

# 2019

**DELECTA** LIMITED

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE **2019**

ABN 92 009 147 924



## GENERAL INFORMATION

<b>Directors</b>	Bradley Moore	Non-Executive Chairman
	Malcolm Day	Managing Director
	Hans-Rudolf Moser	Non-Executive Director
<b>Company Secretary</b>	John Burness	
<b>Registered Office</b>	170-180 Buckhurst Street	
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<b>Australian Stock Exchange</b>	Code: DLC	
<b>German Stock Exchanges</b>	WKN 873083	

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## CHAIRMAN'S REPORT – YEAR ENDED 30 JUNE 2019

Dear Shareholders,

I present to you the Annual Report for Delecta Limited ("Delecta" or the "Company") for the year ending 30 June 2019.

As eluded to in my Chairman's Report for the 2018 Financial Year, the Company's wholesale business division would need to contend with a number of external obstacles in 2019, namely general retail trading conditions, aggressive competitors, and changing retail / wholesale landscape in regards to online organisations such as Amazon; whilst our investments in exploration and mining would be subject to the volatility that comes with the resources sector.

Unfortunately, these risks have proven to be real in 2019, resulting in revenue falling by \$571K and the Net Loss from Continuing Operations increasing from \$107K in 2018 to \$735K in 2019.

### **Wholesale Operations [Calvista Australia Pty Ltd and Calvista New Zealand Limited ("Calvista")]**

Whilst National Retail Sales have increased by 2.98% year on year (source: ABS 8501: Retail Trade Australia), Calvista recorded a reduction in sales of 3.6%, which was mostly attributable to the full year loss of the joint distribution rights of a premium brand in 2018, and the same competitive pressures contributing to further distribution rights movements in 2019.

Our management team have sought to mitigate these changes by securing competing and like or improved quality products to range for our customers, and we are confident that Calvista will maintain its status as Australia and New Zealand's premium distributor of Adult and Lifestyle Products.

Adding to the pressure of reduced sales in 2019 has been the deterioration of the AUD\$ - USD\$ exchange rate, which has fallen from an average \$0.75 in 2018FY to \$0.70 in 2019FY (source – macrotrends.net). In a competitive wholesale environment, and when retail sales and consumer confidence are fickle at best, Calvista's gross operating margin has suffered as the cost of imports has increased.

### **Exploration & Mining**

The 2018 Financial Year saw significant improvement in the value of the Company's investment in European Lithium (ASX Code: EUR). Lithium explorers and miners share prices fell sharply during 2019, and EUR was no exception, with a Fair Value Loss of \$1.364 million for the year recognised as Other Comprehensible Income / (Loss).

The reduction in the Fair Value of this investment also impacted the Company's Tangible Assets by the same amount.

The Board has remained steadfast with its objective of evaluating new opportunities, particularly in the battery minerals space – recognising the importance of minerals such as lithium, cobalt, vanadium and of course copper as the world transitions away from fossil fuel powered vehicles and equipment into a battery powered era.

To this end, the Company secured an interest in the Highline Cobalt Copper Project, located in Nevada, USA, in 2019 and undertook initial exploration to confirm the presence of historically reported mineralisation and to better understand the geology of the area. The Company is continuing to develop its longer term strategy for the project within the Goodsprings region.

Further, the Company continues to investigate new opportunities in this space that will compliment not only the existing assets of the Company but also leverage on its newly acquired technical skills in the form of geological and mineral project evaluation experience that formed part of the Highline acquisition.

On behalf of the Board, I wish to thank our staff, customers, product partners and suppliers for their continued contribution and support of the Company.



**Bradley Moore**  
CHAIRMAN

## MANAGING DIRECTOR'S REPORT

The 2018/2019 year was difficult for the Company. Its wholesale business selling adult products through its wholly owned subsidiaries, Calvista Australia Pty Ltd and Calvista New Zealand Ltd (Calvista), continued to underperform.

Wholesale revenues decreased by 4% to \$15,284,000 this financial year resulting in a net profit of \$141,000 for the division, compared to a net profit of \$800,000 last financial year.

Retail trading conditions in Australia and New Zealand continued to weaken throughout the year. This flowed directly through to lower wholesale sales for Calvista. Gross profit margins fell mostly due to the need to counter increased discounting by competitors. The fall in the Australian dollar contributed to the lower profit. Additionally, the loss of joint distribution rights to one of the businesses premium suppliers continued to have an adverse impact upon sales.

This year the Company has the following plans for Calvista:

- (a) conduct a review of the business with the objective being to deliver further cost savings;
- (b) continue to explore opportunities to distribute various ranges of products on an exclusive basis in an effort to improve the overall gross margin;
- (c) seek additional efficiencies within the logistics chain;
- (d) actively seek acquisition opportunities amongst the competitors in Australia and New Zealand;
- (e) improve its ecommerce strategy; and
- (f) research the possibility of manufacturing a greater number of its own products.

I'm currently a non-executive director of European Lithium Ltd (ASX code EUR) and have been on the board since July 2012. As at the date of this report the Company has 11 million shares in EUR.

For the financial year the Company recorded a net loss of \$735,000 (2018: loss of \$107,000) from continuing operations and a net loss of \$735,000 (2018: loss of \$2,468,000) from continuing and discontinued operations.

On the 17th September 2018 the company announced an option to acquire a Cobalt-Copper project in the Goodsprings district of Nevada (the Highline Project). Given the Company's investment in European Lithium Ltd, the Company has continued to seek and evaluate other investment opportunities in the electric vehicle (EV) battery minerals space. The increased demand for battery minerals, like lithium and cobalt, is primarily due to the rapid advancement and demand for EV's.

In February 2019 the Company completed the acquisition of the Highline Project.

The Company intends to continue to identify and review other investment opportunities particularly in the battery minerals space, copper and vanadium.



**Malcolm Day**  
MANAGING DIRECTOR

## DIRECTORS' REPORT

The directors of Delecta Limited ("the Company") submit their report for the year ended 30 June 2019.

### DIRECTORS

The directors in office at the date of this report and at any time during the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

Bradley Moore  
Malcolm Day  
Hans-Rudolf Moser

### INFORMATION ON DIRECTORS

#### **Bradley Moore (Non-Executive Chairman)**

Mr Moore was appointed as the Company's Non-Executive Chairman on 5 August 2010.

Mr Moore holds a Bachelor of Commerce in accounting and corporate administration and has in excess of 20 years accounting, strategic analysis, financial management, general management and corporate experience.

Mr Moore spent seven years at News Limited's Western Australian newspaper, "The Sunday Times", following which he played an integral role in the management of several listed public companies for the next 10 years. Currently Mr Moore is the Western Australian State Manager for one of Australia's largest privately owned transport and logistics organisations. He is a director of Ontel Communications Pty Ltd and has acted as a non-executive director and chairman of numerous listed entities, and their subsidiaries.

#### **Malcolm Day (Managing Director)**

Mr Day worked in the civil construction industry for approximately ten years, six of which were spent in senior management roles, as a Licensed Surveyor and then later as a Civil Engineer.

In January 1996, Mr Day joined the Barbarellas group of companies as an executive director. At the same time he co-founded Adult Communication Services Pty Ltd ("ACS"), which grew to be one of Australia's largest providers of adult telephone services. Between November 2011 and May 2019 Mr. Day privately owned 100% of adultshop.com which is one of Australia's largest retailers of adult products and Calvista Australia Pty Ltd's largest customer.

In July 2012, Mr Day was appointed as a non-executive director of European Lithium Limited (previously Paynes Find Gold Limited).

#### **Hans-Rudolf Moser (Non-Executive Director)**

Mr Moser is a resident of Switzerland with over 20 years' experience in the Swiss banking and finance industry. He is currently a principal of a European portfolio manager.

## DIRECTORS' REPORT (CONTINUED)

### COMPANY SECRETARY

**John Burness**, B.Compt. (Hons), C.A.

Mr Burness is the Group's Chief Financial Officer and was appointed Company Secretary in November 2004. He is a Chartered Accountant with over 32 years post qualification experience in public practice and commerce and industry. He has a total of 19 years' experience acting as company secretary for publicly listed companies.

