Calix Limited and its controlled entities

ABN 36 117 372 540

Interim financial report for the period ended 31 December 2019

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 2019.

DIRECTORS
The following persons were directors of the Company during the period ended 31 December 2019 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

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

- production and sale of nano-active magnesium hydroxide slurries for wastewater treatment, aquaculture and agriculture including the completion of the associated acquisition of Inland Environmental Resources, Inc.;
- continuing research and development of carbon capture technologies and advanced nano-active materials with global application;
- pursuing commercial opportunities for both the carbon capture technologies and advanced nano-active materials;
- progressing research & development projects in Europe - for lime and cement - and Australia for advanced battery materials.

OPERATING RESULTS
The Group recorded strong growth in sales revenues during the first half of the year, with accelerating growth in core product sales complemented by an initial month of contribution of revenues in US from the Inland Environmental Resources Inc (“IER”) acquisition. Overall sales revenues were up 144% on the prior corresponding period to $3.7m (1H18 $1.5m) with underlying sales revenues growth of 39% when excluding the contribution of IER.

Having completed the construction of the LEILAC 1 carbon capture plant in the first half of calendar year 2019, both costs and income associated with the project were lower in the period as the project transitioned into a period of early operational runs and testing. Operating costs decreased by 8% in the half compared to the previous period to $5.2m (1H18 $5.6m), despite an increase of 60% in sales and marketing to costs, including the addition of IER, as an investment to help drive growth in sales revenues in this and future periods. The loss for the period narrowed to $3.8m (1H18 $4.4m) and the Group generated positive operating cashflows for the period of $0.5m.

GOING CONCERN
The financial report has been prepared on a going concern basis.

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 26 February 2020

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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, 26 February 2020

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Half-year period ended 31 December 2019

	Note	31-Dec-19 $	31-Dec-18 $
Core product revenues	3	3,618,259	1,484,383
Other product revenues	3	56,120	22,365
Cost of sales of goods		(2,762,472)	(1,158,769)
Gross profit		911,907	347,979
Other income	3	3,937,624	6,567,884
Gross profit and other income		4,849,530	6,915,863
Sales and marketing expenses		(2,014,772)	(1,273,387)
Research and development expenses		(2,213,690)	(3,685,434)
Administration and other expenses		(866,332)	(675,276)
Total operating expenses	4	(5,094,794)	(5,634,097)
Profit/(Loss) before funding costs, depreciation, amortisation, impairment, IPO expenses, foreign exchange losses, share based payments, acquisition costs and income tax for the period		(245,263)	1,281,766
Depreciation, amortisation & impairment expenses	4	(2,386,965)	(2,879,757)
Finance costs on borrowings		(116,728)	(102,613)
Foreign exchange gains (losses)		15,209	(113,869)
IPO expenses	4	-	(2,363,273)
Acquisition and related costs	16	(368,178)	-
Share based payment expenses		(404,682)	(208,202)
Loss from ordinary activities before income tax		**(3,506,608)**	**(4,385,948)**
Income tax expense		-	-
Loss for the period		**(3,506,608)**	**(4,385,948)**
Total loss for the period attributable to:			
Owners of Calix Limited		**(3,506,608)**	(4,560,843)
Non-controlling interests		-	174,895
		(3,506,608)	**(4,385,948)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(331,913)	(54,390)
Total comprehensive income for the period		**(3,838,520)**	**(4,440,338)**
Total comprehensive income for the half year is attributable to:			
Owners of Calix Limited		(3,838,520)	(4,615,233)
Non-controlling interests		-	174,895
		(3,838,520)	**(4,440,338)**
Basic and diluted earnings per share (cents)	13	(2.73)	(3.49)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. Therefore, the current and comparative EBITDA are not directly comparable.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	31-Dec-19 $	30-Jun-19 $
ASSETS			
Current assets			
Cash and cash equivalents		7,563,471	4,426,030
Trade and other receivables	5	5,426,584	6,272,471
Inventory		1,117,754	324,973
Total current assets		**14,107,809**	**11,023,474**
Non-current assets			
Trade and other receivables	5	302,828	274,000
Intangible assets	6, 16	5,293,136	872,961
Goodwill	7, 16	2,808,406	-
Right of use asset		581,808	-
Property, plant and equipment	8	14,701,882	13,103,114
Total non-current assets		**23,688,060**	**14,250,075**
Total assets		**37,795,869**	**25,273,549**
LIABILITIES			
Current liabilities			
Trade and other payables	9	3,240,725	1,678,018
Borrowings	10	2,890,898	2,588,667
Provisions		159,364	394,743
Deferred revenue	11	1,618,732	3,138,456
Total current liabilities		**7,909,719**	**7,799,884**
Non-current liabilities			
Borrowings	10	415,276	103,786
Provisions		843,597	563,748
Total non-current liabilities		**1,258,873**	**667,534**
Total liabilities		**9,168,592**	**8,467,418**
NET ASSETS		**28,627,277**	**16,806,131**
EQUITY			
Issued capital	12	48,981,831	33,546,039
Reserves	13	3,331,703	3,433,018
Accumulated losses		(23,686,256)	(20,350,953)
Capital and reserves attributable to the owners of Calix Limited		**28,627,277**	**16,628,104**
Non-controlling interests		-	178,027
TOTAL EQUITY		**28,627,277**	**16,806,131**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-year period ended 31 December 2019

