



# Calix

## ANNUAL REPORT 2016

For personal use only



Process Technology

CFC

Food

Construction

Water

Energy

Health

Infrastructure

Nano-Active materials

Products and Services



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## Our company at a glance

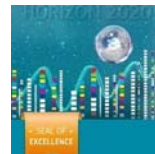


Calix is a multi-award-winning Australian technology company that is developing new processes and materials to solve global challenges.

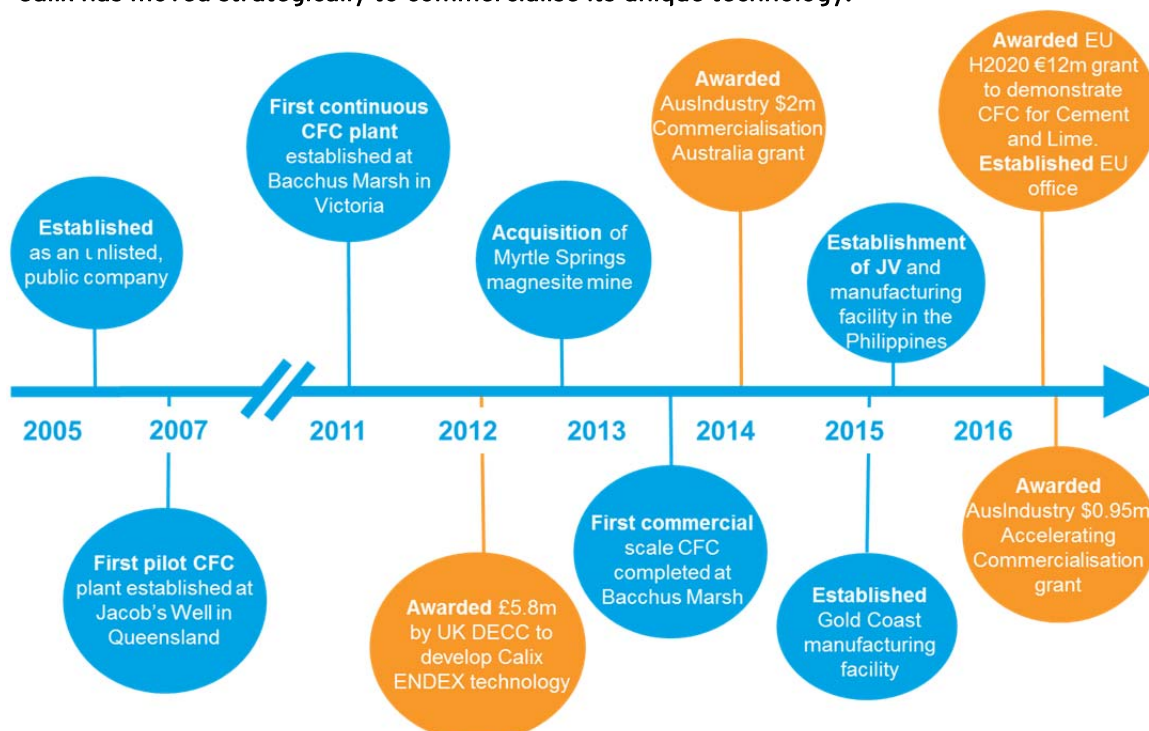
The core technology is a world-first, patented "kiln" built in Bacchus Marsh, Victoria that produces "mineral honeycomb" - very highly active minerals!

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 on CO2 capture.



Calix has moved strategically to commercialise its unique technology:

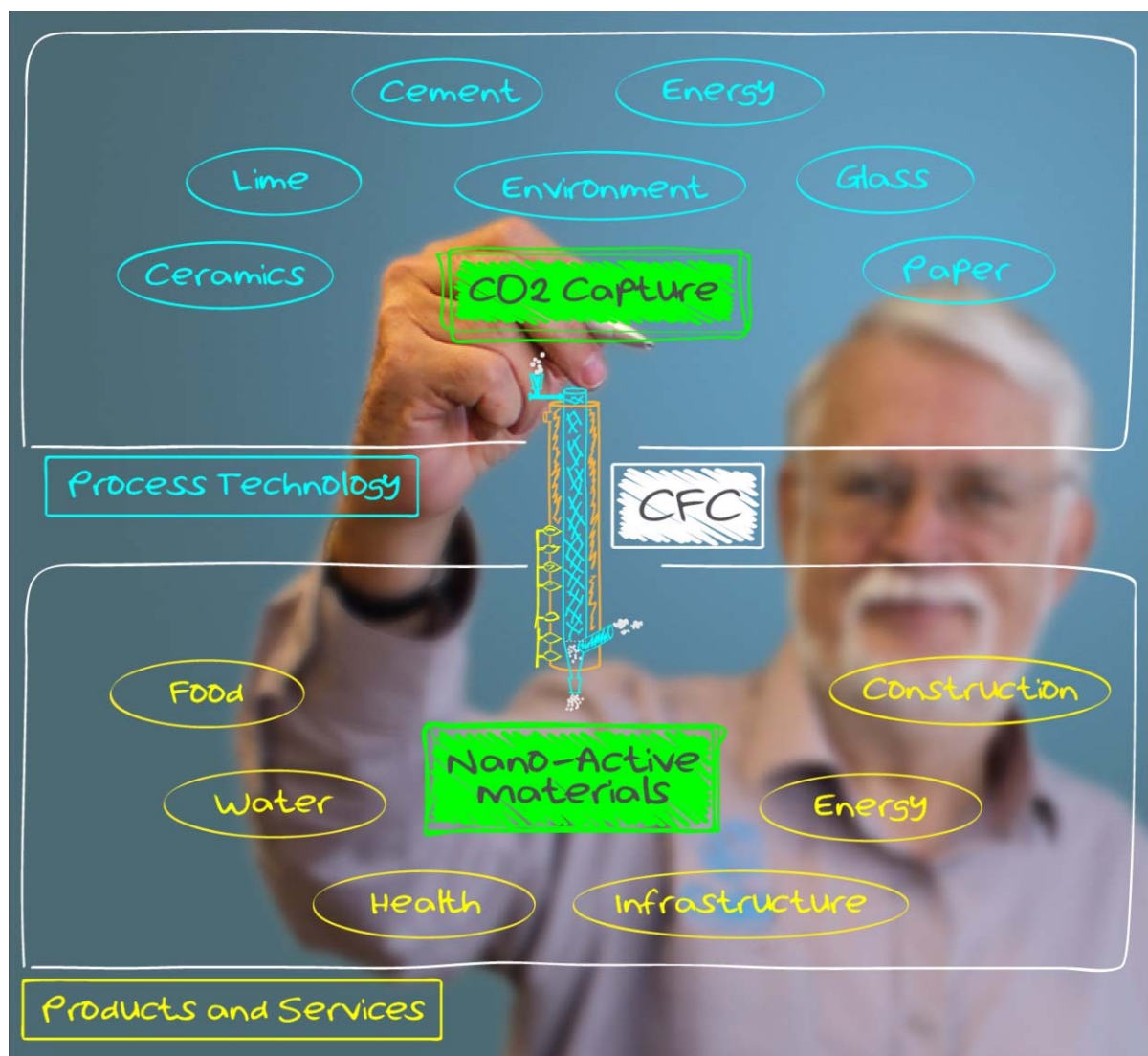




## The technology and its applications...

Calix's technology has been adopted in Europe, where we are working with some of the world's largest companies, governments and research institutions on CO<sub>2</sub> capture.