### DIRECTORS' INTERESTS IN SHARES

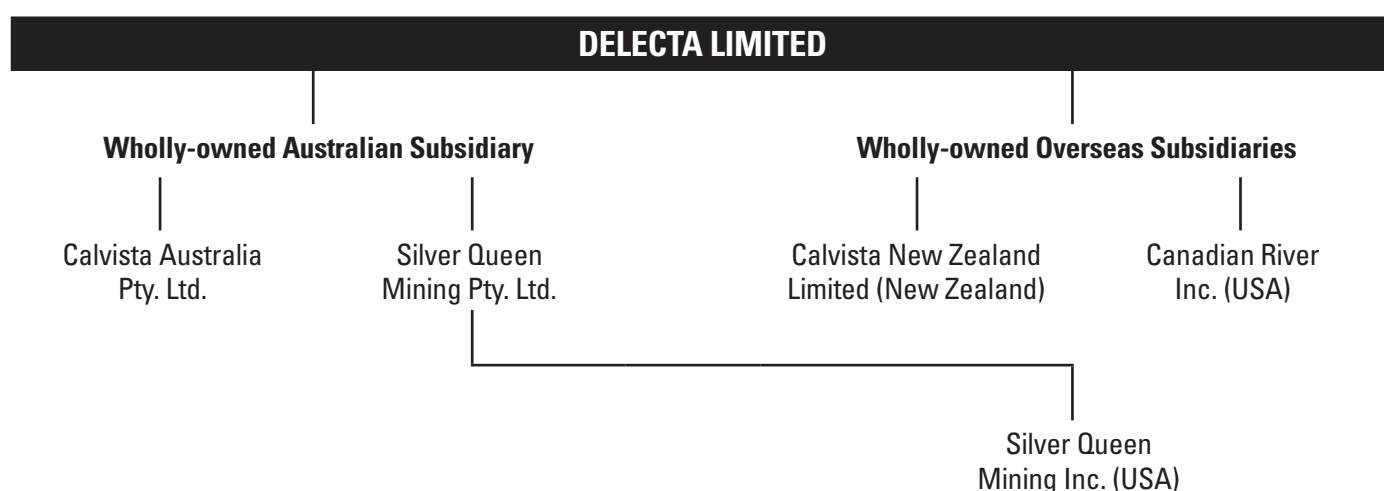
As at the date of this report, the interests of the directors in shares of the Company were:

	Ordinary Shares - Indirect
M Day	171,139,768
H Moser	53,794,943
B Moore	50,794,943

### CORPORATE INFORMATION

#### Corporate structure

Delecta Limited is a company limited by shares that is incorporated and domiciled in Australia. Delecta Limited has prepared a consolidated financial report incorporating the entities that it controlled or had significant influence over during the financial year (the "Group" or the "Consolidated Entity"). The principal subsidiaries are outlined in the following illustration of the Group's corporate structure:



#### Employees

The consolidated entity employed 24 employees as at 30 June 2019 (2018: 27 employees).

#### Nature of operations and principal activities

The principal activities during the year of entities within the consolidated entity were:

- The wholesale distribution of adult products
- Mining exploration and evaluation

## DIRECTORS' REPORT (CONTINUED)

### GROUP OVERVIEW

#### Wholesale

In September 2000, the Company entered the adult products wholesale market with the acquisition of Calvista Australia Pty Ltd. Calvista, the largest wholesaler of adult products in Australia, has been in operation for over 30 years and operates with its head office, showroom and warehouse in Melbourne.

The acquisition in May 2005 of Video Wholesalers in New Zealand included a wholesale operation which the group continues to operate under the name Calvista New Zealand Limited.

#### Mining Exploration and Evaluation

In February 2019, the Company completed the acquisition of the Highline Copper Project, comprising 5 patented mining claims in the Goodsprings mining district in Southern Nevada.

### REVIEW OF OPERATIONS AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The consolidated entity recorded a net loss of \$735,000 (2018: loss \$107,000) from continuing operations and a net loss of \$735,000 (2018: loss \$2,468,000) from continuing and discontinued operations.

The total loss per share for the year was 0.11 cents (2018: loss 0.39 cents).

The total Group revenues from continuing operations for the year decreased by 4% to \$15,284,000, with the Group recording a net loss of \$735,000 from operations.

The following segment information is non-IFRS information that has been disclosed to assist users in understanding the Group's operations:

#### Year ended 30 June 2019 (unaudited)

Operating Segment	Sales and services revenues to external customers	Other income	Earnings before interest, tax depreciation amortisation & impairment	Depreciation & amortisation	Net interest received	Profit / (loss) before income tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wholesale	15,284	288	218	(77)	-	141
Unallocated	-	-	(880)	-	4	(876)
Total	15,284	288	(662)	(77)	4	(735)

**DIRECTORS' REPORT (CONTINUED)****Year ended 30 June 2018 (unaudited)**

Operating Segment	Sales and services revenues to external customers	Other income	Earnings before interest, tax, depreciation, amortisation & impairment	Depreciation & amortisation	Net interest received	Profit / (loss) before income tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Wholesale	15,855	216	877	(77)	-	800
Discontinued operations	77	-	19	(68)	-	(49)
Unallocated	-	-	(912)	-	5	(907)
Total	15,932	216	(16)	(145)	5	(156)
Impairment of discontinued operations						(3,022)
Realised foreign exchange gain on discounted operations						710
						(2,468)

**Wholesale**

Wholesale sales revenue for the year continued to be impacted by the loss of joint distribution rights to one of the business's premium suppliers in the prior year, although the lost revenue has been mostly replaced by the acquisition of new premium suppliers.

Profitability was also impacted by the lower sales, the fall in the Australian Dollar, and increasing margin pressure from competitors.

**Exploration & Evaluation**

The group continued to seek and evaluate opportunities relating to the exploration of battery minerals and other strategic minerals.

In February 2019, the Company completed the acquisition of the Highline Copper Project, comprising 5 patented mining claims in the Goodsprings mining district in Southern Nevada. Initial underground sampling of the Highline Mine had confirmed the presence of high-grade cobalt and copper mineralisation.

Further exploration consisting of detailed geological mapping and sampling is planned for the new financial year. This program will be completed over mineralised areas defined by previous exploration in the western claim and the Highline Mine to better quantify the identified mineralisation and its controls.

**Unallocated expenditure**

Head office / corporate expenditure for the year decreased to \$876,000 from \$907,000.

## DIRECTORS' REPORT (CONTINUED)

### REVIEW OF FINANCIAL CONDITION

#### Capital Structure

During the current financial year, the acquisition of the Highline Copper Project was partly funded by the issue of 60,000,000 ordinary shares and 2,500,000 ordinary shares were issued in settlement of debt, all at an issue price of \$0.01 per share.

No ordinary shares have been issued between the year end and the date of this report.

#### Cash from Operations

The Group recorded a net operating cash outflow of \$5,000 (2018: outflow \$56,000) for the year.

#### Liquidity and Funding

The Group has sufficient cash resources and forecast cash flows to fund its current and anticipated level of operations.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to focus on exploration and evaluation opportunities and increasing the profitability of its wholesale operations.

### DIVIDENDS

No dividends have been paid or recommended during or since the end of the current financial year (2018: Nil).

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### TAX CONSOLIDATION LEGISLATION

For the purposes of income tax in Australia, Delecta Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group from 1 July 2003. The head entity of the tax consolidated group is Delecta Limited.

### CORPORATE GOVERNANCE

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Delecta Limited support and have endeavoured to adhere to the principles of corporate governance.

The Company's corporate governance statement is set out on page 70 of this annual report.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies all directors and officers of the Company against liability for costs and expenses incurred in defending proceedings brought against them in their role as a director or officer of the Company to the extent permitted under the law. In the current and prior year insurance policies were taken out to cover these costs.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors during the year ended 30 June 2019 and the number of meetings attended by each director.

	Maximum Possible	Number Attended
Mr M Day	11	11
Mr H R Moser	11	4
Mr B Moore	11	11

### Audit and Remuneration Committees

With the board consisting of only three directors, it is considered to be neither beneficial nor practical to maintain separate audit and remuneration committees.

### SHARE OPTIONS

#### Unissued shares

At the date of this report, the following options over unissued ordinary shares are in existence:

Number	Exercise Price	Exercise Periods / Expiry Dates
<i>Unlisted options</i> 40,000,000	\$0.015	Before 30 June 2020

Full details of share options are disclosed in Note 16 of the financial statements.

#### Shares issued as a result of the exercise of options

No shares were issued on the exercise of options during the current year and between the year end and the date of this report.

### ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant environmental regulations under Commonwealth or State legislation in Australia.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst and Young during or since the financial year.

### ROUNDING

The amounts contained in this report and the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Instrument (Rounding in Financial / Directors' Reports) 2016/191. The Company is an entity to which the Class Order applies.

## DIRECTORS' REPORT (CONTINUED)

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

#### Auditor Independence

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Delecta Limited with an Independence Declaration in relation to the audit of the full year financial report. The Independence Declaration is attached to and forms part of this Directors' Report (see page 18).

#### Non Audit Services

No non audit services were provided by the entity's auditor, Ernst & Young, during the year under review or up until the date of this report.

### REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the Parent and the Group.

#### Details of Key Management Personnel

##### (i) Directors

B Moore	Chairman (non-executive)
M R Day	Managing Director
H R Moser	Director (non-executive)

##### (ii) Executives

R Sheldon-Collins	General Manager- Calvista Australia Pty Ltd
J Burness	Chief Financial Officer and Company Secretary – Delecta Limited Financial Controller – Calvista Australia Pty Ltd

There were no changes in directors or key executives during the financial year or after reporting date and before the date the financial report was authorised for issue.

#### Remuneration Policy

The performance of the Company and the Group depends upon the quality of its directors and executives. To prosper, the consolidated entity must attract, motivate and retain appropriately skilled directors and executives. To this end, the consolidated entity embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre directors and executives;
- Establish appropriate performance hurdles against which performance is measured in arriving at executive's remuneration levels;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.;

There is a link between variable remuneration of executives and Group performance. The Group performance over the past 5 years is as follows:

**DIRECTORS' REPORT (CONTINUED)**

<b>Year ended 30 June:</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Net profit / (loss)	(735)	(2,468)	790	(172)	(2,041)
Closing share price	\$0.006	\$0.006	\$0.004	\$0.006	\$0.003

**Remuneration Committee**

The Board of Directors is responsible for reviewing and recommending compensation arrangements of directors, the managing director and the executive team and no separate remuneration committee has been appointed.

The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

**Non-Executive Director Remuneration**

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 28 November 2006 when shareholders approved an aggregate remuneration of \$300,000 per annum.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed from time to time. The board considers the time commitment and expertise of the individual directors and fees paid to non-executive directors of comparable companies when undertaking the review process.

Non-executive directors are not required to hold shares in the Company, nor are they encouraged or precluded from doing so. Non-executive directors may also be issued options from time to time as approved by shareholders in general meeting.

**Executive Remuneration**

It is the Board's policy that employment contracts are entered into with the Managing Director and key executives. Employment contracts have no set termination dates and require six months notice in the case of the Managing Director and three months for the other executives. The employment contracts allow for payments in lieu of notice equal to the entitlements that the executive would have been entitled to had they remained employed for the notice period.

Remuneration of executives consists of fixed remuneration and variable remuneration.

**Variable Remuneration – Short Term Incentives**

Short term incentives (STI) paid in the form of cash bonuses link the achievement of the consolidated entity's operational targets with the remuneration received by executives, other than the executive director, charged with meeting these targets. The potential incentive available is set at a level so as to provide sufficient incentive to the executive to achieve and then exceed operational targets and such that the cost to the Group is reasonable in the circumstances. These measures are chosen as they represent the key drivers for short term success of the business and provide a framework for delivering long term value.

## DIRECTORS' REPORT (CONTINUED)

Actual incentive payments granted to executives depends on the extent to which specific operating targets set at the beginning of the year are met. Short term incentives are paid at the discretion of the Board based on individual and Group performance.

The General Manager of Calvista is entitled to a cash bonus of 10% of net profit over budget. However, no bonus was or is payable in respect of the current financial year as the budgeted net profit was not achieved.

There were no other conditions or criteria related to the bonus, and no other KMP was entitled to a bonus in the current year.

### Remuneration of Key Management Personnel

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

### Emoluments of Directors of Delecta Limited

Name	Office during the year	Short-term		Post Employment	Total
		Salary / Dir. Fees	Consultancy Fees	Superannuation	
		\$	\$	\$	\$
<b>30 June 2019</b>					
M R Day	Managing Director	80,000	240,000	7,600	327,600
H R Moser	Non-Executive Director	22,000	-	-	22,000
B Moore	Non-Executive Chairman	80,000	120,000	7,600	207,600
		182,000	360,000	15,200	557,200
<b>30 June 2018</b>					
M R Day	Managing Director	80,000	240,000	7,600	327,600
H R Moser	Non-Executive Director	22,000	-	-	22,000
B Moore	Non-Executive Chairman	80,000	120,000	7,600	207,600
		182,000	360,000	15,200	557,200

No emoluments paid or payable to directors in respect of the 2019 year (2018: nil) were performance related and no short term incentive scheme is or was in place for directors.

**DIRECTORS' REPORT (CONTINUED)*****Emoluments of other Key Management Personnel of the consolidated entity***

Name	Office during the year	Short-term		Post Employment	Long-term Benefits	Total	% Performance related
		Salary / Fees \$	Cash Bonus \$	Super-annuation \$	Long Service Leave \$		
<b>30 June 2019</b>							
R Sheldon-Collins	General Manager – Calvista Australia	211,419	-	27,527	-	238,946	-
J Burness	CFO / Company Sec. (Delecta) & Financial Controller (Calvista)	159,562	-	15,158	2,670	177,390	-
		370,981	-	42,685	2,670	416,336	
<b>30 June 2018</b>							
R Sheldon-Collins	General Manager – Calvista Australia	211,418	-	20,085	-	231,503	-
J Burness	CFO / Company Sec. (Delecta) & Financial Controller (Calvista)	159,561	-	15,158	2,670	177,389	-
		370,979	-	35,243	2,670	408,892	

**Shareholdings of Key Management Personnel**

Shares held in Delecta Limited (number)

	Balance 1 July 2018	Net change	Balance 30 June 2018
<b>Directors</b>			
M Day	171,139,768	-	171,139,768
H Moser	53,794,943	-	53,794,943
B Moore	50,794,943	-	50,794,943
Total	275,729,654	-	275,729,654

	Balance 1 July 2017	Net change	Balance 30 June 2018
<b>Directors</b>			
M Day	171,139,768	-	171,139,768
H Moser	53,794,943	-	53,794,943
B Moore	50,794,943	-	50,794,943
Total	275,729,654	-	275,729,654

Messrs Burness and Sheldon-Collins did not hold any shares in Delecta Limited during the period. As at 30 June 2019 there are nil (2018: nil) options held by KMPs.

**DIRECTORS' REPORT (CONTINUED)****Other transactions with Key Management Personnel**

Adultshop.com Pty Ltd, a company related to Mr Day, purchased goods and services to the value of \$2,250,000 (2018: \$2,065,000) from the Group. At year end \$4,000 (2018: \$213,000) was owing by Adultshop.com Pty Ltd to the group. The business and operations of Adultshop.com Pty Ltd were sold effective from 26 May 2019 to an unrelated party.

Sales and services provided to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

**End of audited Remuneration report.**

Signed in accordance with a resolution of the directors.

**M R Day**

Director

Perth, Western Australia

24 September 2019



**Building a better  
working world**

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## **Auditor's Independence Declaration to the Directors of Delecta Limited**

As lead auditor for the audit of the financial report of Delecta Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Delecta Limited and the entities it controlled during the financial year.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Darryn Hall'.

Darryn Hall  
Partner  
24 September 2019

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
<b>Continuing operations</b>			
<b>Revenue</b>	4(a)	15,284	15,855
Cost of sales		(11,288)	(11,219)
<b>Gross profit</b>		3,996	4,636
Other income	4(b)	288	222
Distribution expenses		(238)	(222)
Marketing expenses		(294)	(167)
Administrative expenses		(3,398)	(3,529)
Occupancy expenses		(487)	(503)
Other expenses		(602)	(544)
<b>Loss from continuing operations before income tax</b>		(735)	(107)
Income tax expense	5	-	-
<b>Loss from continuing operations for the year</b>		(735)	(107)
<b>Discontinued operations</b>			
Operating income	13	-	19
Other income	13	-	710
Impairment of oil and gas property	13	-	(3,022)
Amortisation of oil and gas property	13	-	(68)
<b>Loss from discontinued operations before income tax</b>		-	(2,361)
Income tax expense		-	-
<b>Loss from discontinued operations after income tax</b>		-	(2,361)
<b>Total net loss for the year</b>		(735)	(2,468)
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation		(18)	140
Foreign currency translation reclassified to income statement		-	(710)
Fair value gain/(loss) on financial assets		-	1,826
<i>Items that are not reclassified subsequently to profit and loss</i>			
Fair value gain/(loss) on assets at fair value through other comprehensive income		(1,364)	-
<b>Other comprehensive income / (loss) for the year</b>		(1,382)	1,256
<b>Total comprehensive loss for the year</b>		(2,117)	(1,212)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
<b>Loss per share attributable to ordinary equity holders of the company:</b>			
Basic loss per share	6	(0.11) cents	(0.39) cents
Diluted loss per share	6	(0.11) cents	(0.39) cents
<b>Loss per share from continuing operations attributable to ordinary equity holders of the company:</b>			
Loss per share	6	(0.11) cents	(0.02) cents
Diluted loss per share	6	(0.11) cents	(0.02) cents
<b>Loss per share from discontinued operations attributable to ordinary equity holders of the company:</b>			
Loss per share	6	-	(0.37) cents
Diluted loss per share	6	-	(0.37) cents

