2,786,254	-	13,151
A C Okely (Divisional Manager)	3,028,534	-	14,295
<b>Total STI payment awarded to KMP</b>	<b>16,159,864</b>	<b>3,051,798</b>	<b>27,446</b>

\* - All shares allocated to KMP remain held within the ESS Trust and have not been distributed to individuals as at the date of this report. For a portion of the STI payable for 2015/16, the KMP can choose between either cash or shares or a mixture of both.

#### Service agreements

The employment terms and conditions of KMP are formalised in contracts of employment or consulting arrangements. P Hodgson requires 6 months' and, M G Sceats, D Charles and A C Okely require 3 months' notice prior to termination of employment or consulting arrangement. Termination benefits for KMP are not payable in the event of gross misconduct unless otherwise indicated.

#### Options holdings

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

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



P J Turnbull, Chairman  
Sydney 23 October 2017

## DECLARATION OF INDEPENDENCE BY PAUL BULL TO THE DIRECTORS OF CALIX LIMITED

As lead auditor of Calix Limited for the year ended 30 June 2017, 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.



Paul Bull  
Partner

**BDO East Coast Partnership**

Sydney, 23 October 2017

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	June 2017 \$	June 2016 \$
Revenue & Other Income	3	11,220,859	10,230,696
Cost of Sales		(2,374,261)	(2,791,185)
<b>Gross Profit</b>		<b>8,846,598</b>	<b>7,439,511</b>
Sales and marketing expenses		(1,131,975)	(1,080,461)
Research and development expenses		(5,918,755)	(5,545,232)
Administration and other expenses	4	(894,367)	(1,035,833)
Total operating expenses		(7,945,097)	(7,661,526)
<b>Profit/(loss) from ordinary activities</b>		<b>901,501</b>	<b>(222,015)</b>
Income tax expense	5	-	-
<b>Profit/(loss) from ordinary activities after income tax</b>		<b>901,501</b>	<b>(222,015)</b>
Depreciation & impairment expense	4	(2,657,980)	(1,704,435)
Finance costs on borrowings		(384,596)	(276,012)
<b>(Loss) from continuing operations after funding costs, depreciation, impairment, and income tax for the year</b>		<b>(2,141,075)</b>	<b>(2,202,462)</b>
Profit from discontinued operations	31	-	290,545
<b>(Loss) for the year</b>		<b>(2,141,075)</b>	<b>(1,911,917)</b>
<b>Total Profit/(loss) for the year is attributable to:</b>			
Owners of Calix Limited		(2,127,798)	(1,906,203)
Non-controlling interests		(13,277)	(5,714)
		<b>(2,141,075)</b>	<b>(1,911,917)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Foreign currency translation		(80,652)	(48,700)
<b>Total comprehensive income for the year</b>		<b>(2,221,727)</b>	<b>(1,960,617)</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of Calix Limited		(2,208,450)	(1,954,903)
Non-controlling interests		(13,277)	(5,714)
		<b>(2,221,727)</b>	<b>(1,960,617)</b>
Basic and diluted earnings per share (cents)	24	(0.1)	(0.1)

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 2017

	Note	June 2017 \$	June 2016 \$
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	6	1,884,735	1,877,390
Trade and other receivables	7	8,192,244	4,176,192
Inventory	8	-	38,597
<b>Total current assets</b>		<b>10,076,979</b>	<b>6,092,179</b>
<i>Non-current assets</i>			
Intangible assets	9	430,876	197,708
Property, plant and equipment	11	12,911,066	14,812,758
Investments accounted for using the equity method	10	-	41,270
<b>Total non-current assets</b>		<b>13,341,942</b>	<b>15,051,736</b>
<b>Total assets</b>		<b>23,418,921</b>	<b>21,143,915</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables	12	2,807,351	1,129,419
Borrowings	13	610,000	2,000,000
Provisions	14	302,379	260,554
Deferred revenue	15	720,000	1,140,000
<b>Total current liabilities</b>		<b>4,439,730</b>	<b>4,529,973</b>
<i>Non-current liabilities</i>			
Borrowings	13	4,675,319	1,118,074
Deferred revenue	15	1,257,819	977,654
Derivative financial instruments	16	-	80,000
Provisions	14	191,823	88,640
<b>Total non-current liabilities</b>		<b>6,124,961</b>	<b>2,264,368</b>
<b>Total liabilities</b>		<b>10,564,691</b>	<b>6,794,341</b>
<b>NET ASSETS</b>		<b>12,854,230</b>	<b>14,349,574</b>
<b>EQUITY</b>			
Issued capital	17	21,516,054	21,036,817
Reserves	18	486,132	321,925
Retained earnings		(9,148,463)	(7,009,708)
<b>Capital and reserves attributable to the owners of Calix Limited</b>		<b>12,853,723</b>	<b>14,349,034</b>
Non-controlling interests		507	540
<b>TOTAL EQUITY</b>		<b>12,854,230</b>	<b>14,349,574</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