Calix is using its nano-active 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.



...and we haven't yet begun to explore the opportunities for other metal oxides, and in batteries, catalysts and 3D printing materials...

## Creating new materials, solving global challenges



### WATER

The challenge is not about finding more water; it is about better managing and preserving the resources and infrastructure we have.



### FOOD

By 2025, the global population will reach 8 billion people. Feeding an extra billion mouths within the next 12 years poses an unprecedented challenge to human ingenuity.



### INFRASTRUCTURE

As the population grows, more people will need utilities and clean water, more goods will have to be transported, and more waste will need to be disposed of.



### AIR

Fundamental changes are needed to reduce the amount of CO<sub>2</sub> that we emit from industrial processes and energy generation in order to respond to the threat of climate change...

## Our Products



Our safe, environmentally friendly solution for H<sub>2</sub>S control & odour management.



Protecting sewer assets from sulphide corrosion.







Revolutionary agricultural solution for increased yield, more efficient fertiliser usage, insect / pest management, and fungal control.



Enhanced magnesium hydroxide for water conditioning and yield improvement in aquaculture.



## 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:-

Calix Limited, 71 Rowsley Station Road, Maddingley, VIC 3340

Time – 10.00am

Date – 24 November 2016

### 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

#### Gilbert & Tobin

Level 37, 2 Park Street

Sydney, NSW 2000

### WEBSITE

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



## CHAIRMAN'S MESSAGE

I am pleased to present to you our Annual Report for the 2015 -16 financial year.

Calix has continued to successfully build on its first operating cash positive result from last year, achieving over an 8-fold increase in cash generation. Our focus on sales acceleration has delivered an 85 % year on year increase, a little short of our target to double this revenue, but a significant uplift nonetheless. Our partnering strategy has also been very successful, with the year delivering a global license deal on one of our high-reactivity products, as well as a €12 million-funded consortium to pilot Calix's technology into the cement and lime industry in Europe. And, we have continued to innovate, with one new patent application on new applications of Calix's technology.

Our top strategic priority continues to be revenue acceleration. Our base water treatment business has faced stiff competition in Australia, but we have achieved over 40 % market share in our dosing application, continued to develop new markets and applications, and begun some targeted export activities. We will continue to compete very forcefully to win market share for our range of water treatment products across Australia and overseas.

Our growing sales revenues have also been complemented by strong research grant income, with our technology successfully achieving significant grants both in Australia and overseas. Our international reputation, and recognition of the potential of our technology, was substantially boosted with the winning of €12m in funding from the European Union to pilot our technology in Europe, with some of the world's largest cement, lime and engineering companies.

Whilst we are very focussed on revenue growth, Calix continues to balance its resources well between the opportunities of today and tomorrow. Our R&D and partnering efforts have flourished, both internally and in collaboration with Australian universities and Institutions such as the University of NSW and Australian Synchrotron, as well as internationally with world leaders such as Imperial College and the Energy Research Centre of the Netherlands (ECN). We have continued to strengthen our technical potential to disrupt major markets. Sustainable water, agriculture, aquaculture, infrastructure, energy and health are strengthening mega-trends that our technology plays strongly into. Our new website ([www.calix.com.au](http://www.calix.com.au)) has distilled Calix's current operations and future potential into these megatrends.

The future success of the company rests with its people, and I continue to be very impressed and encouraged by the focus and dedication they have brought to execution of our strategy. I thank the whole team sincerely for their successful efforts over the last year noting that nearly all of our operational team are shareholders as well as employees.

The Board has remained a cohesive and focussed team throughout the year and I would also like to thank them for their significant contribution. The only changes to the Board during the year was the resignation of the Sculptor Finance shareholder nominee Jonathon Lin. On behalf of the Board I sincerely thank Jonathon for his contribution, and also welcome their new appointee, David Zeiden, who has a very good understanding of Calix, to the Board.

It is pleasing to see the company starting to deliver on near, medium, and longer-term value. Next year should continue this pleasing trajectory and I look forward to working with the Board and Staff of Calix to deliver on-going value growth. I would again like to take this opportunity to thank our valued shareholders for their continued support and belief in our future.



Peter Turnbull  
Chairman

## MANAGING DIRECTOR'S MESSAGE

Firstly, I would like to join our Chairman Peter Turnbull in welcoming you to our Annual Report for the 2015-2016 Financial Year.

As Peter has outlined in his message, our strategy delivered pleasing growth during the financial year, and in particular our licensing, partnering and innovation activities were very strong. Our sales revenues were slightly below an ambitious target, however our grant and licensing income well exceeded targets and our overall revenue result was double last year's, resulting in our very pleasing \$2million operating cash result.

As with the previous financial year, our short term strategy remained the relentless focus on growing the revenues and markets of various products made from our highly reactive Magnesium Hydroxide Liquid (MHL). Our water treatment MHL product; ACTI-Mag™ has successfully grown to about 40 % of the domestic market. In addition, it was pleasing to see new applications being developed for this product, with its unique ability to enhance water treatment biogas production for electricity being awarded an Australian Water Association Innovation Award and our case study paper being presented at 3 water conferences in Australia, New Zealand and Italy. Our "sprayed" MHL product, PROTECTA-Mag™, has continued to grow with a 4-year contract with Sydney Water achieved as well as a very successful product launch for our manhole application, with dozens of councils now using the product. Our aquaculture product, AQUA-Cal+™, was successfully trialled at two of the largest prawn companies in Malaysia, and regular sales have commenced for use in iron suppression, disease suppression and improved yield. Our agricultural foliar spray BOOSTER-Mag™ (name changed from SUPER-Mag) is set for product launch in the Philippines following successful registration trials, and on-going trialling around the world continue to reinforce the product's potential as a safe, environmentally friendly but effective foliar fertiliser that also helps plants fight disease and mites.