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	637	998
Trade and other receivables	8	2,076	2,490
Inventories	9	3,473	3,628
Financial Assets	10	946	2,310
Prepayments and deposits		702	536
<b>Total Current Assets</b>		<b>7,834</b>	<b>9,962</b>
<b>Non-current Assets</b>			
Property, plant and equipment	11	219	229
Exploration and evaluation	12	917	-
<b>Total Non-Current Assets</b>		<b>1,136</b>	<b>229</b>
<b>TOTAL ASSETS</b>		<b>8,970</b>	<b>10,191</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	1,415	1,099
Provisions	15	160	145
<b>Total Current Liabilities</b>		<b>1,575</b>	<b>1,244</b>
<b>Non-current Liabilities</b>			
Provisions	15	104	108
<b>Total Non-Current Liabilities</b>		<b>104</b>	<b>108</b>
<b>TOTAL LIABILITIES</b>		<b>1,679</b>	<b>1,352</b>
<b>NET ASSETS</b>		<b>7,291</b>	<b>8,839</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Parent</b>			
Contributed equity	16(a)	70,118	69,493
Accumulated losses	16(c)	(63,368)	(62,577)
Reserves	16(d)	541	1,923
<b>TOTAL EQUITY</b>		<b>7,291</b>	<b>8,839</b>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$'000	2018 \$'000
<b>Cash flows used in operating activities</b>			
Receipts from customers		17,739	18,037
Payments to suppliers and employees		(17,748)	(18,098)
Interest received		4	5
<b>Net cash flows used in operating activities</b>	<b>7</b>	<b>(5)</b>	<b>(56)</b>
<b>Cash flows used in investing activities</b>			
Payment for the purchase of property, plant and equipment		(68)	(80)
Exploration and evaluation expenditure		(291)	-
Security deposit (paid) / refunded		(3)	22
<b>Net cash used in investing activities</b>		<b>(362)</b>	<b>(58)</b>
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(367)</b>	<b>(114)</b>
Net foreign exchange differences		6	13
Cash and cash equivalents at beginning of year		998	1,099
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>637</b>	<b>998</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 2019

Attributable to equity holders of the Company

	Issued capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total \$'000
<b>CONSOLIDATED</b>				
<b>At 1 July 2017</b>	69,493	(60,109)	667	10,051
Other comprehensive income				
- Foreign currency translation	-	-	140	140
- Foreign exchange gain on oil and gas asset reclassified to discontinued operation	-	-	(710)	(710)
- Fair value gain / (loss) on financial assets	-	-	1,826	1,826
Loss for the year	-	(2,468)	-	(2,468)
Total comprehensive income for the year	-	(2,468)	1,256	(1,212)
<b>At 30 June 2018</b>	<b>69,493</b>	<b>(62,577)</b>	<b>1,923</b>	<b>8,839</b>
New accounting standards adjustment to opening balances (Note 2c)	-	(56)	-	(56)
<b>At 30 June 2018</b>	<b>69,493</b>	<b>(62,633)</b>	<b>1,923</b>	<b>8,783</b>
Other comprehensive income				
- Foreign currency translation	-	-	(18)	(18)
- Fair value (loss) / gain on assets at fair value through other comprehensive income	-	-	(1,364)	(1,364)
Loss for the year	-	(735)	-	(735)
Total comprehensive loss for the year	-	(735)	(1,382)	(2,117)
Issue of share capital	625	-	-	625
<b>At 30 June 2019</b>	<b>70,118</b>	<b>(63,368)</b>	<b>541</b>	<b>7,291</b>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. CORPORATE INFORMATION

The financial report of Delecta Limited (the Company) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 24 September 2019. Delecta Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian and German securities exchanges.

The nature of the operations and principal activities of the Group are described at page 8.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis with the exception of assets at fair value through other comprehensive income set out in the policy below that are measured at fair value. Except as disclosed below, the financial report has been prepared using the same accounting policies as used in the previous year. For the purpose of preparing the financial report the company is a for profit entity.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC (Rounding in Financial/Directors' Reports) Instrument 2016/191.

#### (b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### (c) Adoption of new Accounting standards

Since 1 July 2018, the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2018. This included the adoption of AASB 9 and AASB 15, and these Standards and Interpretations were considered and incorporated into the Group's policies. Other than the adjustment to opening balances set out below, they did not have a significant impact on the financial position or performance of the Group.

#### AASB 9 Financial Instruments

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria; the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative.

The Group has applied AASB 9 with the initial application date being 1 July 2018. The cumulative impact of applying AASB 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Group has elected not to adjust comparative information as permitted under the modified retrospective approach.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (c) Adoption of new Accounting standards (continued)

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New measurement category under AASB 9 (i.e. from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Financial assets at fair value through other comprehensive income	Available for sale financial asset	Financial assets at fair value through other comprehensive income
Trade and other payables	Financial liability at amortised cost	Financial liabilities at amortised cost

### Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. As at 1 July 2018, the Company applied this methodology and in doing so recognised the following transitional adjustment to the impairment of trade and other receivables on transition.

### Impact on statement of financial position

The following table summarises the impact of transition to AASB 9 on accumulated losses at 1 July 2018.

Accumulated losses	2019 \$'000
Closing balance under AASB 139 (30 June 2018)	62,577
Adjustment to opening balances for credit-impaired trade and other receivables	56
Opening balance under AASB 9 (1 July 2018)	62,633

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (c) Adoption of new Accounting standards (continued)

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Delecta Limited for the annual reporting period ending 30 June 2019. The standards that are effective from 1 July 2019 for the Consolidated Entity are not expected to materially impact the Consolidated Entity. Standards impacting the Consolidated Entity in future periods are still currently being assessed. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB Interpretation 23, and relevant amending standard	Uncertainty over Income Tax Treatments	<p>The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> <li>• Whether an entity considers uncertain tax treatments separately</li> <li>• The assumptions an entity makes about the examination of tax treatments by taxation authorities</li> <li>• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>• How an entity considers changes in facts and circumstances</li> </ul>	1 January 2019	1 July 2019
AASB 16	Leases	<p>AASB 16 Leases (AASB 16) introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group, as a lessee, will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. The Group will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>The Group will also be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group will recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting under AASB 16 is substantially unchanged from the accounting under AASB 117 Leases. The Group, as a lessor, will not be materially impacted by the adoption of AASB 16.</p> <p>AASB 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under AASB 117.</p>	1 January 2019	1 July 2019

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (c) Adoption of new Accounting standards (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
		<p><b>Transition impact assessment</b></p> <p>The Group will be applying AASB 16 from 1 July 2019, using the modified retrospective transition method whereby there is an option on a lease-by-lease basis to calculate the right-of-use asset as either:</p> <ul style="list-style-type: none"> <li>its carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or</li> <li>an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.</li> </ul> <p>Under this method, there is no requirement to restate comparatives.</p> <p>The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value. The Group will elect to apply the practical expedient to combine lease and non-lease components for its property leases. As such, the calculated lease liability will include an estimate of the gross lease payments allocated to nonlease components.</p> <p>The Group is still in the process of a preliminary impact assessment of the adoption of AASB 16 as at 1 July 2019. In summary, the estimated impact of the adoption of AASB 16 on the Balance Sheet as at 1 July 2019, will include an increase in assets (right-of-use asset) and an increase in liabilities (lease liability). The net impact of initially applying AASB 16 will be recognised as an adjustment to equity.</p>		

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (c) Adoption of new Accounting standards (continued)

Conceptual Framework AASB 2019-1	Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework	<p>The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.</p> <p>AASB 2019-1 has also been issued, which sets out the amendments to Australian Accounting Standards, Interpretations and other pronouncements in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the Framework for the Preparation and Presentation of Financial Statements (July 2004), and not the definitions in the revised Conceptual Framework.</p>	1 January 2020	1 July 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	<p>This Standard amends AASB 101 Presentation of Financial Statements and AAS 108 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.</p>	1 January 2020	1 July 2020

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Delecta Limited and its subsidiaries as at 30 June each year (the “Group”).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee  
(i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

### (e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group’s operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in the host contracts by the acquiree.

### (f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (f) Operating segments (continued)

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

### (g) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

### (h) Foreign currency translation

Both the functional and presentation currency of Delecta Limited and its Australian subsidiaries is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences arising from the above stated procedures are taken to profit or loss.

The functional currencies of the foreign operations Calvista New Zealand Ltd (New Zealand) and Canadian River Inc. are New Zealand Dollars (NZD\$) and United States Dollars (US\$) respectively.