### For the year ended 30 June 2017

	Note	June 2017 \$	June 2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,800,582	9,700,938
Payments to suppliers and employees		(8,750,537)	(10,317,200)
Interest received		3,835	3,633
Interest paid		(237,137)	(276,012)
Net cash from continuing operations		(2,183,257)	(888,641)
Net cash from discontinued operations	31	-	3,034,553
<b>Net cash used in/provided by operating activities</b>	<b>20</b>	<b>(2,183,257)</b>	<b>2,145,912</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(222,712)	(269,527)
Purchases of intellectual property		(233,168)	-
<b>Net cash used in investing activities</b>		<b>(455,880)</b>	<b>(269,527)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		479,237	278,541
Proceeds from/(repayments of) borrowings		2,167,245	(1,000,000)
<b>Net cash provided by/used in financing activities</b>		<b>2,646,482</b>	<b>(721,459)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,345</b>	<b>1,154,926</b>
Cash and cash equivalents at the beginning of the year		1,877,390	722,464
<b>Cash and cash equivalents at the end of the year</b>		<b>1,884,735</b>	<b>1,877,390</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2017

	Issued Capital	Reserves	Retained Earnings	Total Parent Entity Interest	Non-controlling interest	Total
<b>Balance at 1 July 2015</b>	<b>20,758,276</b>	<b>84,481</b>	<b>(5,090,478)</b>	<b>15,752,279</b>	<b>1,291</b>	<b>15,753,570</b>
<b>Net profit for the year after tax</b>	-	-	(1,911,916)	(1,911,916)	-	(1,911,916)
<b>Other comprehensive income for the year</b>						
Net movement in foreign currency translation reserve	-	(48,700)	-	(48,700)	-	(48,700)
Net movement in share based payment reserve	-	189,070	-	189,070	-	189,070
<b>Total comprehensive income for the year</b>	-	140,370	(1,911,916)	(1,771,546)	-	(1,771,546)
<b>Transactions with owners</b>						
New issues of shares (net of transaction costs)	278,541	-	-	278,541	-	278,541
Foreign currency adjustment to historical retained earnings	-	97,074	(7,314)	89,760	-	89,760
Non-controlling interests share of subsidiaries	-	-	-	-	(751)	(751)
<b>Balance at 30 June 2016</b>	<b>21,036,817</b>	<b>321,925</b>	<b>(7,009,708)</b>	<b>14,349,034</b>	<b>540</b>	<b>14,349,574</b>
<b>Net profit for the year after tax</b>	-	-	(2,141,077)	(2,141,077)	-	(2,141,077)
<b>Other comprehensive income for the year</b>						
Net movement in foreign currency translation reserve	-	(80,652)	-	(80,652)	-	(80,652)
Net movement in Warrant reserve	-	147,459	-	147,459	-	147,459
Net movement in share based payment reserve	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	66,807	(2,141,077)	(2,074,270)	-	(2,074,269)
<b>Transactions with owners</b>						
New issues of shares (net of transaction costs)	479,237	-	-	479,237	-	479,237
Foreign currency adjustment to historical retained earnings	-	97,402	2,320	99,722	-	99,722
Non-controlling interests share of subsidiaries	-	-	-	-	(33)	(33)
<b>Balance at 30 June 2017</b>	<b>21,516,054</b>	<b>486,134</b>	<b>(9,148,465)</b>	<b>12,853,723</b>	<b>507</b>	<b>12,854,230</b>

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

**NOTES TO THE FINANCIAL REPORT**

For the year ended 30 June 2017

**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 consolidated 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 – Reduced Disclosure Requirements (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 \$2,221,727 and net operating cash outflows of \$2,183,257. The Group had a net assets position at 30 June 2017 of \$12,854,230. After balance date, the Company received its \$4,693,873 R&D tax incentive and a loan note borrowing facility to the value of \$4,106,063 was secured and has been extended to 30 November 2018. With these assets and facilities, the directors believe the going concern basis of preparation of the financial statements is appropriate based on trading forecasts prepared and the future growth of the Company.