With the shift to cash-flow positive operation last financial year, Calix has been able to focus on the expansion of our business outside of Australia. We have set up an office in Europe, with three new full-time positions, both to support the development of our LEILAC project as well as assist with market entry for MHL product range. Having already established Calix in SE Asia and Europe, our focus over the coming year will look to market entry strategies for the Americas, Africa, India and China.

We also continued to successfully raise Calix's profile, with increasing recognition for our technology both in Australia and abroad. In October 2015, we won the Australian Technology Award – Agritech and the overall Australian Technology Company of the Year for our BOOSTER-Mag™ product. This year we were invited back to help judge this competition. In January 2015, we won an Australian Water Association Innovation Forum Award for our ACTI-Mag product and launched our Low Emissions Intensity Lime and Cement (LEILAC) project on the back of €12million in European funding. In May, we were successful in our application for an AusIndustry Accelerating Commercialisation grant, to assist with the registration process for BOOSTER-Mag in Australia. We also reached the second round of the Blue Economy Challenge for our AQUA-Cal+ product, and as at October, 2016, we have reached the finals of the 2016 Premier's NSW Export Awards.

We were also very pleased to have our ISO9001 certification for the Development, Manufacture and Supply of Mineral Products renewed following a successful audit during the year.

In addition to our focus on revenues, we have continued to find and exploit license opportunities for our technology to deliver value growth over the medium term. Our license and supply arrangement for Very High Surface Area Magnesium Oxide was extended to a global deal, with year on year exports growing over 8 times from FY1415 to FY1516. Our license and partnering pipeline continues to grow with world-class potential partners interested in the various applications of our unique technology.

Our longer term focus, on continuous innovation, continues to bear fruit with 1 new patent application and numerous local and international research partnerships established through the year.

I would again like to sincerely thank the staff of Calix for their continued focus and enthusiastic execution of our strategy. Calix's considerable potential is now being realised thanks to their efforts. I would also like to thank our shareholders for their continued support, and look forward to continuing to deliver on Calix's very considerable potential.



Phil Hodgson  
Managing Director

## 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 2016.

### DIRECTORS

The following persons were directors of the Company during the whole of the year ended 30 June 2016 and up to the date of the report, unless otherwise stated:

P J Turnbull  
J A Hamilton  
L A W O'Neill  
P H Hodgson  
M G Sceats

W Lan was a director up until his resignation on 7 October 2015. J H P Lin was a director from 8 October 2015 up until his resignation on 4 May 2016. D Zeiden was appointed as a director on 5 May 2016.

### 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 director of ASX Top 50 companies, regulatory authorities in Australia and Hong Kong, government owned and major not-for-profit Australian and global governance organisations. Mr. Turnbull was appointed to the board in 2010 and appointed Chairman in 2013. Mr Turnbull is a non-executive director of ASX listed Karoon Gas Australia Ltd.

#### Special responsibilities

Chairman of the board and audit and risk management committee

#### Interest in shares and options

13,950,000 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

**J A Hamilton** - B 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 also holds 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

24,425,000 ordinary shares in Calix Limited

Nil options or rights over 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 UK, Australia, USA and the Far East. During this time he has worked for Price Waterhouse & Co, Prudential-Bache Securities, Societe Generale (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 - (Non-executive director)**Experience

Mr. Zeiden is Sculptor Finance Shareholder's nominee to the Board of the Company. He is currently a Managing Director and General Counsel, Asia for Och-Ziff Capital Management Group, the investment manager of the Sculptor Finance Shareholders. Prior to joining Och-Ziff, Mr. Zeiden was an associate at two leading New York-based law firms, 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, 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 position of General Manager and Alternate Director of Fuelink Pty Ltd, a \$700 million revenue, 300 - employee distribution and sales subsidiary. Phil has run 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

40,331,760 ordinary shares in Calix Limited

Nil options or rights over ordinary shares in Calix Limited

**M G Sceats - B.Sc (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 or rights over 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 2016, 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	8	8	4	4	*	*
JA Hamilton	8	8	4	4	3	3
LAW O'Neill	8	8	*	*	*	*
W Lan (1)	2	2	*	*	*	*
J H P Lin (2)	4	5	*	*	*	*
D Zeiden (3)	1	1	*	*	*	*
PH Hodgson	8	8	*	*	3	3
MG Sceats	6	8	*	*	3	3

1 - W Lan was a director until his resignation on 7 October 2015

2 - J H P Lin was a director from 8 October 2015 until his resignation on 4 May 2016

3 - D Zeiden was appointed as a director on 5 May 2016

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;
- pursuing commercial opportunities for both the Continuous Flash Calciner ("CFC") and carbon capture technologies;
- operation of the CFC 15,000 commercial scale calciner at Bacchus Marsh in Victoria and an associated materials processing facility for the development of waste water, building and agricultural products; and
- production and sale of calcined minerals and derivative products such as magnesium hydroxide slurry for waste water treatment.

**OPERATING RESULTS**

The Group recorded a strong improvement in operating performance as a result of strong sales growth and continued prudent cost management. Total revenue and other income was up 89% to \$13,877,599 (2015: \$7,328,983) and the loss from ordinary activities was reduced to (\$1,635,904) (2015: loss of \$3,303,115). The (loss) after-tax of the Group for the year ended 30 June 2016 was close to halved at (\$1,911,916) (2015: loss of \$3,559,540). Operating cash flows increased by over 700% to \$2,145,912 (2015: \$260,163)

**REVIEW OF OPERATIONS**

The Group has continued to make strong progress over the year ended 30 June 2016. The 2015/16 financial year saw the Company continue to gain strong commercial momentum with growing sales revenues and the launch of two new products. The business strategy for the year saw a continuation of the four main strategies identified in the prior year with a focus on: -

1. Aggressively pursuing revenues with product sales in ACTI-Mag, PROTECTA-Mag, BOOTSER-Mag and AQUA-Cal+ and targeting grant opportunities to support core R&D and commercialisation activities.
2. Actively promote our technology through licensing and joint venture activities.
3. Reactively progress the Group's building products technologies.
4. Continue to innovate and enhance core technology and applications through research and development.

In August 2015 the Company won a major grant from the European Union under the Horizons 2020 program, to fund the design and construction of a pilot plant to test the application of the Company's technology for the lime and cement industries. The Low Emissions Intensity Lime and Cement ("LEILAC") project ([www.project-leilac.eu](http://www.project-leilac.eu)) sees the Company in collaboration with major European industrial companies, engineering companies and research agencies to demonstrate how its technology can be applied to reduce CO2 emissions in lime and cement manufacture, without significant energy or capital penalty. The five-year project commenced in January 2016 with the first grant payment from the EU out of a total of €12m in funding available to the consortium.