As at the reporting date the assets and liabilities of the subsidiary are translated into the presentation currency of Delecta Limited at the rate of exchange ruling at the reporting date and the profit and loss is translated at the average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

### (i) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (j) Trade and other receivables

#### *Trade receivables*

Trade receivables generally have terms of up to 30 days. They are recognised initially in accordance with the Group's revenue policy and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. With respect to trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

#### *Other receivables*

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

#### *Impairment of trade receivables and other debtors applied from 1 July 2018*

Collectability and impairment of trade receivables and other receivables are assessed on an ongoing basis. The Group applies a simplified approach in calculating forward-looking expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to customers and the economic climate.

#### *Impairment of trade receivables and other debtors applied for the period prior to 1 July 2018*

Collectability of trade receivables was reviewed on an ongoing basis at an operating unit level. Individual debts that were known to be uncollectible was written off when identified. An impairment provision was recognised when there was objective evidence that the Group would not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue were considered objective evidence of impairment. The amount of the impairment loss was the receivable carrying amount compared to estimated future cash flows.

### (k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Inventory consists of finished goods and includes the direct cost of each product and the costs incurred in bringing the product to its present location and condition, calculated as follows:

- purchase cost on a weighted average basis, after deducting any settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

### (l) Investments and other financial assets

#### *Initial recognition and measurement applied from 1 July 2018*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### **(I) Investments and other financial assets (continued)**

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (v) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

#### *Initial recognition and measurement applied for the period prior to 1 July 2018*

Financial assets were classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets were recognised initially, they were measured at fair value, plus, in the case of investments not at fair value held for trading, directly attributable transactions costs. The Group determined the classification of its financial assets on initial recognition.

The fair value of investments that were actively traded in organised financial markets was determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value was determined using valuation techniques. Such techniques included using recent arm's length market transactions; reference to the current market value of another instrument that were substantially the same; discounted cash flow analysis and option pricing models.

All regular way purchases and sales of financial assets were recognised on the trade date i.e. the date that the Group committed to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that required delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### *Subsequent Measurement*

##### **(i) Financial assets at fair value through profit and loss**

Financial assets at fair value through profit and loss include derivative and other financial assets determined as held for trading where they are acquired for the purpose of selling in the near term. Financial assets at fair value through profit and loss are recorded in the Statement of Financial Position at their values with changes in fair value recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (l) Investments and other financial assets (continued)

Other financial assets consist of investments in debt and equity securities and short-term investments with a maturity date of over 90 days and are classified as either “fair value through other comprehensive income” (“available for sale” for periods before 1 July 2018) or “fair value through profit and loss”. Financial assets held at fair value through other comprehensive income or available for sale for the periods before 1 July 2018 are initially measured at fair value, including transaction costs directly attributable to the acquisition of the financial asset. Financial assets held at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed.

Where securities are designated as “fair value through profit and loss”, gains and losses arising from changes in fair value are included in the income statement for the period.

For equity investments at “fair value through other comprehensive income”, gains or losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is included directly in retained earnings and is not recycled to the income statement. For the periods before 1 July 2018, the gains or losses accumulated at the time of sale or impairment were recycled to the income statement.

For debt instruments at “fair value through other comprehensive income” or “available for sale” in the periods before 1 July 2018, gains and losses arising from changes in fair value are recognised in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the income statement for the period. Until 1 July 2018, debt securities were deemed impaired based on whether an impairment trigger happened and it resulted in an incurred loss. From 1 July 2018, impairments in debt securities are recognised based on management’s expectation of losses in each investment (“expected credit loss” model).

Until 1 July 2018, equity investments that did not have a quoted market price in an active market and whose fair value could not be reliably measured by other means were held at cost. From 1 July 2018, all equity investments must be measured at fair value under AASB 9.

### (m) Joint arrangements

Joint arrangements are arrangements where two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or a joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Consolidated Entity recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### **(m) Joint arrangements (continued)**

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the joint venture.

### **(n) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 3 to 10 years

Leasehold improvements – over the lease term

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

#### **(i) Impairment**

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the profit and loss.

#### **(ii) Derecognition and disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### **(o) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straightline basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

### **(p) Impairment of non-financial assets other than goodwill**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### **(q) Trade and other payables**

Trade payables and other payables are initially recognised at fair value and subsequently carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. They arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### **(r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (r) Provisions (continued)

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### (s) Employee leave benefits

#### (i) Wages, salaries, sick leave and other short term benefits

Liabilities for wages and salaries, including non-monetary benefits, accumulating sick leave and other short term benefits due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

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 high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### (t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

### (u) Significant accounting estimates and judgements

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

#### *Provision for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (u) Significant accounting estimates and judgements (continued)

#### *Provision for expected credit losses of trade receivables (continued)*

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 8.

#### *Exploration and Evaluation Assets*

The Group's accounting policy for exploration and evaluation assets is set out in Note 1(z). The application of this policy requires management to make certain judgements and estimates as to future events and circumstances the assessment of whether economic quantities of reserves have been found and the point at which exploration and evaluation assets should be transferred to mine development properties. The determination of an area of interest also requires judgement.

#### *Make good provisions*

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to their original condition, fair wear and tear excepted. These future cost estimates are discounted to their present value. The calculation of this provision requires assumptions such as cost estimates and vacation dates. The related carrying amounts are disclosed in note 15.

### (v) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group initially applied AASB 15 Revenue from Contracts with Customers using the modified retrospective approach at the date of initial application, being 1 July 2018. Under this method, comparative information has not been restated.

#### (i) Sale of goods

##### *Applied from 1 July 2018*

The Group generates a significant proportion of its revenue from the sale of the following finished goods being merchandise direct to customers. Control of goods typically passes at the point of sale. The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer in the case of credit sales. Cash payment is generally received in arrears, however, any cash received in advance of the completion of the performance obligation is recognised on the balance sheet as a contract liability.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (v) Revenue recognition (continued)

A right of return is not a separate performance obligation and the Group recognises revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover the returned products from the customer is also recognised.

#### *Applied for the period prior to 1 July 2018*

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Risks and rewards of ownership are considered passed to the buyer on the receipt of payment in respect of cash sales and on the delivery of goods in the case of credit sales.

### (ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Revenue from the sale of hydrocarbons from developed producing oil and gas properties.

#### *Applied for the period prior to 1 July 2018*

Revenue from the sale of produced hydrocarbons was recognised when the significant risks and rewards of ownership had passed to the customer, which was typically at the point that title passed. Revenue was recognised on the basis of the Group's entitlement interest in a producing field (the entitlement method).

### (w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes:

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (w) Income tax (continued)

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax balances in the tax consolidated group are allocated using the group allocation method.

### (x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### (y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (z) Exploration and evaluation expenditure

The consolidated entity has a policy of writing off all exploration expenditure in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is assured beyond reasonable doubt.

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

- i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- ii) exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the profit and loss or provided against.

### *Revenue in the testing phase*

#### *Applied for the period prior to 1 July 2018*

Revenue from the sale of produced hydrocarbons earned whilst the project is in the testing phase is capitalised as a reduction in the cost of the asset.

### *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment regularly and if after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely or that the Consolidated Entity no longer holds tenure, the relevant capitalised amount is written off to the profit or loss in the period when the new information becomes available.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### **(aa) Oil and gas properties**

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include initial cost to acquire, construct, install or complete production wells and facilities.

#### *Depreciation and amortisation of oil and gas properties*

Oil and gas properties are depreciated to their estimated residual values at rates based on their expected useful lives in accordance with the units of production basis over proved reserves.

## **3. OPERATING SEGMENTS**

### **Identification of Reportable Segments**

The Group has identified its operating segments based on its internal reports used by the executive team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on a monthly basis.

### **Types of Products and Services**

#### *Wholesale*

The wholesale segment divisions are those divisions that sell adult products directly to wholesale customers in Australia and New Zealand.

#### *Oil and gas operations (discontinued operations)*

On 25 September 2014, the Group entered the oil & gas industry through the acquisition of an interest in an oil and gas field development project in the United States of America.

### **Accounting Policies and Inter-segment Transactions**

The accounting policies used by the Group in reporting segments are the same as those contained in note 2 to the financial statements and in prior periods except as detailed below:

#### *Inter-entity sales*

Wholesale sales to the Group's New Zealand operation are recorded at cost (including transport & other costs where applicable).

#### *Corporate Charges*

Non-segmental expenses, such as head office expenses and expenses that are not directly attributable to a segment and not considered part of the core operations of any segment, are not allocated to operating segments by way of corporate charges.