**c) New accounting standards and interpretations***(i) Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 16; none of which had a material impact on the financial statements:

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

*(ii) Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2017 are outlined in the table below:

<i>Standard/Interpretation</i>	<i>Effective for the annual reporting period beginning on</i>	<i>Expected to be initially applied in the financial year ending</i>
AASB 9 Financial Instruments	January 1, 2018	June 30, 2019
AASB 15 Revenue from Contracts with Customers	January 1, 2018	June 30, 2019
AASB 16 Leases	January 1, 2019	June 30, 2020
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	January 1, 2017	June 30, 2018

The Directors have not yet assessed whether the above amendments and interpretations will have a material impact on the financial report of the Group in the year or period of initial application.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### d) 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.

#### e) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

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

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

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

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

#### f) 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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

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

#### g) 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.

#### 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.

##### *Key estimates – valuation of derivatives*

The Group uses valuation techniques to estimate the fair value of certain types of derivative financial instruments. Information on the key assumptions used in estimating the fair values of these instruments is set out in note 18.

##### *Key estimates – estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

##### *Key estimates – employee benefits provision*

As discussed in note 1(e), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

##### *Key estimates - Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

##### *Judgements – income tax, recovery of deferred tax assets and research and development claim*

Deferred tax assets are recognised for deductible temporary differences and brought forward income tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Judgement is required in determining the amount of income tax revenue relating to the research and development claim. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be subject to change. The consolidated entity calculates its research and development claim based on the consolidated entity's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss in the year in which such determination is made.

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

##### *Judgements – share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### 2. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision makers) in assessing performance and in determining the allocation of resources. At present, as reflected in internal reports, the Group operates in one segment being minerals processing and carbon capture.

#### 3. REVENUE AND OTHER INCOME

	June 2017 \$	June 2016 \$
Revenue		
Sales	3,590,882	3,447,630
Other income		
LEILAC Project income	2,359,449	2,656,341
Other Grant income	505,028	659,883
R&D incentive income	4,695,141	3,276,361
Interest income	3,835	3,633
Other income	66,524	186,848
<b>Total revenue and other income</b>	<b>11,220,859</b>	<b>10,230,696</b>

#### Revenue accounting policy

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Sales revenue is recognised at the point of sale, which is when the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Grant revenue and other revenue is recognised when it is received or when the right to receive payment is established. All revenue is stated net of the amount of goods and services tax (GST).

#### 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 Australian Taxation Offices.

#### 4. EXPENSES

(Loss) before incomes tax includes the following specific expenses: -

	June 2017 \$	June 2016 \$
Rental expense relating to operating leases	207,342	152,956
Depreciation expense	2,140,073	1,704,436
Impairment expense	517,907	-
	<b>2,657,980</b>	<b>1,704,436</b>

#### Impairment expense

In the year ended 30 June 2017, assets relating to bagging facilities and mineral stockpiles 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.

#### Impairment of assets accounting policy

At the end of each reporting period, the Group assesses whether there is any indication that any assets have been impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being

**NOTES TO THE FINANCIAL REPORT****For the year ended 30 June 2017**

the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. An excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**5. INCOME TAX****Numerical reconciliation of income tax to prima facie tax payable:**

	June 2017 \$	June 2016 \$
Prima facie income tax (benefit) on loss from ordinary activities (30%)	(642,323)	(516,854)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income		
Other assessable income	247,253	174,466
Non-deductible expenses	841,562	661,602
Accounting expenditure subject to R&D tax incentive	3,248,773	2,221,009
Deduction in decline in value of depreciating assets	(518,554)	(510,248)
Other income not included in assessable income	(1,362,368)	(1,061,966)
Other deductible expenses	(176,372)	(128,091)
Tax losses deducted	(1,637,970)	(839,917)
<b>Income tax attributable to the Group</b>	<b>-</b>	<b>-</b>
<b>Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	7,375,003	12,834,902
<b>Potential income tax benefit @ 30%</b>	<b>2,212,501</b>	<b>3,850,471</b>
<b>Unrecognised temporary differences</b>		
Temporary differences not recognised	408,287	1,376,735
<b>Potential income tax benefit @ 30%</b>	<b>122,486</b>	<b>413,021</b>

**Income tax accounting policy**

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

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

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



**NOTES TO THE FINANCIAL REPORT**

For the year ended 30 June 2017

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 & CASH EQUIVALENTS**

	June 2017 \$	June 2016 \$
Cash at bank and on hand	1,884,735	1,877,390

*Interest rates*

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 0.95% (2016: between 0.00% and 2.45%).

