Calix Limited and its controlled entities
ABN 36 117 372 540
Interim financial report for the period ended 31 December 2017

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 for the half-year ended 31 December 2017.

DIRECTORS
The following persons were directors of the Company during the period ended 31 December 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 (resigned 28 February 2018)

PRINCIPAL ACTIVITIES
The principal activities of the Group during the year were:

- production and sale of calcined minerals and derivative products such as nano-active magnesium hydroxide slurry for waste water treatment.
- 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

OPERATING RESULTS
The Group recorded positive results during HY17, improved core product sales and continued prudent cost management. Total revenue and other income was up 11.8% to $4,442,199 (HY16: $3,972,502). Loss after tax was slightly higher for HY17 at $1,674,730 (HY16: $1,522,443). This was mainly due to an increased investment in marketing expenses to support the continued sales revenue growth and in finance costs from the loan notes issued in FY17.

GOING CONCERN
The financial report has been prepared on a going concern basis. The Group had a net assets position at 31 December 2017 of $11,171,118 (Jun-17: $12,854,230) and cash and cash equivalents of $3,834,662 (Jun-17: $1,884,735). 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
There were no significant changes in the state of affairs of the Group during the year.

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 3.

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

P J Turnbull, Chair
Sydney 30 April 2018

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

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

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

Ian Hooper
Partner

BDO East Coast Partnership

Sydney, 30 April 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-year period ended 31 December 2017

	Note	31-Dec-17 $	31-Dec-16 $
Core product revenues	2	1,656,443	1,234,513
Other product revenues	2	81,023	318,961
Cost of sales		(1,281,760)	(1,006,197)
Gross profit		**455,706**	**547,277**
Other income	2	2,704,733	2,419,028
Gross profit and other income		**3,160,439**	**2,966,305**
Sales and marketing expenses		(805,366)	(558,893)
Research and development expenses		(2,077,023)	(2,040,259)
Administration expenses		(550,241)	(443,404)
Total operating expenses		(3,432,630)	(3,042,556)
Loss before funding costs, depreciation, amortisation, impairment, foreign exchange losses and income tax for the period		**(272,191)**	**(76,251)**
Depreciation, amortisation & impairment expenses	3	(1,021,730)	(1,276,433)
Finance costs on borrowings		(287,351)	(155,813)
Foreign exchange losses		(93,458)	(13,946)
Loss before income tax for the period		**(1,674,730)**	**(1,522,443)**
Income tax expense		-	-
Loss for the period		**(1,674,730)**	**(1,522,443)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation		(8,382)	60,296
Total comprehensive income for the period		**(1,683,112)**	**(1,462,147)**
Loss for the period attributable to:			
Owners of Calix Limited		(1,674,740)	(1,522,412)
Non-controlling interests		10	(31)
		(1,674,730)	**(1,522,443)**
Total comprehensive income for the half year is attributable to:			
Owners of Calix Limited		(1,683,122)	(1,462,116)
Non-controlling interests		10	(31)
		(1,683,112)	**(1,462,147)**
Basic and diluted earnings per share (cents)	12	(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 31 December 2017

	Note	31-Dec-17 $	30-Jun-17 $
ASSETS			
Current assets			
Cash and cash equivalents		3,834,662	1,884,735
Trade and other receivables	4	3,172,533	8,192,244
Inventory		330,252	-
Total current assets		**7,337,447**	**10,076,979**
Non-current assets			
Intangible assets	5	521,211	430,876
Property, plant and equipment	6	12,097,405	12,911,066
Total non-current assets		**12,618,616**	**13,341,942**
Total assets		**19,956,063**	**23,418,921**
LIABILITIES			
Current liabilities			
Trade and other payables	7	1,957,685	2,807,351
Borrowings	8	4,187,619	610,000
Provisions		378,246	302,379
Deferred revenue	9	1,418,229	720,000
Total current liabilities		**7,941,779**	**4,439,730**
Non-current liabilities			
Borrowings	8	575,675	4,675,319
Deferred revenue	9	-	1,257,819
Provisions		267,491	191,823
Total non-current liabilities		**843,166**	**6,124,961**
Total liabilities		**8,784,945**	**10,564,691**
NET ASSETS		11,171,118	12,854,230
EQUITY			
Issued capital	10	21,638,226	21,516,054
Reserves	11	728,871	486,132
Retained earnings		(11,196,496)	(9,148,463)
Capital and reserves attributable to the owners of Calix Limited		11,170,601	12,853,723
Non-controlling interests		517	507
TOTAL EQUITY		11,171,118	12,854,230