These non-segment charges include:

- Head office expenses (group secretarial, insurances, audit fees, listing fees etc)
- Head office staff and directors salaries
- Group legal fees

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 3. OPERATING SEGMENTS (continued)

#### Operating segments

The following tables present revenue and profit and loss information, and certain asset and liability information regarding operating segments for the years ended 30 June 2019 and 30 June 2018:

#### Year ended 30 June 2019

	Continuing Operations Wholesale \$'000	Total \$'000
<b>Revenue</b>		
Sales to external customers	15,284	15,284
Total segment revenue	15,284	15,284
Unallocated finance income		4
Total consolidated revenue		15,288
<b>Result</b>		
Segment results	141	141
Unallocated expenses		
- Corporate expenses		(880)
- Net finance Income		4
Net loss for year		(735)

#### At 30 June 2019

	Continuing Operations Wholesale \$'000	Exploration & Evaluation \$'000	Total \$'000
<b>Assets and liabilities</b>			
Segment assets	6,384	917	7,301
Unallocated assets			
- Cash & cash equivalents			637
- Financial assets at fair value through OCI			946
- Other			86
Total assets			8,970
Segment liabilities	1,618	-	1,618
Unallocated liabilities			61
Total liabilities			1,679
<b>Other segment information</b>			
Capital expenditure	68	-	68
Depreciation & amortisation	77	-	77

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 3. OPERATING SEGMENTS (continued)

#### Year ended 30 June 2018

	Continuing Operations Wholesale \$'000	Discontinued Operations Oil & Gas \$'000	Total \$'000
<b>Revenue</b>			
Sales to external customers <sup>1</sup>	15,855	77	15,932
Total segment revenue	15,855	77	15,932
Unallocated finance income			5
Total consolidated revenue			15,937
<b>Result</b>			
Segment results	800	(49)	751
Unallocated expenses			
- Corporate expenses			(912)
- Net finance income			5
- Impairment of discontinued operation		(3,022)	(3,022)
- Realised foreign exchange gain on discontinued operation		710	710
Net loss for year		(2,361)	(2,468)

1. Revenue from contracts with customers disaggregated by segment is materially consistent with the disclosure above.

#### Year ended 30 June 2018

	Continuing Operations Wholesale \$'000	Discontinued Operations Oil & Gas \$'000	Total \$'000
<b>Assets and liabilities</b>			
Segment assets	6,765	-	6,765
Unallocated assets			
- Cash and cash equivalents			998
- Available for sale assets			2,310
- Other			119
Total assets			10,191
Segment liabilities	1,252	-	1,252
Unallocated liabilities			100
Total liabilities			1,352
<b>Other segment information</b>			
Capital expenditure	80	-	80
Impairment expense	-	3,022	3,022
Depreciation & amortisation	77	68	145

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 3. OPERATING SEGMENTS (continued)

#### Geographical areas

The Group's geographical areas are determined based on the location of the Group's assets.

The following tables present revenue, expenditure and certain asset information regarding geographical areas for 2019 and 2018.

#### 2019

	Continuing Operations Australia \$'000	Continuing Operations New Zealand \$'000	Total \$'000
<b>Revenue</b>			
Sales to external customers <sup>2</sup>	14,125	1,159	15,284
Finance income	4	-	4
Total segment revenue	14,129	1,159	15,288
<b>Other segment information</b>			
Segment non-current assets	1,136	-	1,136

#### 2018

	Continuing Operations Australia \$'000	Continuing Operations New Zealand \$'000	Discontinued Operations United States \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	14,377	1,478	77	15,932
Finance income	5	-	-	5
Total segment revenue	14,382	1,478	77	15,937
<b>Other segment information</b>				
Segment non-current assets	229	-	-	229

Sales are made to numerous customers. However, revenue from one customer amounted to 14% (2018: 13%) of total revenue recorded in the current period.

2. Revenue from contracts with customers disaggregated by segment is materially consistent with the disclosure above.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 4. REVENUE AND EXPENSES

*Revenue and expenses from continuing operations*

	2019 \$'000	2018 \$'000
<b>(a) Revenue</b>		
Revenue from contracts with customers	15,284	15,855
	<b>15,284</b>	<b>15,855</b>
<b>(b) Other Income</b>		
Finance revenue	4	5
Foreign exchange gain	21	-
Sundry income	263	217
	<b>288</b>	<b>222</b>
<b>(c) Depreciation, impairment, and amortisation of fixed assets included in income statement:</b>		
Depreciation (note 11)	77	77
<b>(d) Lease payments and other expenses included in income statement</b>		
Included in occupancy expenses:		
Operating lease payments	418	421
<b>(e) Employee benefit expense</b>		
Included in administration expenses:		
Wages and salaries	2,373	2,212
Workers compensation costs	22	19
Superannuation expense	227	208
Movement in provision for annual and long service leave	21	21
	<b>2,643</b>	<b>2,460</b>
<b>(f) Other</b>		
Impairment charge for doubtful debts	57	17
Provision for inventory obsolescence	110	(57)
Foreign exchange loss	-	55

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 5. INCOME TAX

	2019 \$'000	2018 \$'000
<b>(a) Income tax expense / (benefit)</b>		
The major components of income tax expense are:		
Current income tax expense / (benefit)	(167)	(115)
Deferred tax (credit) / expense arising from origination & reversal of temporary differences	-	816
Tax loss utilised	(8)	115
Deferred tax assets not brought to account	175	(816)
	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit / (loss) before tax from continuing operations	(202)	(107)
Accounting profit / (loss) before tax from discontinued operations	-	(2,361)
Total accounting loss before tax	(202)	(2,468)
At the Group's statutory income tax rate of 27.5% (2018: 27.5%)	-	(740)
Impairment of oil & gas property	-	906
Foreign exchange gain on oil & gas property	-	(213)
Utilisation of tax losses	(8)	(115)
Other non-deductible items	11	1
Net deferred tax assets not booked	199	161
Income tax expense reported in the statement of comprehensive income	-	-

The Group has tax losses arising in Australia of \$17,646,183 (2018: \$16,628,000) that are available for offset against future taxable profits.

Potential deferred tax assets attributable to tax losses carried forward have not been brought to account at 30 June 2019 because directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable. These benefits will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the consolidated entity continues to comply with the conditions for the deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deduction for the loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 5. INCOME TAX (continued)

	Statement of Financial Position		Statement of Comprehensive Income	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>(b) Deferred Income tax</b>				
Deferred income tax at 30 June relates to:				
<b>Deferred tax assets</b>				
Employee entitlements	57	56	1	(1)
Available for sale financial asset	290	(93)	-	548
Oil and gas properties	-	-	-	196
Allowance for inventory obsolescence	167	149	18	15
Trade and other receivables	52	39	13	48
Provisions	46	48	(2)	10
Carried forward tax losses	5,175	4,954	221	(13)
	<b>5,787</b>	<b>5,153</b>		
Net unrecognised deferred tax assets	<b>(5,787)</b>	<b>(5,153)</b>	<b>(251)</b>	<b>(803)</b>
Net deferred tax asset	-	-		
Deferred tax expense	-	-	-	-

#### Tax Consolidation Legislation

Delecta Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003. Delecta Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis based on the taxable income of each entity. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

Members of the tax consolidation group have entered into a tax funding arrangement. Tax balances are allocated to members of the tax consolidation group using the group allocation method. No amounts have been recognised during the period (2018: nil) as tax consolidation contributions by, or distributions to, equity participants.

### 6. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 6. LOSS PER SHARE (continued)

	2019 \$'000	2018 \$'000
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(735)	(107)
Net loss attributable to ordinary equity holders of the Parent from discontinued operations	-	(2,361)
Net loss attributable to ordinary equity holders of the Parent	(735)	(2,468)
	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares for basic loss per share	662,366,068	633,496,205

The options to acquire ordinary shares in the company on issue at year end have been taken into account in calculating diluted earnings per share as they are considered to be either not dilutive or antidilutive.

### 7. CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Cash at bank and in hand	422	898
Deposits on call	215	100
	637	998

Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits on call are made for varying periods depending on the immediate cash requirements of the Group, are available as and when required, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is \$637,000 (2018: \$998,000).