**Cash and cash equivalents accounting policy**

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. CURRENT ASSETS – TRADE & OTHER RECEIVABLES**

	June 2017 \$	June 2016 \$
Trade receivables	2,960,550	420,274
R&D incentive receivable	4,693,000	3,250,000
Other receivables	820	934
Prepayments	166,655	144,384
GST refundable	1,037	-
Deposits paid	370,182	360,600
<b>Total trade &amp; other receivables</b>	<b>8,192,244</b>	<b>4,176,192</b>

**Trade and other receivable accounting policy**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Other receivables are recognised at amortised cost, less any provision for impairment.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### *Fair value and credit risk*

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 28 for more information on the risk management policy of the Company and credit quality of the receivables.

#### *Outstanding receivables*

The balances of receivables that remain within initial trading terms are considered to be of high credit quality, therefore no impairment is required.

#### 8. CURRENT ASSETS – INVENTORY

	June 2017 \$	June 2016 \$
Inventory	-	38,597

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

	June 2017 \$	June 2016 \$
Intellectual property	430,876	197,708

#### **Intangible assets accounting policy**

##### *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.

##### *Research and development*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the projects will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

#### 10. NON-CURRENT ASSETS – INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	June 2017 \$	June 2016 \$
Investment in associates	-	41,270

##### *Investment in Joint Venture*

As at 30 June 2017, the investment in the joint venture with Acti-Mag Asia Inc, previously held by Calix Limited, has been fully impaired and removed from the group's balance sheet. The investment was impaired on the basis that Calix has ceased joint operations.

#### **Associates accounting policy**

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment. When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### 11. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

	June 2017 \$	June 2016 \$
Office furniture, fittings & equipment	1,062,267	998,273
Less: accumulated depreciation	(831,199)	(692,797)
CFC Calciner facility	17,815,571	16,383,935
Less: accumulated depreciation	(7,610,751)	(4,213,295)
Slurry manufacturing and application assets	618,324	395,035
Less: accumulated depreciation	(138,461)	(41,277)
Mining tenements	1,173,664	1,157,961
Less: accumulated amortisation	(16,848)	(13,576)
Endex carbon capture assets	-	-
Land	838,499	838,499
<b>Total property, plant &amp; equipment</b>	<b>12,911,066</b>	<b>14,812,758</b>

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 manufac- turing and application assets \$	Mining tenements \$	Endex Carbon Capture assets \$	Land \$	Total \$
<b>Balance as at 30 June 2015</b>	<b>346,241</b>	<b>13,534,044</b>	<b>379,887</b>	<b>1,149,745</b>	<b>2,772,656</b>	<b>838,499</b>	<b>19,021,072</b>
Additions	101,009	166,271	1,497	-	-	-	268,777
Depreciation expense	(141,774)	(1,529,675)	(27,626)	(5,360)	-	-	(1,704,435)
Impairment expense	-	-	-	-	(2,744,008)	-	(2,744,008)
Realised exchange rate adjustment	-	-	-	-	(28,648)	-	(28,648)
<b>Balance as at 30 June 2016</b>	<b>305,476</b>	<b>12,170,640</b>	<b>353,758</b>	<b>1,144,385</b>	<b>-</b>	<b>838,499</b>	<b>14,812,758</b>
Additions	63,994	10,678	148,006	15,703	-	-	238,381
Transfers	-	(66,815)	66,815	-	-	-	-
Depreciation expense	(138,402)	(1,501,396)	(88,716)	(1,750)	-	-	(1,730,264)
Impairment expense	-	(408,287)	-	(1,522)	-	-	(409,809)
<b>Balance as at 30 June 2017</b>	<b>231,068</b>	<b>10,204,820</b>	<b>479,863</b>	<b>1,156,816</b>	<b>-</b>	<b>838,499</b>	<b>12,911,066</b>

#### Property, plant and equipment accounting policy

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.