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-year period ended 31 December 2017

	Note	31-Dec-17 $	31-Dec-16 $
Cash flows from operating activities			
Receipts from customers & government bodies		9,575,334	5,009,716
Payments to suppliers and employees		(6,455,309)	(4,740,992)
Interest received		8,236	-
Interest paid		(286,456)	(51,900)
Net cash provided by operating activities		**2,841,805**	**216,824**
Cash flows from investing activities			
Purchases of property, plant and equipment		(190,172)	(152,532)
Purchases of intellectual property		(108,222)	(113,215)
Net cash used in investing activities		**(298,394)**	**(265,747)**
Cash flows from financing activities			
Proceeds from issues of shares		-	479,237
(Repayment)/proceeds from borrowings		(615,484)	405,480
Net cash (used)/provided in financing activities		**(615,484)**	**884,717**
Net increase/(decrease) in cash and cash equivalents		**1,949,927**	**835,794**
Cash and cash equivalents at the beginning of the period		1,884,735	1,877,390
Cash and cash equivalents at the end of the period		**3,834,662**	**2,713,184**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Half-year period ended 31 December 2017

	Issued Capital	Reserves	Retained Earnings	Total Parent Entity Interest	Non-controlling interest	Total
Balance at 1 July 2016	**21,036,817**	**321,925**	**(7,009,708)**	**14,349,034**	**540**	**14,349,574**
Net loss for the year after tax	-	-	(1,522,412)	(1,522,412)	(31)	(1,522,443)
Other comprehensive income for the year						
Net movement in foreign currency translation reserve	-	60,296	-	60,296	-	60,296
Net movement in warrant reserve	-	103,913	(103,913)	-	-	-
Total comprehensive income for the year	**-**	**164,209**	**(1,626,325)**	**(1,462,116)**	**(31)**	**(1,462,147)**
Transactions with owners						
New issues of shares (net of transaction costs)	479,237	-	-	479,237	-	479,237
Balance at 31 December 2016	**21,516,054**	**486,134**	**(8,636,033)**	**13,366.155**	**509**	**13,366,664**
Balance at 1 July 2017	21,516,054	486,134	(9,148,465)	12,853,723	507	12,854,230
Net profit for the period after tax	-	-	(1,674,740)	(1,674,740)	10	(1,674,730)
Other comprehensive income for the period						
Net movement in foreign currency translation reserve	-	(8,382)	-	(8,382)	-	(8,382)
Total comprehensive income for the period	**-**	**(8,382)**	**(1,674,740)**	**(1,683,122)**	**10**	**(1,683,112)**
Transactions with owners						
Shares issued from the ESS Trust	122,172	(122,172)	-	-	-	-
Recognition of prior period share based payments[1]	-	373,291	(373,291)	-	-	-
Balance at 31 Dec 2017	**21,638,226**	**728,871**	**(11,196,496)**	**11,170,601**	**517**	**11,171,118**

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial report was approved by the Board of Directors on 30 April 2018. This half-year consolidated financial report has been prepared in accordance with Australian Accounting Standard AASB134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year consolidated financial report is intended to provide users with an update on the latest annual financial statements of Calix Limited and its controlled entities ('the Group'). As such, the half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017.

The principal accounting policies adopted are consistent with those of the previous financial year.

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The consolidated entity will adopt this standard from 1 July 2018 and the impact of its adoption is likely to be minor.