#### Reconciliation of net loss after tax to net cash flows used in operations

	2019 \$'000	2018 \$'000
Net loss	(735)	(2,468)
<i>Adjustments for:</i>		
Depreciation	77	77
Amortisation of oil and gas property	-	68
Impairment of oil and gas property	-	3,022
<i>Changes in assets and liabilities:</i>		
Decrease / (increase) in inventories	44	(115)
Decrease in trade and other receivables	299	298
Increase / (decrease) in prepayments	(162)	19
Increase / (decrease) in trade and other payables	451	(37)
Decrease in reserves	(18)	(710)
Increase / (decrease) in provisions	39	(210)
Net cash used in operating activities	(5)	(56)

#### Significant non-cash transactions

The Company completed the acquisition of the Highline Copper Project in the Goodsprings mining district through the issue of 62,500,000 shares and 40,000,000 unlisted options. Refer to note 16 for more details.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 8. TRADE AND OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
<b>Current</b>		
Trade receivables (i) (ii)	2,290	2,598
Allowance for credit losses	(244)	(129)
	2,046	2,469
Other debtors (ii) (iii)	30	21
	2,076	2,490

(i) Receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

(ii) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(iii) For terms and conditions relating to related party receivables refer to note 19.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 17. Set out below is information on the credit risk exposure of the Group's trade receivables using a provision matrix:

Days past due	Estimated total gross carrying amount at default \$m	Expected credit loss rate	Lifetime expected credit loss \$m
Current	42	2.1%	(1)
Under one month	1,125	3.2%	(35)
One to two months	752	6.3%	(47)
Two to three months	240	21.0%	(50)
Over three months	131	85.0%	(111)
<b>Total</b>	<b>2,290</b>		<b>(244)</b>

#### Movement in the allowance account for credit losses

	2019 \$'000	2018 \$'000
Opening balance 1 July	129	291
New accounting standard adjustment to opening balance	56	-
(Decrease) / increase in provision	59	(162)
Closing balance 30 June	244	(129)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 9. INVENTORIES

	2019 \$'000	2018 \$'000
Finished goods	3,473	3,628

Inventory write-downs recognised as an expense totalled \$110,000 (2018: \$5,000) for the Group.  
This expense is included in the cost of sales.

### 10. FINANCIALS ASSETS

	2019 \$'000	2018 \$'000
<b>LISTED - 11,000,000 ordinary shares in European Lithium Limited</b>		
Fair value at beginning of period	2,310	484
Fair value (loss) / gain for the period	(1,364)	1,826
	946	2,310

At 30 June 2019 the asset was re-valued to market value with the movement being recorded in other comprehensive income.  
This is a level 1 measurement basis on the fair value hierarchy.

### 11. PROPERTY, PLANT AND EQUIPMENT

	2019 \$'000	2018 \$'000
<b>Plant and Equipment</b>		
At beginning of the year net of accumulated depreciation and impairment	229	227
Additions	68	79
Disposals and writedowns	(1)	-
Depreciation charge for the year	(77)	(77)
At end of the year net of accumulated depreciation and impairment	219	229
Gross carrying amount - at cost	1,456	1,974
Accumulated depreciation and impairment	(1,237)	(1,745)
Net carrying amount	219	229

### 12. EXPLORATION AND EVALUATION ASSETS

	2019 \$'000	2018 \$'000
<b>Areas of Interest</b>		
Goodsprings mining district	917	-
Carrying amount at end of year	917	-
<b>(a) Reconciliation of movements in carrying amount:</b>		
Carrying amount at beginning	-	-
Acquired during the period	917	-
Carrying amount at end of year	917	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 13. DISCONTINUED OPERATIONS - OIL AND GAS OPERATIONS

The Group has an interest in a single oil and gas well located in Oklahoma in the USA. Following the perforation of the Wilcox Sandstone formation in April 2017 and as the well continued to produce pilot hydrocarbons, the Group continued to monitor well performance against technical expectations around flow rates. In the prior period, well performance continued to be below management and technical expert expectations with water content remaining high and oil and gas revenues declining to barely cover operating costs. Accordingly, the Group fully impaired the project in the prior year and no longer anticipates this being an ongoing operation of the business. The Group continues to explore opportunities to monetise this asset.

<b>Discontinued operation</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Revenue	-	77
Expenses	-	58
Operating income	-	19
Other income	-	-
Foreign exchange gain recycled on allocation to a discontinued operation	-	710
Impairment current year	-	(3,022)
Amortisation of oil and gas asset	-	(68)
Loss before tax from discontinued operation	-	(2,361)
Income tax expense	-	-
Loss after tax from discontinued operation	-	(2,361)

The major balance sheet classes of the discontinued operation as at 30 June 2018 are as follows:

<b>Oil and gas asset</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Cost at beginning of year	-	2,962
Amortisation of oil and gas asset	-	(68)
Foreign exchange translation gain	-	128
Impairment current year	-	(3,022)
	-	-

The net cash flows incurred by the discontinued operation are as follow:

<b>Operating</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Net cash inflow	-	3

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 14. TRADE AND OTHER PAYABLES

<b>Current</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Trade payables (i)	1,139	795
Goods and services tax	58	77
Other creditors and accruals	218	227
	<b>1,415</b>	<b>1,099</b>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the credit risk of current payables is set out in note 17.

The carrying values of trade and other payables approximate their fair values.

### 15. PROVISIONS

	<b>Employee entitlements \$'000</b>	<b>Make good provisions \$'000</b>	<b>Total \$'000</b>
Current 2019	160	-	160
Non-current 2019	54	50	104
	<b>214</b>	<b>50</b>	<b>264</b>
Current 2018	145	-	145
Non-current 2018	58	50	108
	<b>203</b>	<b>50</b>	<b>253</b>

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

<b>Make good provisions</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
At 1 July	50	62
Utilised	-	(12)
At 30 June	<b>50</b>	<b>50</b>

#### Nature and timing of provisions

##### Make good provision

In accordance with the various lease agreements for office and warehouse premises, the Group must restore the leased premises to their original condition on vacating such premises. Provision for make good is made at the commencement of the lease based on the estimated current cost of the make good, and is reviewed biannually and adjusted where necessary.

Because of the long term nature of the liability, the greatest uncertainty in estimating the provision is in estimating the costs that will ultimately be incurred.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 16. CONTRIBUTED EQUITY AND RESERVES

#### (a) Ordinary shares

	2019 \$'000	2018 \$'000
Ordinary shares - issued and fully paid	70,118	69,493
	Number	\$'000
At 1 July 2017	633,496,205	69,493
Movements during the year	-	-
At 30 June 2018	633,496,205	69,493
Movements during the year	62,500,000	625
At 30 June 2019	695,996,205	70,118

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

#### (b) Options

	2019 Number	2018 \$'000
<i>Movement in options on issue</i>		
At 1 July	-	-
Unlisted options issued during the year	40,000,000	-
At 30 June	40,000,000	-

The options are unlisted, exercisable at \$0.015 at any time from date of issue and expire on 30 June 2020.

#### (b) Accumulated losses

	2019 \$'000	2018 \$'000
<i>Movements in accumulated losses were as follows:</i>		
Balance 1 July under AASB 139	(62,577)	(60,109)
Adjustment to opening balances for credit impaired trade & other receivables	(56)	-
Net loss for the year	(735)	(2,468)
Balance 30 June	(63,368)	(62,577)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 16. CONTRIBUTED EQUITY AND RESERVES (continued)

(c) Reserves	Option premium reserve \$'000	Foreign currency translation \$'000	Fair value gains/losses \$'000	Share based payments \$'000	Total \$'000
<b>At 30 June 2017</b>	115	342	-	210	667
Currency translation differences for continuing operations	-	140	-	-	140
Fair value gains and losses	-	-	1,826	-	1,826
Foreign exchange gain on oil and gas asset reclassified to discontinued operation	-	(710)	-	-	(710)
<b>At 30 June 2018</b>	<b>115</b>	<b>(228)</b>	<b>1,826</b>	<b>210</b>	<b>1,923</b>
Currency translation differences for continuing operations	-	(18)	-	-	(18)
Fair value gains and losses	-	-	(1,364)	-	(1,364)
<b>At 30 June 2019</b>	<b>115</b>	<b>(246)</b>	<b>462</b>	<b>210</b>	<b>541</b>

#### *Option premium reserve*

The option premium reserve is used to accumulate proceeds received from the issue of options.

#### *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

#### *Share based payments reserve*

The share based payments reserve was used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

#### *Fair value gains and losses*

The fair value gains and losses reverse is used to record movements in the market value of financial assets carried at fair value.

#### **d) Capital management**

Capital managed by the board includes shareholder equity, which is \$7,291,000 at 30 June 2019 (2018: \$8,839,000). The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future operations of the business. There were no external borrowings (2018: nil) at balance date. There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, while liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Managing Director and Chief Financial Officer under the authority of the Board.

#### Risk Exposures and Responses

##### *Interest rate risk*

The Group's exposure to market interest rates relates primarily to the Group's cash and cash deposits. At balance date, the Group had the following financial assets exposed to Australian variable interest rate risks:

	2019 \$'000	2018 \$'000
<i>Financial assets</i>		
Cash	637	998
Security deposits	238	234

At balance date, the Group did not have any financial liabilities exposed to Australian variable interest rate risks.