**NOTES TO THE FINANCIAL REPORT****For the year ended 30 June 2017**

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of plant and equipment constructed includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statements during the financial period in which they are incurred.

*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.

*Depreciation*

The depreciable amount of fixed assets is calculated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. 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.

**12. CURRENT LIABILITIES – TRADE & OTHER PAYABLES**

	June 2017 \$	June 2016 \$
Trade payables	2,685,503	929,286
Sundry payables & accrued charges	121,848	200,133
<b>Total trade &amp; other payables</b>	<b>2,807,351</b>	<b>1,129,419</b>

**Trade and other payables accounting policy**

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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### 13. BORROWINGS

	June 2017 \$	June 2016 \$
Current borrowings <sup>(1)</sup>	610,000	2,000,000
Non-current borrowings		
Loan notes <sup>(2)</sup>	4,106,063	-
Other borrowings <sup>(3)</sup>	569,256	1,118,074
<b>Total borrowings</b>	<b>5,285,319</b>	<b>3,118,074</b>

##### (1) Short term loans

The current borrowings liability balance for the year ending 30 June 2017 includes loans payable in the next 12 months from the Executive Management Team (\$325,000) at a rate of 10% p.a. and the Export Finance and Insurance Corporation (\$285,000) at a rate of 5.75%. The June 2016 comparative figure represents a loan facility that has been repaid in full.

##### (2) Loan note issuance

In November 2016, Calix raised funds by issuing loan notes. This facility raised \$4,106,063 at an interest rate of 10% per annum and replaced the previous facility in place at June 2016. The loan notes expire in November 2018.

##### (3) Other borrowings

The other borrowings balance comprises of vehicle financing facilities (\$87,241) as well as amounts convertible to shares in Millennium Generation Limited (\$482,015), a 65% owned subsidiary of Calix Europe Limited.

#### Borrowing accounting policy

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.

#### 14. PROVISIONS

	June 2017 \$	June 2016 \$
<b>Current</b>		
Employee benefits	302,379	260,554
<b>Non-Current</b>		
Employee benefits	176,120	88,640
Mine rehabilitation provision	15,703	-

#### Provisions accounting policy

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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### 15. DEFERRED REVENUE

	June 2017 \$	June 2016 \$
Current deferred revenue	720,000	1,140,000
Non-current deferred revenue	1,257,819	977,655
<b>Total deferred revenue</b>	<b>1,977,819</b>	<b>2,117,655</b>

#### *Associated Projects*

The total deferred revenue balance at 30 June 2017 was associated with the LEILAC EU Horizons 2020 project and ASCENT Project.

#### **Deferred revenue accounting policy**

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 unearned portion of the projects.

#### 16. NON-CURRENT LIABILITIES – DERIVATIVES

	June 2017 \$	June 2016 \$
Warrants	-	80,000

#### **Warrants accounting policy**

Warrants relating to a prior financial year convertible bond issue had been accounted for as a derivative financial instrument liability on the basis that the warrant strike price was subject to adjustments for reconstructions of equity and adjustment for any issuance of securities at a discount to the then applicable warrant strike price. During the financial year ending 30 June 2017, these warrants expired and were recognised through profit and loss as other income.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### 17. ISSUED CAPITAL

	June 2017 \$	June 2016 \$
Fully paid ordinary shares	23,709,354	23,230,117
Costs of fund raising recognised	(2,193,300)	(2,193,300)
<b>Total issued capital</b>	<b>21,516,054</b>	<b>21,036,817</b>

##### a. Fully paid ordinary shares

	2017 Number of shares	2016 Number of shares
At the beginning of the year	1,897,579,060	1,869,724,975
Issued during the year	49,923,822	27,854,085
<b>Balance at the end of year</b>	<b>1,947,502,882</b>	<b>1,897,579,060</b>

	2017 \$	2016 \$
At the beginning of the year	23,230,117	22,951,576
Issued during the year	479,237	278,541
<b>Balance at the end of year</b>	<b>23,709,354</b>	<b>23,230,117</b>

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

	2017 \$	2016 \$
At the beginning of the year	2,193,300	2,193,300
Incurred during the year	-	-
<b>At the end of the year</b>	<b>2,193,300</b>	<b>2,193,300</b>