	Note	31-Dec-19 $	31-Dec-18 $
Cash flows from operating activities			
Receipts from customers		3,594,924	2,427,879
Receipts from government bodies		4,679,316	11,898,769
Payments to suppliers and employees		(7,782,376)	(9,651,879)
Payment of interest on borrowings		(116,728)	(102,613)
Interest received		5,771	14,073
Net cash provided by operating activities		**380,907**	**4,586,229**
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,488,737)	(3,028,740)
Purchases of intangible assets		(267,963)	(161,654)
Payment for acquisition of business and related costs (net of cash obtained)	16	(9,678,504)	-
Net cash used in investing activities		**(12,434,204)**	**(3,190,394)**
Cash flows from financing activities			
Proceeds from issues of shares (net of transaction costs)		15,105,214	6,573,080
Net proceeds from / (repayment of) borrowings		86,524	(1,760,465)
Net cash provided by financing activities		**15,191,738**	**4,296,189**
Net increase in cash and cash equivalents		**3,137,441**	**6,208,450**
Cash and cash equivalents at the beginning of the period		4,426,030	2,445,217
Cash and cash equivalents at the end of the period		**7,563,471**	**8,653,667**

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 2019

	Issued Capital	Reserves	Retained Earnings	Total Parent Entity Interest	Non-controlling interest	Total
Balance at 1 July 2018	26,991,683	717,725	(12,861,805)	14,847,603	532	14,848,135
Net profit for the period after tax	-	-	(4,560,843)	(4,560,843)	174,902	(4,385,941)
Other comprehensive income for the period						
Net movement in foreign currency translation reserve	-	(54,390)	-	(54,390)	-	(54,390)
Total comprehensive income for the period	**-**	**(54,390)**	**(4,560,843)**	**(4,615,233)**	174,902	**(4,440,331)**
Transactions with owners						
New issues of shares [net of transaction costs]	6,291,194	-	-	6,291,154	-	6,291,154
Shares issued from the ESS Trust	73,913	(73,913)	-	-	-	-
Issue of warrants	-	488,393	-	488,393	-	488,393
Shares issued to ESS Trust	-	1,809,197	-	1,809,197	-	1,809,197
Fair value of EIS rights granted	-	208,202	-	208,202	-	208,202
Balance at 31 December 2018	**33,356,750**	**3,095,208**	**(17,422,648)**	**19,029,309**	**175,435**	**19,204,744**
Balance at 1 July 2019	33,546,039	3,433,018	(23,350,953)	16,628,104	**175,435**	16,628,104
Net profit for the period after tax	-	-	(3,506,607)	(3,506,607)	-	(3,506,607)
Other comprehensive income for the period						
Net movement in foreign currency translation reserve	-	(331,913)	-	(331,913)	-	(331,913)
Total comprehensive income for the period	**-**	(331,913)	(3,506,607)	(3,838,520)	**-**	(3,838,520)
Transactions with owners						
New issues of shares [net of transaction costs]	15,261,708	-	-	15,261,708	-	15,261,708
Shares issued from the ESS Trust	26,625	(26,625)	-	-	-	-
Fair value of EIS rights granted	-	404,682	-	404,682	-	404,682
Conversion of warrants	147,459	(147,459)	-	-	-	-
Acquisition of non-controlling interest(1)	-	-	171,304	171,304	(175,425)	171,304
Balance at 31 December 2019	**48,981,831**	**3,331,703**	**(23,686,256)**	**28,627,278**	**-**	**28,627,278**

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

(1) During the period the Group acquired the remaining shares from the non-controlling interest parties in Millennium Generation Limited. The parent has consequently acquired the associated retained earnings and derecognised the non-controlling interest from previous periods.