During the year the Company was awarded contracts by the two largest water and sewerage infrastructure agencies in Australia to help protect some of their infrastructure assets from corrosion and also expanded its customer base for its ACTI-Mag waste water treatment product across the eastern states of Australia. Export sales also grew strongly with the company signing an exclusive contract with a European partner targeting the polymer manufacturing and rubber manufacturing markets with the Company's Very High Surface Area specialty magnesium oxide product.

As a result of these and other sales successes, the Company grew its sales revenue by 78% to \$3.45m. Total revenue and other income for the year grew by 89% to \$13.88m. The Company achieved a number of other business development milestones including the expansion of its PROTECTA-mag business from vertical sewer assets in to man-hole and wet-well applications and also successfully trialling its AQUA-Cal+ product in a number of aquaculture applications in South East Asia.

In May 2016 the Company was awarded an Accelerating Commercialisation grant of up to \$950,000 from the Australian Government to assist with the commercialisation of its new BOOSTER-Mag product targeting the agricultural industry to enhance certain crop yields, improve insect/pest management and fungal control. The Company will be working to test efficacy of its product and gain product certification with this grant support over the next two years.

In addition to commencing the LEILAC R&D project mentioned above, the Company continued its investment in strengthening its core technologies and also extended its intellectual property portfolio, with one new patent application filed during the year and had a number of its patent applications from prior years formally granted.

Having achieved positive cash flow from operations in the prior financial year, the 2015/16 financial year saw a strong growth in operating cash generated and an overall increase in cash on hand at the year end. The staff headcount has increased with additional resources added in sales and business development, marketing, R&D and engineering. The Group now includes a small team of 4 staff based in Europe and the Company has 23 team members in Queensland, NSW and Victoria which is an increase in total head count of 6 over the prior financial year.

#### **FINANCIAL POSITION**

The Group held \$1,877,390 in cash and cash equivalents at 30 June 2016 (2015: \$722,464). The Group had a surplus of \$2,613,567 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 directors have formed this view based on a number of factors including:

The directors believe the going concern basis of preparation of financial statements is appropriate based on the additional sources of income that have been secured since year end and the trading forecasts prepared for the company based on the ongoing increase in sales activity as the business continues to grow. The directors believe their strategies will ensure that the company is able to pay its debts as and when they fall due in the ordinary course of business.

#### **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 (2015: NIL).

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

On 7 October 2016 the Company received notice that an application for advanced finding and overseas research and development activities was approved by Innovation Australia. The finding is for three years to 2017/18.

On 17 October 2016 4,000,000 warrants were exercised and 4,000,000 ordinary shares issued in accordance with the warrant terms and conditions. A further 12,000,000 warrants outstanding were unexercised and lapsed on 18 October 2016.

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 no unissued ordinary shares under warrant. On 17 October 2016 4,000,000 warrants were exercised and 4,000,000 ordinary shares issued in accordance with the warrant terms and conditions. A further 12,000,000 warrants outstanding were unexercised and lapsed on 18 October 2016. Refer to note 17 of the financial statements for further details of the warrants outstanding at balance date.

For details of options 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 \$nil (2015: \$nil), and Taxation services \$nil (2015: \$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 17.

## 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 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>

30 June 2015	Short term benefits	Post- employment benefits	Share-based payments	Total
	\$	\$	\$	\$
<i>Company directors</i>				
P J Turnbull	97,500	-	-	97,500
G M K Fong (to 29 June 2015)	-	-	-	-
J A Hamilton	50,083	-	-	50,083
L A W O'Neill	14,222	-	-	14,222
P H Hodgson	226,000	16,517	-	242,517
M G Sceats	223,157	11,635	-	234,792
	610,962	28,152	-	639,114
<i>Other KMP of the Group</i>				
D Charles (CFO)	192,667	14,490	-	207,157
A C Okely (Divisional Manager)	209,333	19,167	-	228,500
	402,000	33,657	-	435,657
<b>Total KMP Compensation</b>	<b>1,012,962</b>	<b>61,809</b>	<b>-</b>	<b>1,074,771</b>

During a prior year, 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 at the time and were incorrectly brought to account in the Statement of Financial Performance at fair value (refer to note 34 for disclosure of the correction of this error). The accounting treatment of the ESS shares is now to expense the shares at fair value at the time they are awarded and vest to the participating directors and employees, rather than the establishment date of the ESS.

During the 2015/16 financial year, certain KMP were allocated shares under the short term incentive scheme as a result of company performance for the 2014/15 financial year. These shares remain held within the ESS trust and have not been distributed to individuals as at the date of this report. The following shares have been allocated to KMP as a result of achieving the performance goals in the 2014/15 financial year with the corresponding expense being recorded and a reserve of \$76,452 being raised in equity: -

Performance award for year ended 30 June 2015	Shares allocated within ESS Trust (number)	Cash bonus \$
<i>Company directors</i>		
P H Hodgson	1,875,000	-
M G Sceats	1,133,332	11,333
<i>Other KMP of the Group</i>		
D Charles (CFO)	862,500	-
A C Okely (Divisional Manager)	937,500	-
<b>Total STI payment awarded to KMP</b>	<b>4,808,332</b>	<b>11,333</b>

After balance date, the following shares have been 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 24 October 2016



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

As lead auditor of Calix Limited for the year ended 30 June 2016, 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, 24 October 2016

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME** For the year ended 30 June 2016

	Note	June 2016 \$	Restated June 2015 \$
Revenue & Other Income	3	13,877,599	7,328,983
Cost of Sales		(2,791,185)	(1,482,684)
<b>Gross Profit</b>		<b>11,086,414</b>	<b>5,846,299</b>
Employee benefits expenses		(3,260,900)	(3,311,961)
Directors fees		(209,226)	(169,245)
Depreciation & impairment expense	4	(4,448,443)	(1,995,590)
Travel		(335,033)	(245,005)
Patent and trademark costs		(178,424)	(148,831)
Professional Advisors fees		(141,268)	(106,002)
Rental expense relating to operating leases		(152,956)	(211,233)
Research & development costs		(3,386,182)	(2,367,147)
Other expenditure		(609,886)	(594,400)
Total operating expenses		(12,722,318)	(9,149,414)
<b>Loss from ordinary activities</b>		<b>(1,635,904)</b>	<b>(3,303,115)</b>
Income tax expense	5	-	-
<b>Profit/(loss) from ordinary activities after income tax</b>		<b>(1,635,904)</b>	<b>(3,303,115)</b>
Finance costs on borrowings		(276,012)	(256,425)
<b>Net gain/(loss) from funding, derivative revaluation and goodwill impairment</b>		<b>(1,911,916)</b>	<b>(3,559,540)</b>
<b>Profit/(loss) after funding costs, derivative revaluation, goodwill impairment and income tax for the year</b>		<b>(1,911,916)</b>	<b>(3,559,540)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Foreign currency translation		(48,700)	(1,026)
<b>Total comprehensive income for the year</b>		<b>(1,960,616)</b>	<b>(3,560,566)</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Owners of Calix Limited		(1,954,902)	(3,559,817)
Non-controlling interests		(5,714)	(749)
		<b>(1,960,616)</b>	<b>(3,560,566)</b>
Basic and diluted earnings per share (cents)	25	(0.01)	(0.02)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes. Please refer to note 34 for details of the restatement of comparative.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at 30 June 2016