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

	Number of shares	\$
<b>30 June 2015 – Opening balance</b>	<b>1,869,724,975</b>	<b>22,951,576</b>
29 June 2016	27,854,085	278,541
<b>30 June 2016</b>	<b>1,897,579,060</b>	<b>23,230,117</b>
1 July 2016	1,950,000	19,500
30 Sept 2016	7,000,000	70,000
17 Oct 2016	4,000,000	20,000
31 Oct 2016	19,129,753	191,267
7 Nov 2016	17,847,069	178,470
<b>30 June 2017</b>	<b>1,947,502,882</b>	<b>23,709,354</b>

#### Share capital accounting policy

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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### 18. RESERVES

	June 2017 \$	June 2016 \$
Foreign currency translation reserve	73,151	56,403
Share-based payment reserve	265,522	265,522
Warrant reserve	147,459	-
<b>Total reserves</b>	<b>486,132</b>	<b>321,925</b>
At the beginning of the year	321,925	84,481
Revaluations made to foreign currency translation reserve made during the year	16,748	48,374
Share-based payment expenses	-	189,070
Additions to warrant reserve	147,459	-
<b>At the end of the year</b>	<b>486,132</b>	<b>321,925</b>

#### Equity reserve accounting policies

##### *Foreign currency translation reserve*

The foreign currency translation reserve is used to recognise exchange difference arising from the translation of the financial statements of foreign operations to Australian Dollars.

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

The share-based payment reserve is used to recognise the grant date fair value of shares issued and vested to employees and directors.

##### *Warrant reserve*

Warrants, in the form of embedded derivatives, were issued during the year ended 30 June 2017 as part of a loan note facility. 131,216,000 warrants were issued at a strike price of \$0.025 and are due to expire on 31 October 2019. The warrants may be exercised by a Noteholder at any time up until the expiry date, after which they will cease to be exercisable by the Noteholders.

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

#### 19. LEASING COMMITMENTS

##### *Operating leases*

	June 2017 \$	June 2016 \$
Minimum lease payments payable: -		
- not later than one year	108,696	195,117
- later than one year but not later than five years	82,506	191,551
<b>Total operating lease commitments</b>	<b>191,202</b>	<b>386,668</b>



## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

#### *Finance leases*

	June 2017 \$	June 2016 \$
Minimum lease payments payable		
- not later than one year	29,475	22,281
- later than one year but not later than five years	101,215	109,763
<b>Total finance lease commitments</b>	<b>130,690</b>	<b>132,044</b>

#### *Motor vehicle financial leases*

The present value of minimum lease payments associated with finance lease commitments is \$92,307 (2016: 110,411). The net carrying amount at the end of the reporting period for motor vehicles subject to finance leases was \$119,986 (2016: 111,095).

## 20. CASH FLOW INFORMATION

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

	June 2017 \$	June 2016 \$
<b>(Loss) after income tax</b>	<b>(2,141,077)</b>	<b>(1,911,917)</b>
Add back non-cash items		
- depreciation & impairment expense	2,181,343	1,704,436
- accrual of provisions	478,499	-
- gain on derivative financial instruments	(80,000)	-
- share based payment expense	-	189,071
Changes in balance sheet items		
- (increase) in trade & other receivables	(2,570,732)	(6,185)
- (increase) in inventory	38,598	(13,392)
- decrease in current tax assets	(1,443,000)	207,100
- increase in trade & other payables	1,328,739	370,013
- (decrease) in deferred revenue	(123,086)	(1,137,222)
- increase in warrant reserve	147,459	-
Less net profit from discontinued operations	-	(290,545)
<b>Net cash provided by continuing operations</b>	<b>(2,183,257)</b>	<b>(888,641)</b>

## 21. 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 2017 \$	June 2016 \$
Audit & review of financial statements	43,500	38,500
Other assurance services	5,300	6,000
<b>Total remuneration for services</b>	<b>48,800</b>	<b>44,500</b>

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

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

	June 2017 \$	June 2016 \$
Short-term employee benefits	1,421,464	1,118,042
Post-employment benefits	78,464	72,086
Share based payments	121,038	140,000
<b>Total</b>	<b>1,620,966</b>	<b>1,330,128</b>

Further information regarding the remuneration policies of the Group and KMP compensation can be found in the Remuneration Report section of the Director's Report on page 12 of the Annual report.

#### 23. SHARE BASED PAYMENTS

During the 2014 financial year, the board established a new 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.