NOTES TO THE FINANCIAL REPORT

For the Half-year period ended 31 December 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial report was approved by the Board of Directors on 26 February 2019. 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 2019.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

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 16: Leases

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

Impact of adoption

The impact of the adoption of AASB 16 was the recognition of a right of use asset of $581,808 (balance on transition of $670,867) and lease liabilities of $586,946 (balance on transition of $670,867). For the half-year period the payments and expenses associated with leases ($92,045) were allocated to financing costs ($8,124) and the reduction of the lease liability ($83,921) as required by the new standard. In addition, the right of use assets relating to the leases were amortised during the period by $89,059. The net effect was a decrease in the Loss for the period of $5,138. AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated.

Right-of-use assets

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

Lease liabilities

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

2. SEGMENT REPORTING

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report in the Annual Report. The Group continues to operate only in one segment being minerals processing and carbon capture.

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

3. REVENUE AND OTHER INCOME

	31-Dec-19 $	31-Dec-18 $
Revenue		
Revenue from core products	2,038,343	1,422,892
Revenue from core IER products	1,579,916	-
Revenue from other products	56,120	83,856
Total Revenue	**3,674,379**	**1,506,748**
Other income		
LEILAC project income	1,340,328	3,736,032
R&D incentive income	2,145,585	2,003,309
Other grant income	445,920	298,045
Interest income	5,791	14,073
Debt forgiveness of loan	-	516,426
Total other income	**3,937,624**	**6,567,884**
Total revenue and other income	**7,612,002**	**8,074,632**

Debt forgiveness of loan
In the period ended 31 December 2018, shareholder loans relating to the subsidiary Millennium Generation Limited, previously recognised as non-current other borrowings, were derecognised during the period as a result of debt forgiveness for these loans.

NOTES TO THE FINANCIAL REPORT
For the Half-year period ended 31 December 2019

4. EXPENSES

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

	31-Dec-19 $	31-Dec-18 $
Rental expense relating to operating leases	-	105,777
Employee benefit expenses	3,225,635	2,697,548
Financing costs	116,728	102,613
Depreciation and amortisation expense	1,068,282	943,692
IPO expense	-	2,363,273
Acquisition and related costs	368,178	-
Impairment expense	1,318,683	1,936,065
	6,097,506	**8,148,968**

IPO expense
In the period ended 31 December 2018, the Group issued 15,094,340 shares as part of an initial public offering (IPO) which raised $8,000,000 in funds (see note 10 issued capital). As a result of the Company achieving its IPO, the Board resolved to grant and vest the remaining 3,400,747 shares ($1,809,198) held in the Employee Share Scheme trust. These are recognised in the Share Based Payment Reserve (see note 11 Reserves). The balance of the expenses related to associated costs of the IPO which were recognised through the profit and loss in the period.

Impairment expense
In the period ended 31 December 2019, pilot plant equipment relating to the LEILAC & SOCRATCES projects were found to require impairment under the Group's accounting policy on the basis that their value in use had dropped below their carrying value.

5. TRADE & OTHER RECEIVABLES

	31-Dec-19 $	30-Jun-19 $
Current trade & other receivables		
Trade receivables	2,375,038	634,126
R&D incentive receivable	2,039,250	4,499,679
Other receivables	595,518	700,955
Prepayments	83,196	252,202
Deposits paid	176,068	171,753
Other current assets	157,514	13,755
	5,426,584	**6,272,471**
Non-current trade & other receivables		
Deposits	302,828	274,000
	302,828	**274,000**
Total trade & other receivables	**5,729,412**	**6,546,471**