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2016-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The consolidated entity will adopt this standard from 1 July 2018. Based on the Groups initial assessment, we do not expect a material impact on the adoption of this standard.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The consolidated entity will adopt this standard from 1 July 2019. Management anticipate that the groups operating lease contracts currently in effect will be impacted in AASB 16, and are currently in the process of determining the effects of the implementation of AASB 16 on the financial statements.

2. REVENUE AND OTHER INCOME

	31-Dec-17 $	31-Dec-16 $
Revenue		
Revenue from core products	1,656,443	1,234,513
Revenue from other products	81,023	318,961
Total Revenue	**1,737,466**	**1,553,474**
Other income		
LEILAC project income	594,154	406,505
R&D incentive income	1,858,440	1,695,543
Other grant income	243,886	241,545
Interest income	8,236	2,887
Other income	17	72,548
Total other income	**2,704,733**	**2,419,028**
Total revenue and other income	**4,442,199**	**3,972,502**

3. EXPENSES

Loss from continuing operations after funding costs, depreciation, impairment, foreign exchange losses and income tax includes the following specific expenses: -

	31-Dec-17 $	31-Dec-16 $
Rental expense relating to operating leases	106,993	94,909
Employee benefit expenses	2,009,695	1,853,124
Financing costs	287,351	155,813
Depreciation and amortisation expense	877,207	855,521
Impairment expense	144,523	420,912
	3,425,769	**3,380,279**

Impairment expense
In the period ended 31 December 2017, assets relating to the LEILAC project were found to require impairment under the Group's accounting policy on the basis that their value in use had dropped below their carrying value.

4. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	31-Dec-17 $	30-Jun-17 $
Trade receivables	357,737	2,960,550
R&D incentive receivable	1,857,567	4,693,000
Other receivables	815	820
Prepayments	182,846	166,655
Deposits paid	760,554	370,182
Other current assets	13,014	1,037
Total trade & other receivables	**3,172,533**	**8,192,244**

NOTES TO THE FINANCIAL REPORT
For the Half-year period ended 31 December 2017

5. NON-CURRENT ASSETS - INTANGIBLES

	31-Dec-17 $	30-Jun-17 $
Intellectual property	539,098	430,876
Less: accumulated amortisation	(17,887)	-
Total intangibles	521,211	430,876

6. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT

	31-Dec-17 $	30-Jun-17 $
Office furniture, fittings & equipment	1,040,023	1,062,267
Less: accumulated depreciation	(847,804)	(831,199)
	192,219	**231,068**
CFC Calciner facility	16,951,528	17,815,571
Less: accumulated depreciation	(7,616,125)	(7,610,751)
	9,335,403	**10,204,820**
Slurry manufacturing and application assets	814,163	618,324
Less: accumulated depreciation	(238,547)	(138,461)
	575,616	**479,863**
Mining tenements	1,161,212	1,173,664
Less: accumulated amortisation	(5,544)	(16,848)
	1,155,668	**1,156,816**
LEILAC project calciner	144,523	-
Less: accumulated impairment	(144,523)	-
	-	-
Land	**838,499**	**838,499**
Total property, plant & equipment	**12,097,405**	**12,911,066**

7. CURRENT LIABILITIES – TRADE & OTHER PAYABLES

	31-Dec-17 $	30-Jun-17 $
Trade payables	1,782,263	2,685,502
Sundry payables & accrued charges	175,422	121,849
Total trade & other payables	**1,957,685**	**2,807,351**

8. BORROWINGS

	31-Dec-17 $	30-Jun-17 $
Current borrowings (1)	4,187,619	610,000
Non-current borrowings		
Loan notes (2)	-	4,106,063
Other borrowings (3)	575,675	482,015
Total borrowings	**4,763,294**	**5,285,319**

(1) Current borrowings
The current borrowings liability balance for the period ending 31 December 2017 includes $4,157,671 in funds raised through the issuing of loan notes at an interest rate of 10% per annum. These borrowings are payable in the next 12 months. The remaining amount of $29,948 relates to vehicle financing facilities which are payable within the next 12 months. The June 2017 comparative figure represents loan facilities to the Executive Management Team ($325,000) and the Export Finance and Insurance Corporation ($285,000) that have 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 and have been allocated to current borrowings.