#### 24. LOSS PER SHARE

	June 2017 \$	June 2016 \$
a. Earnings used to calculate basic EPS from continuing operations	(2,141,077)	(1,911,916)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS	1,934,605,504	1,872,046,149

#### Loss per share accounting policies

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.

#### 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 2016 Calix Limited had received loan funds from Calix (Europe) Limited to the amount of \$1,067,491 (Loans to Calix (Europe) Limited in 2015: \$84,072).

Calix Limited acquired shares in Calix North America LLC on 25 November 2009. As at 30 June 2016 Calix Limited had loaned funds to Calix North America LLC to the amount of \$3,607 (2015: \$3,607).

Calix Limited acquired shares in Calicoat Pty Limited in 2007. Calicoat has not traded since its inception. As at 30 June 2016 Calix Limited had loaned funds to Calicoat Pty Limited to the amount of \$1,157 (2015: \$1,157).

**NOTES TO THE FINANCIAL REPORT****For the year ended 30 June 2017**

On 8 October 2012 Calix established MS Minerals as a wholly owned subsidiary. As at 30 June 2016 Calix Limited had loaned funds to the amount of \$648,587 to MS Minerals (2015: \$146,445).

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

On 20 April 2017 Calix established Calixhe SA as a wholly owned subsidiary.

*Key management personnel*

As at 30 June 2017, loan facilities totalling \$650,000 were provided by key management personnel. There have been no other transactions with KMP (2016: NIL)

**26. 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 2017	% owned 2016
Calicoat Pty Ltd	Australia	100%	100%
MS Minerals Pty Ltd	Australia	100%	100%
Calix (Europe) Limited	UK	100%	100%
- Millennium Generation Limited	UK	65%	65%
Calix (North America) LLC	USA	100%	100%
Calix Technology Pty Ltd	Australia	100%	100%
Calixhe SA	Belgium	100%	0%

**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.

**27. FAIR VALUE MEASUREMENT**

The following table details the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

**NOTES TO THE FINANCIAL REPORT**

For the year ended 30 June 2017

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets	-	-	-	-
Liabilities	-	-	-	-
2016				
Assets	-	-	-	-
Liabilities	-	-	80,000	80,000

*Fair value measurement Accounting Policy*

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use.

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**28. FINANCIAL RISK MANAGEMENT**

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to or from subsidiaries, leases, convertible bonds and derivatives.

The total for each category of financial instruments, measured in accordance with AASB 139: Financial Instruments as detailed in the accounting policies to these financial statements, are as follows:

	June 2017	June 2016
	\$	\$
<b>Financial assets</b>		
Cash & cash equivalents	1,884,735	1,877,390
Trade & other receivables	3,499,244	926,192
Current tax assets	4,693,000	3,250,000
	<b>10,076,979</b>	<b>6,053,582</b>
<b>Financial liabilities</b>		
Trade & other payables	2,807,351	1,129,419
Current borrowings	610,000	2,000,000
Deferred revenue	1,977,819	2,117,654
Non-current borrowings	4,675,319	1,118,074
Derivatives	-	80,000
Provisions	494,201	349,194
	<b>10,564,690</b>	<b>6,794,341</b>

**NOTES TO THE FINANCIAL REPORT****For the year ended 30 June 2017***Specific financial risk exposures and management**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. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

*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.

At the end of the year the Group had financial liabilities expected to mature within a year (current financial liabilities) of \$3,719,730 (2016: \$3,478,613) and greater than one year (non-current financial liabilities and excluding deferred revenue) of \$4,851,439 (2016: \$1,198,074).

With current financial assets at 30 June 2017 of \$10,076,979 (2016: \$6,053,582) the Group is equipped to meet its obligations related to its current 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.

*Interest rate risk*

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

*Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value of future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments other than the Australian Dollar (AUD) functional currency of the Group.

With instruments being held by overseas entities, fluctuations in UK Pound Sterling (GBP) and Euro (EUR) may impact on the Group's financial results unless those exposures are appropriately hedged.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2017

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations, denominations in currencies other than the functional currency of the operations.