NOTES TO THE FINANCIAL REPORT
For the Half-year period ended 31 December 2019

6. INTANGIBLES

	31-Dec-19 $	30-Jun-19 $
Customer contracts	2,091,000	-
Intellectual property	1,359,000	-
Brand names	329,000	-
Capitalised development costs	408,328	-
Patents and trademarks	1,255,006	989,161
Less: accumulated amortisation	(149,198)	(116,200)
Total intangibles	**5,293,136**	**872,961**
At the beginning of the period	872,961	
Additions through business combination (note 16)		
Customer contracts	2,091,000	
Intellectual property	1,359,000	
Brand names	329,000	
Other additions during the period		
Capitalised development costs	408,328	
Patents and trademarks	265,845	
Less amortisation during the period	(32,998)	
Balance at the end of the period	**5,293,136**	

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

7. GOODWILL

	31-Dec-19 $	30-Jun-19 $
Goodwill	2,808,406	-
Total goodwill	**2,808,406**	-
At the beginning of the period	-	-
Additions through business combination (note 16)	2,808,406	-
Balance at the end of the period	**2,808,406**	**-**

Accounting for goodwill

Goodwill arises on the acquisition of a business where the fair value of the consideration exceeds the fair value of the net assets acquired. Goodwill is not amortised, instead it is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried as cost less accumulated impairment losses. Impairment losses on goodwill are taken to the profit or loss and not subsequently reversed. For further information on goodwill recognised during the period, refer to note 16.

NOTES TO THE FINANCIAL REPORT
For the Half-year period ended 31 December 2019

8. PROPERTY, PLANT & EQUIPMENT

	31-Dec-19 $	30-Jun-19 $
Office furniture, fittings & equipment	1,391,684	1,386,089
Less: accumulated depreciation	(1,116,458)	(1,060,075)
CFC Calciner facility	18,429,943	18,258,340
Less: accumulated depreciation	(11,234,081)	(10,486,374)
Slurry manufacturing and application assets	3,878,811	1,717,074
Less: accumulated depreciation	(621,831)	(510,692)
Mining tenements	1,173,664	1,173,664
Less: accumulated amortisation	(25,091)	(22,807)
LEILAC project calciner	1,030,779	2,603,887
Less: accumulated impairment	(1,030,779)	(2,603,887)
SOCRATCES project	287,256	64,034
Less: accumulated impairment	(287,256)	-
BATMn project Calciner	2,003,437	1,745,362
Less: accumulated depreciation	(16,695)	-
Land	838,499	838,499
Total property, plant & equipment	**14,701,882**	**13,103,114**

9. TRADE & OTHER PAYABLES

	31-Dec-19 $	30-Jun-19 $
Trade payables	3,042,874	1,554,079
Sundry payables & accrued expenses	197,851	123,939
Total trade & other payables	**3,240,725**	**1,678,018**

10. BORROWINGS

	31-Dec-19 $	30-Jun-19 $
Current borrowings		
Export Finance Australia (1)	2,512,598	2,424,078
Lease liabilities (2)	275,832	-
Other borrowings (3)	102,468	164,589
	2,890,898	**2,588,667**
Non-current borrowings		
Lease liabilities (2)	311,114	-
Other borrowings (3)	104,162	103,786
	415,276	**103,786**
Total borrowings	**3,306,174**	**2,692,453**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised as profit or loss over the period of the borrowings using the effective interest rate method.

Where there is an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

(1) Export Finance Australia
In April 2019, Calix secured a working capital facility for up to €1.5 million with the Export Finance Australia to assist with funding LEILAC project expenditures incurred between 1 May 2019 and 31 December 2019 at an interest rate of 6.2%. As at 31 December 2019, the facility had been fully drawn.

(2) Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. For further information, please refer to note 1.

(3) Other borrowings
The other borrowings balance comprises of vehicle financing facilities and insurance premium funding facilities.

11. DEFERRED REVENUE

	31-Dec-19 $	30-Jun-19 $
Current deferred revenue	1,618,732	3,138,456
Total deferred revenue	**1,618,732**	**3,138,456**

Associated Projects
The deferred revenue balances at reporting date are associated with the LEILAC EU Horizons 2020 project, the SOCRATCES project.