	Note	June 2016 \$	Restated June 2015 \$
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	6	1,877,390	722,464
Trade and other receivables	7	926,192	920,007
Inventory	8	38,598	25,306
Current tax assets	9	3,250,000	3,457,100
<b>Total current assets</b>		<b>6,092,180</b>	<b>5,124,877</b>
<i>Non-current assets</i>			
Intangible assets	10	197,708	197,708
Property, plant and equipment	12	14,812,758	19,021,073
Investments accounted for using the equity method	11	41,270	41,270
<b>Total non-current assets</b>		<b>15,051,736</b>	<b>19,260,051</b>
<b>Total assets</b>		<b>21,143,916</b>	<b>24,384,928</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables	13	1,478,613	1,973,137
Borrowings	14	2,000,000	3,000,000
Deferred revenue	16	1,140,000	-
<b>Total current liabilities</b>		<b>4,618,613</b>	<b>4,973,137</b>
<i>Non-current liabilities</i>			
Borrowings	15	1,118,074	323,346
Deferred revenue	16	977,654	3,254,875
Derivative financial instruments	17	80,000	80,000
<b>Total non-current liabilities</b>		<b>2,175,728</b>	<b>3,658,221</b>
<b>Total liabilities</b>		<b>6,794,341</b>	<b>8,631,358</b>
<b>NET ASSETS</b>		<b>14,349,575</b>	<b>15,753,570</b>
<b>EQUITY</b>			
Issued capital	18	21,036,817	20,758,276
Reserves	19	321,925	84,481
Retained earnings		(7,009,708)	(5,090,478)
<b>Capital and reserves attributable to the owners of Calix Limited</b>		<b>14,349,035</b>	<b>15,752,279</b>
Non-controlling interests		540	1,291
<b>TOTAL EQUITY</b>		<b>14,349,575</b>	<b>15,753,570</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes. Please refer to note 34 for details of the restatement of comparative.



## CONSOLIDATED STATEMENT OF CASH FLOWS

### For the year ended 30 June 2016

	Note	June 2016 \$	June 2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		9,893,776	4,852,095
Payments to suppliers and employees		(10,929,551)	(7,852,320)
Interest received		3,633	12,543
Interest paid		(276,012)	(256,425)
Income tax benefit/GST received		3,454,066	3,504,270
<b>Net cash provided by operating activities</b>	21	<b>2,145,912</b>	<b>260,163</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(269,527)	(1,307,962)
Proceeds from sales of assets		-	88,090
Payments for investments in associates		-	(41,270)
<b>Net cash used in investing activities</b>		<b>(269,527)</b>	<b>(1,261,142)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		278,541	114,713
Proceeds from/(repayments of) borrowings		(1,000,000)	500,000
<b>Net cash provided by financing activities</b>		<b>(721,459)</b>	<b>614,713</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,154,926</b>	<b>(386,266)</b>
Cash and cash equivalents at the beginning of the year		722,464	1,108,730
<b>Cash and cash equivalents at the end of the year</b>		<b>1,877,390</b>	<b>722,464</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 2016

	Issued Capital	Restated Reserves	Retained Earnings	Restated Total Parent Entity Interest	Non-controlling interest	Restated Total
<b>Balance at 1 July 2014</b>	<b>20,643,562</b>	<b>9,055</b>	<b>(1,529,912)</b>	<b>19,122,705</b>	<b>542</b>	<b>19,123,247</b>
<b>Net profit for the year after tax</b>	-	-	(3,560,566)	(3,560,566)	(749)	(3,560,566)
<b>Other comprehensive income for the year</b>						
Net movement in foreign currency translation reserve	-	(1,026)	-	(1,026)	-	(1,026)
Net movement in share based payment reserve	-	76,452	-	-	-	-
<b>Total comprehensive income for the year</b>	-	75,426	(3,560,566)	(3,485,140)	(749)	(3,485,889)
<b>Transactions with owners</b>						
New issues of shares (net of transaction costs)	114,714	-	-	114,714	-	114,714
Non-controlling interests share of subsidiaries	-	-	-	-	1,498	1,498
<b>Balance at 30 June 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	-	97,073	(7,313)	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>321,924</b>	<b>(7,009,708)</b>	<b>14,349,034</b>	<b>540</b>	<b>14,349,574</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes. Please refer to note 34 for details of the restatement of comparative.

# NOTES TO THE FINANCIAL REPORT

## For the year ended 30 June 2016

This financial report comprises the consolidated financial statements and notes of Calix Limited ("the Company") and its controlled entities ("the Group").

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

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.

#### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by the Company at the end of the reporting period. A controlled entity is any entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from the entities activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of the entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and consolidated statement of comprehensive income. The non-controlling interests in the net assets comprise their interest at their date of the original business combination and their shares of change in equity since that date.

#### (b) Going concern

The consolidated operating loss for the year was \$1.77 million. Notwithstanding this, the company generated strong growth in cash flows from operating activities for the year of \$2.15 million, and had a net increase in cash balance of \$1.15 million delivering a closing cash balance on \$1.88 million. After balance date, the Company received its \$3.25 million R&D tax rebate and received indicative interest on a new \$3.0 million working capital facility with a group of lenders. The Group had net assets at 30 June 2016 of \$14.35 million.

Taking in to account the strong operating cash flow result, the directors believe the going concern basis of preparation of financial statements is appropriate based on the additional sources of income that have been secured since year end and the trading forecasts prepared for the company based on the ongoing increase in sales activity as the business becomes more established. The directors believe their strategies will ensure that the Company continues to be able to pay its debts as and when they fall due in the ordinary course of business.

#### (c) Business combinations

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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

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.

#### (d) Associates

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.

#### (e) Income tax

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

#### (f) Fair value measurement

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.



## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

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.

#### (g) Property, plant & equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The 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.

#### (h) 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:

- Furniture and fittings - 10%
- Office equipment - 25%
- Software - 25%
- Commercial calciner equipment - 5%-20%

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.

#### (i) Financial instruments

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 2016

#### 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.

#### (j) Impairment of assets

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, associated 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 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.