(3) Other borrowings
The other borrowings balance comprises of vehicle financing facilities ($82,039) as well as amounts convertible to shares in Millennium Generation Limited ($491,660), a 65% owned subsidiary of Calix Europe Limited.

9. DEFERRED REVENUE

	31-Dec-17 $	30-Jun-17 $
Current deferred revenue	1,418,229	720,000
Non-current deferred revenue	-	1,257,819
Total deferred revenue	**1,418,229**	**1,977,819**

Associated Projects
The deferred revenue balances at each date are associated with the LEILAC EU Horizons 2020 project and ASCENT Project.

10. ISSUED CAPITAL

	31-Dec-17 $	30-Jun-17 $
Fully paid ordinary shares	23,831,526	23,709,354
Costs of fund raising recognised	(2,193,300)	(2,193,300)
Total issued capital	**21,638,226**	**21,516,054**

a. Fully paid ordinary shares

	31-Dec-2017 Number of shares	30-Jun-17 Number of shares
At the beginning of the year	1,947,502,882	1,897,579,060
Issued during the year	-	49,923,822
Balance at the end of year	**1,947,502,882**	**1,947,502,882**

	31-Dec-17 $	30-Jun-17 $
At the beginning of the year	23,709,354	23,230,117
Issued during the year	-	479,237
Shares issued from the ESS Trust	122,172	-
Balance at the end of year	**23,831,526**	**23,709,354**

b. Costs of fund raising recognised

	31-Dec-17 $	30-Jun-17 $
At the beginning of the year	2,193,300	2,193,300
Incurred during the year	-	-
At the end of the year	**2,193,300**	**2,193,300**

c. Movements in ordinary share capital

	Number of shares	$
1 July 2016 - Opening balance	**1,897,579,060**	**22,951,576**
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	191,268
7 Nov 2016	17,847,069	178,470
30 June 2017	**1,947,502,882**	**23,709,355**
20 Dec 2017	-	46,312
21 Dec 2017	-	75,859
31 December 2017	**1,947,502,882**	**23,831,526**

11. RESERVES

	31-Dec-17 $	30-Jun-17 $
Foreign currency translation reserve	64,771	73,153
Share-based payment reserve	516,641	265,522
Warrant reserve	147,459	147,459
Total reserves	**728,871**	**486,134**
At the beginning of the year	486,134	321,925
Revaluations made to foreign currency translation reserve made during the year	(8,382)	16,750
Shares issued to the ESS Trust	(122,172)	-
Recognition of prior period share based payments	373,291	-
Additions to warrant reserve	-	147,459
At the end of the year	**728,871**	**486,134**

12. LOSS PER SHARE

	31-Dec-17 $	31-Dec-16 $
a. Earnings used to calculate basic EPS from continuing operations	(1,674,730)	(1,522,443)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS	1,947,502,882	1,947,502,882

13. CONTINGENT LIABILITIES

There are no known contingent liabilities.

14. AFTER BALANCE DATE EVENTS

On the 1st of January 2018, the SOCRATCES project was launched in Europe. On the 5th of February, the Company received €705,750 in pre-financing from the European Commission for research and development of solar calcium-looping integration for thermo-chemical energy storage.

On the 6th of February, the Company received $153,955 in project financing from the Department of Industry, Innovation and Science for the development of advanced battery materials. The project commenced on the 1st of December 2017.

On the 9th of March the Company concluded a capital raise of $1,967,265 by issuing 73,680,331 shares to assist with the potential listing of its shares on the Australian Stock Exchange.

On the 9th of March, loan notes totalling $3,500,046 were redeemed by the Company. The redeemed amounts were used to subscribe for 131,087,864 shares.

No further 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.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 4 to 13 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 31 December 2017 and of its performance for the half year ended on that date, and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

P J Turnbull
Chair
Sydney
30 April 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Calix Limited

Report on the Half-Year Financial Report

Conclusion

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

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Ian Hooper
Partner

Sydney, 30 April 2018