NOTES TO THE FINANCIAL REPORT
For the Half-year period ended 31 December 2019

12. ISSUED CAPITAL

	31-Dec-19 $	30-Jun-19 $
Fully paid ordinary shares	53,761,907	37,643,918
Costs of fund raising recognised	(4,780,076)	(4,097,879)
Total issued capital	**48,981,831**	**33,546,039**

a. Fully paid ordinary shares

	31-Dec-2019 Number of shares	30-Jun-19 Number of shares
At the beginning of the period	122,872,895	107,613,555
Issued during the period	24,497,668	15,259,340
Balance at the end of period	**147,370,563**	**122,872,895**

	31-Dec-19 $	30-Jun-19 $
At the beginning of the period	37,643,918	29,298,216
Issued during the period	16,117,989	8,345,702
Balance at the end of period	**53,761,907**	**37,643,918**

b. Costs of fund raising recognised

	31-Dec-19 $	30-Jun-19 $
At the beginning of the period	4,097,879	2,306,533
Incurred during the period	682,197	1,791,346
At the end of the period	**4,780,076**	**4,097,879**

c. Movements in ordinary share capital

	Number of shares	$
1 July 2018 – Opening balance	**107,613,555**	**29,298,216**
20-July-2018 – IPO subscriptions	15,094,340	8,000,000
07-August-2018 – Warrants exercised	165,000	82,500
31-December-2018 – ESS withdrawals	-	73,913
30-June-2019 – ESS withdrawals	-	189,289
30 June 2019 – Balance	**122,872,895**	**37,643,918**
19-September-2019 – Warrants exercised	293,100	146,550
04-October-2019 – Placement	17,142,858	12,000,001
09-October-2019 – Warrants exercised	288,750	144,375
11-October-2019 – Warrants exercised	33,000	17,000
16-October-2019 – Warrants exercised	668,250	334,125
22-October-2019 – Placement	1,330,010	931,004
22-October-2019 – Warrants exercised	33,000	16,500
23-October-2019 – Warrants exercised	1,511,400	755,700
24-October-2019 – Warrants exercised	430,000	215,000
25-October-2019 – Warrants exercised	793,250	396,625
29-October-2019 – Warrants exercised	1,654,750	827,375
31-October-2019 – Warrants exercised	319,300	159,650
31-December-2019 – ESS withdrawals	-	26,625
31-December-2019 - Warrant reserve conversion	-	147,459
31 December 2019 – Balance	**147,370,563**	**53,761,907**

NOTES TO THE FINANCIAL REPORT
For the Half-year period ended 31 December 2019

13. RESERVES

	31-Dec-19 $	30-Jun-19 $
Foreign currency translation reserve	(255,262)	(8,675)
Share-based payment reserve	3,183,898	2,805,841
Warrant reserve	488,393	635,852
Total reserves	**3,417,029**	**3,433,018**
At the beginning of the year	3,433,018	717,725
Revaluations to foreign currency translation reserve	(331,913)	(61,673)
Shares issued from the ESS trust	(26,625)	(263,202)
Fair value of EIS rights granted	404,682	742,578
Shares issued to the ESS trust	-	1,809,197
Conversion of warrants	(147,459)	-
Additions to warrant reserve	-	488,393
At the end of the year	**3,331,703**	**3,433,018**

14. LOSS PER SHARE

	31-Dec-19 $	31-Dec-18 $
a. Earnings used to calculate basic EPS from continuing operations	(3,838,520)	(4,385,948)
	Number	**Number**
b. Weighted average number of ordinary shares during the period used in calculating basic EPS	140,627,893	125,554,161

15. CONTINGENT LIABILITIES

There are no known contingent liabilities.

16. BUSINESS COMBINATION

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

The consideration for the acquisition was $9.35m.

The initial accounting for the business combination is provisional due to the close proximity of the date of completion of the acquisition to the reporting period end. The fair value of assets and liabilities at acquisition will be finalised prior to the completion of the current financial year.

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

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

The consideration arrangement required the Company to pay the vendors up to $2.6m over a four-year period of which the full amount has been placed in escrow.

Acquisition related costs of $368,178 have been recognised in the statement of profit or loss and other comprehensive income.

IER contributed gross revenues of $1.58m and an operating profit of $0.05m to the Group for the period to 31 December 2019.

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the statement of profit or loss.

17. AFTER BALANCE DATE EVENTS

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.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 4 to 17 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standards Interim Financial Reporting, 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 2019 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
26 February 2020

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, 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 2019 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 *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 2019 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.

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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, 26 February 2020