#### (k) Intangible assets

##### 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.

#### (l) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

#### (m) 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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

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.

#### (n) 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.

##### *Share-based payments*

Equity-settled share-based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 24.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

At each reporting date, the Company revised its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with corresponding adjustment to the employee option reserve.

Equity-settled share-based transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### (o) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (p) Cash and cash equivalents

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.

#### (q) Revenue and other income

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.

Other revenue is recognised when it is received or when the right to receive payment is established.

#### (r) Trade and other receivables

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

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

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.

#### (s) Trade and other payables

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.

#### (t) Borrowings

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.

The carrying amount of convertible bonds classified as borrowings is subject to re-estimation at each reporting date. In the event the consolidated entity revises its estimates of payments or receipts, the carrying amount of the borrowings is adjusted to reflect actual and revised estimated cash flows. The consolidated entity recalculates the carrying amount by computing the present value of estimated future cash flows at the convertible bonds original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

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.

#### (u) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on convertible bonds.

#### (v) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period.

As the derivatives used do not qualify for hedge accounting, changes in their fair value are recognised in the profit or loss. Derivatives are classified as current or non-current depending on the expected period of realisation.

#### (w) Goods and services tax

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

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

#### (x) Comparative figures

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.



## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### (y) 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(n), 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.

## 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.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### 3. REVENUE AND OTHER INCOME

	June 2016 \$	June 2015 \$
Revenue		
Sales	3,447,630	1,936,487
Other income		
Grant income	6,963,127	1,801,808
R&D rebate	3,276,361	3,457,100
Interest income	3,633	12,543
Other income	186,848	121,045
<b>Total revenue and other income</b>	<b>13,877,599</b>	<b>7,328,983</b>

#### 4. EXPENSES

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

	June 2016 \$	June 2015 \$
Rental expense relating to operating leases	152,956	211,233
Depreciation expense	1,704,435	1,995,590
Impairment expense	2,744,008	-
	<b>4,448,443</b>	<b>1,995,590</b>

#### 5. INCOME TAX

Numerical reconciliation of income tax to prima facie tax payable:

	June 2016 \$	June 2015 \$
Prima facie income tax (benefit) on loss from ordinary activities (30%)	(516,854)	(1,044,926)
Tax effects of amounts which are not deductible (taxable) in calculating taxable income		
Research & development claim	3,250,000	4,317,803
Sundry items	135,110	26,273
Under provision of prior periods	(26,361)	(35,259)
Share transaction costs of prior periods	(78,503)	(258,748)
Unrealised exchange gain	36,330	(82,036)
Tax losses utilised	(2,799,722)	(2,923,107)
<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	12,834,902	15,634,624
<b>Potential income tax benefit @ 30%</b>	<b>3,850,471</b>	<b>4,690,387</b>
<b>Unrecognised temporary differences</b>		
Temporary differences not recognised	1,376,735	1,376,735
<b>Potential income tax benefit @ 30%</b>	<b>413,021</b>	<b>413,021</b>

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### 6. CURRENT ASSETS - CASH & CASH EQUIVALENTS

	June 2016 \$	June 2015 \$
Cash at bank and on hand	1,877,390	722,464

Cash at bank and on hand bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 2.45% (2015: between 0.00% and 2.85%).

#### 7. CURRENT ASSETS - TRADE & OTHER RECEIVABLES

	June 2016 \$	June 2015 \$
Trade receivables	420,274	438,881
Other receivables	934	2,474
Prepayments	144,384	120,138
GST refundable	-	1,392
Deposits paid	360,600	357,122
<b>Total trade &amp; other receivables</b>	<b>926,192</b>	<b>920,007</b>

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

##### *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 30 for more information on the risk management policy of the Company and credit quality of the receivables.

#### 8. CURRENT ASSETS - INVENTORY

	June 2016 \$	June 2015 \$
Inventory	38,598	25,307

#### 9. CURRENT ASSETS - CURRENT TAX ASSETS

	June 2016 \$	June 2015 \$
R&D tax rebate	3,250,000	3,457,100

On 22 August 2016, the Company received its R&D tax rebate from the Australian Taxation Office at an assessed amount of \$3,252,141 (2015: \$3,483,461).

#### 10. NON-CURRENT ASSETS - INTANGIBLES

	June 2016 \$	June 2015 \$
Intellectual property	197,708	197,708

##### *Intellectual property assets - patents*

On 11 October 2012 the Company acquired intellectual property rights ("IPR") including know-how and patent applications from Novacem, a UK company. The IPR, which related to carbon negative cements, was considered a complementary suite of assets for the Company's existing intellectual property and patent portfolio over carbon capture and CO2 mitigation technologies. Using forecast cash flows from anticipated future performance of the Group, there was no indication of impairment of the intellectual property assets at balance date.

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

	June 2016 \$	June 2015 \$
Investment in associates	41,270	41,270

For further information on investments in associates, refer to note 28

#### 12. NON-CURRENT ASSETS - PROPERTY, PLANT & EQUIPMENT

	June 2016 \$	June 2015 \$
Office furniture, fittings & equipment Less: accumulated depreciation	998,273 (692,797)	897,264 (551,023)
CFC Calcliner facility Less: accumulated depreciation	16,383,935 (4,213,295)	16,217,664 (2,683,619)
Queensland mobile slurry plant Less: accumulated depreciation	395,035 (41,277)	393,538 (13,650)
Mining tenements Less: accumulated amortisation	1,157,961 (13,576)	1,157,961 (8,216)
Endex carbon capture assets	-	2,772,656
Land	838,499	838,499
<b>Total property, plant &amp; equipment</b>	<b>14,812,758</b>	<b>19,021,073</b>

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

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 \$	Queensland mobile slurry plant \$	Mining tenements \$	Endex Carbon Capture assets \$	Land \$	Total \$
<b>Balance as at 30 June 2014</b>	<b>396,339</b>	<b>15,354,983</b>	<b>-</b>	<b>1,129,829</b>	<b>2,111,295</b>	<b>838,499</b>	<b>19,830,945</b>
Additions	104,252	121,592	393,538	25,000	661,361	-	1,305,743
Transfers	-	(122,316)	-	-	-	-	(122,316)
Depreciation expense	(154,350)	(1,820,216)	(13,650)	(5,084)	-	-	(1,993,300)
<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)	-	-	(1,704,436)
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>

#### **Impairment expense - DECC Endex Carbon Capture assets.**

During the year, 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 a non-current asset associated with this project of \$2,772,656 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 expense of \$2,772,656 and the deferred revenue was recognised in full in the statement of profit and loss.



## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### 13. CURRENT LIABILITIES - TRADE & OTHER PAYABLES

	June 2016 \$	June 2015 \$
Trade payables	619,713	1,501,122
Sundry payables & accrued charges	200,133	176,225
Provision for employee benefits	658,766	295,790
<b>Total trade &amp; other payables</b>	<b>1,478,613</b>	<b>1,973,137</b>

#### 14. CURRENT LIABILITIES - BORROWINGS

	June 2016 \$	June 2015 \$
Borrowings	2,000,000	3,000,000

On 9 May 2013 the Company entered into a \$3.0 million short term funding agreement with one of its shareholders. The facility incurs an interest rate of 15% per annum on the drawn amount (with interest paid monthly) and is secured against the Group's current and future assets. On 6 October 2015 the Company agreed to extend the facility to 30 November 2016.

At the date of this report, the facility has been repaid in full and the Company has no plans to extend the facility beyond 30 November 2016.

#### 15. NON-CURRENT LIABILITIES - BORROWINGS

	June 2016 \$	June 2015 \$
Borrowings	1,118,074	323,346

The borrowings balance at 30 June 2016 includes amounts convertible in to shares in Calix Limited (\$494,798) and Millennium Generation Limited (\$513,634), a 65% owned subsidiary of Calix Europe Limited.

#### 16. DEFERRED REVENUE

	June 2016 \$	June 2015 \$
Current deferred revenue	1,140,001	-
Non-current deferred revenue	977,654	3,254,875
<b>Total deferred revenue</b>	<b>2,117,655</b>	<b>3,254,875</b>

The total deferred revenue balance at 30 June 2016 was associated with the LEILAC EU Horizons 2020 project.

#### 17. NON-CURRENT LIABILITIES - DERIVATIVES

	June 2016 \$	June 2015 \$
Warrants	80,000	80,000

There are 16,000,000 on issue with an exercise price of \$0.005c per share. The warrants expire on 18 October 2016.

The warrants have been accounted for as a derivative financial instrument liability on the basis that the warrant strike price is subject to adjustments for reconstructions of equity and adjustment for any issuance of securities at a discount to the then applicable warrant strike price.

#### 18. ISSUED CAPITAL

	June 2016 \$	June 2015 \$
Fully paid ordinary shares	23,230,117	22,951,576
Costs of fund raising recognised	(2,193,300)	(2,193,300)
<b>Total issued capital</b>	<b>21,036,817</b>	<b>20,758,276</b>

##### a. Fully paid ordinary shares

	2016 Number of shares	2015 Number of shares
At the beginning of the year	1,869,724,975	1,848,882,376
Issued during the year	27,854,085	20,842,599
<b>Balance at the end of year</b>	<b>1,897,579,060</b>	<b>1,869,724,975</b>

	2016 \$	2015 \$
At the beginning of the year	23,579,306	23,464,593
Issued during the year	278,541	114,713
<b>Balance at the end of year</b>	<b>23,857,847</b>	<b>23,579,306</b>

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

	2016 \$	2015 \$
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>1 July 2014 - Opening balance</b>	<b>1,848,882,376</b>	<b>22,836,863</b>
23 January 2015	6,000,000	36,000
28 February 2015	10,342,600	51,713
1 April 2015	1,666,666	10,000
15 April 2015	2,833,333	17,000
<b>30 June 2015</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>

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### d. Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

#### 19. RESERVES

	June 2016 \$	June 2015 \$
Foreign currency translation reserve	56,403	8,029
Share-based payment reserve	265,522	76,452
<b>Total reserves</b>	<b>321,925</b>	<b>84,481</b>
At the beginning of the year	84,481	9,055
Revaluations made to foreign currency translation reserve made during the year	48,373	(1,206)
Share-based payment expenses	189,070	76,452
<b>At the end of the year</b>	<b>321,925</b>	<b>84,481</b>

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.

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

#### 20. LEASING COMMITMENTS

##### Operating leases

	June 2016 \$	June 2015 \$
Minimum lease payments payable: -		
- not later than one year	195,117	60,000
- later than one year but not later than five years	191,551	20,000
<b>Total operating lease commitments</b>	<b>386,668</b>	<b>80,000</b>

After balance date, the Company entered into an operating lease over premises in Nerang in Queensland. The lease is for three years with an option to renew for a further three years. The premises will replace the Molendinar site as the location for Queensland based manufacturing operations.

#### Finance leases

	June 2016 \$	June 2015 \$
Minimum lease payments payable: -		
-not later than one year	22,281	15,027
-later than one year but not later than five years	109,763	65,792
<b>Total finance lease commitments</b>	<b>132,044</b>	<b>80,818</b>

The present value of minimum lease payments associated with finance lease commitments is \$110,411 (2015: 56,078). The net carrying amount at the end of the reporting period for motor vehicles subject to finance leases was \$111,095 (2015: 56,213).

#### 21. CASH FLOW INFORMATION

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

	June 2016 \$	June 2015 \$
<b>(Loss) after income tax</b>	<b>(1,722,846)</b>	<b>(3,483,088)</b>
Depreciation & impairment expense	4,448,443	1,995,590
Changes in operating assets & liabilities		
-(increase) in trade & other receivables	(6,185)	(481,573)
-(increase) in inventory	(13,392)	(25,307)
-decrease in current tax assets	207,100	42,900
-increase in trade & other payables	370,013	700,991
-increase/(decrease) in deferred revenue	(1,137,221)	1,510,647
<b>Net cash provided by operating activities</b>	<b>2,145,912</b>	<b>260,161</b>

#### 22. 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 2016 \$	June 2015 \$
Audit & review of financial statements	38,500	38,500
Other assurance services	6,000	5,000
<b>Total remuneration for services</b>	<b>44,500</b>	<b>43,500</b>

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

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 16 of the Annual report.

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### 24. 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 and were incorrectly brought to account in the Statement of Financial Performance at fair value (refer to note 34 for disclosure of the correction of this error). The accounting treatment of the ESS shares is now to expense the shares at fair value at the time they are awarded and vest to the participating directors and employees, rather than the establishment date of the ESS.

#### 25. EARNINGS PER SHARE

	June 2016 \$	June 2015 \$
a. Earnings used to calculate basic EPS from continuing operations	(1,722,846)	(3,483,088)
b. Weighted average number of ordinary shares during the year used in calculating basic EPS	1,872,046,149	1,856,454,909

#### 26. 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.

##### a. 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).

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).