	June 2017 GBP £	June 2016 GBP £
Cash	758,683	850,655
Trade receivables	-	-
Trade payables	-	(21,379)
<b>Foreign exchange exposure</b>	<b>758,683</b>	<b>828,916</b>

	June 2017 EUR £	June 2016 EUR £
Cash	46,413	-
Trade receivables	1,669,052	-
Trade payables	(1,003,476)	-
<b>Foreign exchange exposure</b>	<b>711,989</b>	<b>-</b>

#### *Sensitivity analysis*

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

	June 2017 \$	June 2016 \$
+/- 5% in AUD/GBP	125,253	145,824
+/- 5% in AUD/EUR	103,274	-

#### *Net fair value*

Fair values are those amounts at which an asset could be exchanged, or a liability settled between knowledgeable willing parties in arm's length transactions.

Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value.

The fair value of derivative financial instruments is determined using valuation techniques. Details of the measurement and valuation are outlined in note 18, and note 16 for prior period warrants.

#### *Financial instruments Accounting Policy*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to the statement of comprehensive income immediately.

#### *Classification and subsequent measurement*

##### a) Loans and receivables

Loans and receivables are non-derivative financial asset with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

##### b) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are measured at amortised cost.

**NOTES TO THE FINANCIAL REPORT****For the year ended 30 June 2017***Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**29. PARENT ENTITY FINANCIAL INFORMATION**

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

	June 2017 \$	June 2016 \$
Current assets	7,838,482	6,329,407
Total assets	21,150,570	20,252,743
Current liabilities	2,184,309	4,854,584
Total liabilities	6,553,733	5,401,260
<i>Equity</i>		
Issued capital	21,516,054	21,664,547
Reserves	377,244	-
Retained earnings	(7,296,462)	(5,745,573)
	<b>14,596,836</b>	<b>15,918,974</b>
Profit/(loss) for the year	(1,927,951)	(1,924,218)
Total comprehensive income/(loss) for the year	(1,913,098)	(1,924,218)

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

**30. CONTINGENT LIABILITIES**

There are no known contingent liabilities.

**NOTES TO THE FINANCIAL REPORT**

For the year ended 30 June 2017

**31. DISCONTINUED OPERATIONS**

For the year ending 30 June 2016, Millennium Generation Limited (“MGL”), a 65% owned subsidiary of the Company, was advised by UK’s Department of Energy and Climate Change (“DECC”) of plans to review its Carbon Capture and Storage (“CCS”) grant funding program. As a result of this decision and the ongoing policy uncertainty in the UK with respect to CCS technology, the Board of MGL decided to discontinue further work on the DECC Endex Carbon Capture Asset project. At the time this decision was taken, the Group accounts included non-current asset associated with this project of \$2,744,008, and had a deferred revenue non-current liability of \$2,990,087. To reflect the decision to discontinue work on the project, the non-current asset was fully impaired resulting in an impairment expenses of \$2,744,008 and the deferred revenue was recognised in full in the statement of profit and loss.

The profit after tax recognised from the discontinued operations is summarised as follows:

For the year ending:	June 2017	June 2016
	\$	\$
Revenues	-	3,646,904
<i>Expenses</i>		
Research and development expenses	-	(495,496)
Administration and other expenses	-	(116,855)
Depreciation and impairment expenses	-	(2,744,008)
<b>Profit before income tax</b>	<b>-</b>	<b>290,545</b>
Income tax expense	-	-
<b>Profit after income tax from discontinued operations</b>	<b>-</b>	<b>290,545</b>

Cash flows generated/(used) through the discontinued project are summarised below:

For the year ending:	June 2017	June 2016
	\$	\$
Receipts from customers	-	3,646,904
Payments to suppliers	-	(612,351)
<b>Cash generated from discontinued project</b>	<b>-</b>	<b>3,034,553</b>

**32. AFTER BALANCE DATE EVENTS**

On the 3rd August 2017, the Company received its R&D tax rebate from the Australian Taxation Office at an assessed amount of \$4,693,873 (2016: \$3,252,141).

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



## NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2017

### DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 19 to 39 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standards Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



P J Turnbull  
Chairman  
Sydney  
23 October 2017

## 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), which comprises the consolidated statement of financial position as at 30 June 2017, 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 Calix Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

### **Other information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 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.

### **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 - Reduced Disclosure Requirements 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 Company's ability 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our auditor's report.

**BDO East Coast Partnership**

A handwritten signature in black ink. The signature consists of the letters 'BDO' in a stylized, cursive font, followed by a large, flowing signature that appears to be 'Paul Bull'.

Paul Bull  
Partner

Sydney, 23 October 2017





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