##### b. Key management personnel

There have been no transactions with KMP (2015: NIL)

#### 27. 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 2016	% owned 2015
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%

#### 28. INVESTMENTS IN ASSOCIATES & JOINT VENTURES

On 24 April 2015 Calix Limited acquired 40% of the shares of Acti-Mag Asia Inc a Philippines Incorporated entity. The investment is accounted for using the Equity method. At 30 June 2016 the carrying value of the investment was \$41,270. This represented the cash consideration paid for the shares. Acti-Mag Asia Inc was established to manufacture and distribute Magnesium Hydroxide slurries in the Philippines and other South East Asian markets. The slurries produced and the manufacturing processes used by Acti-Mag Asia Inc are based on technology licensed from Calix Limited. Acti-Mag Asia has an exclusive license to distribute the slurry products in the Philippines and a non-exclusive license for other South East Asian markets.

#### 29. 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

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

2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets	-	-	-	-
Liabilities	-	-	80,000	80,000
2015				
Assets	-	-	-	-
Liabilities	-	-	80,000	80,000

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### 30. 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 2016 \$	June 2015 \$
<b>Financial assets</b>		
Cash & cash equivalents	1,877,390	722,464
Trade & other receivables	926,192	920,007
Current tax assets	3,250,000	3,457,100
	<b>6,053,582</b>	<b>5,099,571</b>
<b>Financial liabilities</b>		
Trade & other payables	1,616,377	1,973,137
Current borrowings	2,000,000	3,000,000
Deferred revenue	2,117,655	3,254,875
Non-current borrowings	980,310	323,346
Derivatives	80,000	80,000
	<b>6,794,342</b>	<b>8,631,358</b>

#### Specific financial risk exposures and management

##### a. Credit risk

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

Credit risk is managed through the maintenance of procedures ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairments.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the ARMC has otherwise cleared as being financially sound.

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

##### Credit risk exposure

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

There is no significant concentration of credit risk with any single counter party or group of counter parties. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality.

##### b. Liquidity risk

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

At the end of the year the Group had financial liabilities expected to mature within a year (current financial liabilities) of \$3,478,613 (2015: \$4,973,137) and greater than one year (non-current financial liabilities and excluding deferred revenue) of \$1,198,074 (2015: \$403,346).

With current financial assets at 30 June 2016 of \$6,053,582 (2015: \$5,099,571) 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 14) and cash and cash equivalents (note 6)) on the basis of expected cash flows.

##### c. 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 14.

##### d. Foreign exchange risk

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

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

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 2016 GBP £	June 2015 GBP £
Cash	850,655	36,115
Trade receivables	-	-
Trade payables	21,379	(206,343)
<b>Foreign exchange exposure</b>	<b>872,394</b>	<b>(170,228)</b>

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### e. Sensitivity analysis

The table below illustrates the sensitivity of the Group's exposures to changes in GBP. 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 2016 \$	June 2015 \$
+/- 5% in AUD/GBP	153,473	(34,017)

#### f. 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 17.

### 31. PARENT ENTITY FINANCIAL INFORMATION

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

	June 2016 \$	June 2015 \$
Current assets	6,329,407	5,843,578
Total assets	20,252,743	22,237,063
Current liabilities	4,854,584	4,239,271
Total liabilities	5,401,260	4,642,616
<i>Equity</i>		
Issued capital	21,664,547	21,386,006
Reserves	-	-
Retained earnings	(5,745,573)	(3,791,559)
	<b>15,918,974</b>	<b>17,594,447</b>
Profit/(loss) for the year	(1,924,218)	(1,689,047)
Total comprehensive income/(loss) for the year	(1,924,218)	(1,689,047)

### 32. CONTINGENT LIABILITIES

There are no known contingent liabilities.

### 33. AFTER BALANCE DATE EVENTS

On 7 October 2016 the Company received notice that an application for advanced finding and overseas research and development activities was approved by Innovation Australia. The finding is for three years to 2017/18.

On 17 October 2016 4,000,000 warrants were exercised and 4,000,000 ordinary shares issued in accordance with the warrant terms and conditions. A further 12,000,000 outstanding warrants were unexercised and lapsed on 18 October 2016.

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.

### 34. ERROR IN RESPECT TO SHARE BASED PAYMENTS

During the current financial year, it came to the attention of the directors, that the Group's accounting treatment for the recognition of share based payment transactions on the Company Employee Share Scheme was incorrectly recognised in the 2013/14 financial years with the entire benefit recognised as vested and expensed. The transaction in 2013/14 was recorded at the time to which the shares were issued to the ESS Trust, however under the requirements of the Australian Accounting Standards the shares are not deemed to have vested until the ESS Trust is directed by the Board to issue the shares to the employees once they have met the conditions of their performance requirements.

The Company has issued shares to participants of the ESS in both the 2014/15 and 2015/16 financial years where the Board agreed that the participants had met the vesting requirements set out in the scheme.

The performance awards approved by the Board during the 2014/15 and 2015/16 financial years which create a vesting event are detailed as follows: -

Performance awards for the year: -

	Shares issued Number	Fair value of shares awarded \$
2015 ESS issues to KMP	4,808,332	76,452
2016 ESS issues to KMP	16,159,864	189,070



## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

The following summaries the impact of amending the accounting treatment for the share based payments contained within the ESS trust. Principally the adjustment is amending the timing of the vesting of the shares within the ESS trust from the date of transfer to the trust to the date where the employee or director is entitled to receive shares held by the trust and are approved by the Board.

	2014 year unadjusted \$	Adjustment to 30 June 2014 \$	Adjustment to 30 June 2015 \$	Entries for 30 June 2016 \$
Share based payments expense	627,731	-	76,452	189,070
Total comprehensive profit/(loss) for the year	7,037,032	7,664,763	3,559,540	1,960,616
Total assets	25,075,818	25,075,818	24,384,929	21,143,916
Total liabilities	(5,952,571)	(5,952,571)	(8,631,359)	(6,794,342)
<b>Net assets</b>	<b>19,123,247</b>	<b>19,123,247</b>	<b>15,753,570</b>	<b>14,349,574</b>
Issued capital	21,271,293	20,643,562	20,758,276	21,036,817
Other reserves	9,055	9,055	8,029	56,402
Share based payment reserves	-	-	76,452	265,523
Retained earnings	(2,157,643)	(1,529,912)	(5,090,478)	(7,009,708)
Non-controlling interest	542	542	1,291	540
<b>Total contributed equity</b>	<b>19,123,247</b>	<b>19,123,247</b>	<b>15,753,570</b>	<b>14,349,574</b>

## NOTES TO THE FINANCIAL REPORT

### For the year ended 30 June 2016

#### DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on page 18 to 37 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 2016 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  
24 October 2016

## INDEPENDENT AUDITOR'S REPORT

To the members of Calix Limited

### Report on the Financial Report

We have audited the accompanying financial report of Calix Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, 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 Calix Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### Opinion

In our opinion the financial report of Calix Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

### BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'BDO Paul Bull', is written over the BDO East Coast Partnership text.

**Paul Bull**  
Partner

Sydney, 24 October 2016

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