*At 30 June 2019/2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax results and equity would have been affected as follows:*

Judgements of reasonable possible movements:

	Post Tax Profit / Equity Higher / (Lower)	
	2019 \$'000	2018 \$'000
+1% (100 basis points)	6	10
-0.5% (50 basis points)	(3)	(5)

The movements in results are due to lower interest income from variable rate cash and deposit balances. The sensitivity is lower in 2019 than in 2018 because of an increase in cash balances.

##### *Foreign currency risk*

As a result of cash held in United States Dollar and New Zealand Dollar bank accounts, and the purchases of inventory (some of which is paid for in advance) denominated in United States Dollars, Euros and British Pounds, the Group's balance sheet can be affected by movements in the United States Dollar, the New Zealand Dollar, the Euro and the British Pound to Australian Dollar exchange rates.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Risk Exposures and Responses (continued)

##### Foreign currency risk (continued)

It is the Group's policy not to enter into forward currency contracts to eliminate the currency exposures on any individual transactions, as the majority of imported product is either pre paid or paid for on delivery, and no product is pre-sold prior to receipt, so the majority of the price fluctuations can be passed on to the Group's customers.

At 30 June 2019, the Group had the following exposure to foreign currencies:

	USD	GBP	2019 \$'000 Total	USD	Euro	GBP	2018 \$'000 Total
<i>Financial Assets</i>							
Cash and cash equivalents	-	-	-	1	-	-	1
Trade and other receivables	427	1	428	113	4	6	123
	427	1	428	114	4	6	124
<i>Financial Liabilities</i>							
Trade and other payables	(559)	-	(559)	(199)	-	(15)	(214)
Net exposure	(132)	1	(131)	(85)	4	(9)	(90)

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2019, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
AUD/USD +10%	(13)	(9)	(13)	(9)
AUD/USD -10%	13	9	13	9
AUD/GBP +10%	-	(1)	-	(1)
AUD/GBP -10%	-	1	-	1

The movements in profit in 2019 is more sensitive than in 2018 due to the higher level of foreign currency exposure at the current year balance date.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Risk Exposures and Responses (continued)

##### *Credit risk*

The Group does not hold any credit derivatives to offset its credit exposure.

The Group only extends credit to creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with set parameters. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group except for cash which is only deposited with one of the major financial institutions in Australia, New Zealand and the United States.

##### *Liquidity risk*

The Group's objective is to maintain sufficient cash resources to fund its ongoing operations and capital expenditure, although from time to time use is made of hire purchase loans / finance leases for the acquisition of fixed assets.

The table below reflects the undiscounted cash flows for the respective upcoming fiscal years for all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

*The remaining contractual maturities of the Group's financial liabilities are:*

<b>30 June 2019</b>	<b>Trade &amp; Other Payables \$'000</b>	<b>Total \$'000</b>
6 months or less	<b>1,415</b>	<b>1,415</b>
<b>30 June 2018</b>	<b>Trade &amp; Other Payables \$'000</b>	<b>Total \$'000</b>
6 months or less	<b>1,099</b>	<b>1,099</b>

##### *Maturity analysis of financial assets and liability based on management's expectation.*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. The Group monitors existing financial assets and liabilities to enable an effective controlling of future risks.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### Risk Exposures and Responses (continued)

Year ended 30 June 2019	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Total \$000
FINANCIAL ASSETS				
Cash and cash equivalents	637	-	-	637
Trade and other receivables	2,076	-	-	2,076
Security deposits	-	-	238	238
FINANCIAL LIABILITIES				
Trade and other payables	(1,415)	-	-	(1,415)
Net maturity	1,298	-	238	1,536
Year ended 30 June 2018	< 6 months \$'000	6-12 months \$'000	1-5 years \$'000	Total \$000
FINANCIAL ASSETS				
Cash and cash equivalents	998	-	-	998
Trade and other receivables	2,490	-	-	2,490
Security deposits	-	-	234	234
FINANCIAL LIABILITIES				
Trade and other payables	(1,099)	-	-	(1,099)
Net maturity	2,389	-	234	2,623

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

#### *Equity price risk and fair value*

The Group's listed equity securities are susceptible to market price risk. The methods for estimating fair value are outlined in the relevant notes to the financial statements. At the reporting date, the exposure to the listed equity securities at fair value was \$946,000. A decrease of 10% of the value would have an impact of approximately \$95,000 before tax on other comprehensive income attributable to the Group.

### 18. COMMITMENTS AND CONTINGENCIES

#### Operating lease commitments – Group as lessee

The Group has entered into commercial property leases. The property leases have a life of between 11 months and 12 months and some have renewal options. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under operating leases contracts are as follows:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 18. COMMITMENTS AND CONTINGENCIES (continued)

#### Operating lease commitments – Group as lessee (continued)

	2019 Minimum lease payments \$'000	2018 Minimum lease payments \$'000
Within 1 year	315	305
After 1 year but not more than 5	-	315
Total minimum lease payments	315	620

#### Capital commitments

At the reporting date the Group had no capital commitments contracted for but not recognised as liabilities (2018: nil).

#### Contingent liabilities and contingent assets

No known contingent liabilities or contingent assets which have not been provided for exist at year end nor have any arisen between the year end and the date of this report (2018: nil).

#### Guarantees

Calvista Australia Pty Ltd has issued a number of guarantees totalling \$100,620 for various operational and legal purposes. It is not expected that these will be called upon.

Cross guarantees given by Delecta Limited, Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd are described in note 20.

### 19. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Delecta Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest	
		2019	2018
Calvista Australia Pty Ltd	Australia	100	100
Calvista New Zealand Limited	New Zealand	100	100
Canadian River Inc.	United States	100	100
Stell Bay Pty Ltd (1)	Australia	100	100
Today's Success Pty Ltd (1)	Australia	100	100
Silver Queen Mining Pty Ltd	Australia	100	-
Silver Queen Mining Inc	United States	100	-

Delecta Limited is the ultimate Australian Parent entity and ultimate Parent of the Group.

(1) Dormant companies

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 19. RELATED PARTY DISCLOSURE (continued)

#### Entities subject to class order

Pursuant to ASIC instrument 2016/785, relief has been granted to Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the ASIC instrument, Delecta Limited, Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd (the "Closed Group") entered into a Deed of Cross Guarantee on 27 March 2002. The effect of the deed is that Delecta Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Delecta Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of comprehensive income and statement of financial position of the entities that are members of the "Closed Group" are as follows:

<i>Consolidated Statement of Comprehensive Income</i>	<b>CLOSED GROUP</b>	
	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Loss from continuing operations before income tax	(766)	(2,677)
Income tax expense	-	-
Loss for the period	(766)	(2,677)
<i>Reconciliation of accumulated losses</i>		
Accumulated loss at the beginning of the period	(62,418)	(59,741)
Adjustment to opening retained income	(56)	-
Loss for the period	(766)	(2,677)
Accumulated loss at the end of the period	(63,240)	(62,418)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 19. RELATED PARTY DISCLOSURE (continued)

#### *Consolidated Statement of Financial Position*

	<b>CLOSED GROUP</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	606	742
Trade and other receivables	1,907	2,958
Inventories	3,464	3,619
Financial assets	946	2,310
Prepayments and deposits	699	532
<b>Total Current Assets</b>	<b>7,622</b>	<b>10,161</b>
<b>Non-current Assets</b>		
Other financial assets	601	160
Property, plant and equipment	219	229
Exploration & evaluation	917	-
<b>Total Non-current assets</b>	<b>1,737</b>	<b>389</b>
<b>TOTAL ASSETS</b>	<b>9,359</b>	<b>10,550</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	1,431	1,071
Provisions	160	145
<b>Total Current Liabilities</b>	<b>1,591</b>	<b>1,216</b>
<b>Non-current Liabilities</b>		
Provisions	104	108
<b>Total non-current Liabilities</b>	<b>104</b>	<b>108</b>
<b>TOTAL LIABILITIES</b>	<b>1,695</b>	<b>1,324</b>
<b>NET ASSETS</b>	<b>7,664</b>	<b>9,226</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Parent</b>		
Issued capital	70,118	69,493
Accumulated Losses	(63,241)	(62,418)
Other reserves	787	2,151
<b>TOTAL EQUITY</b>	<b>7,664</b>	<b>9,226</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 19. RELATED PARTY DISCLOSURE (continued)

The total amount of transactions that were entered into with related parties for the relevant financial year is as follows:

*Key management personnel:*

#### Details of Key Management Personnel

##### (i) Directors

B Moore	Chairman (non-executive)
M R Day	Managing Director
H R Moser	Director (non-executive)

##### (ii) Executives

R Sheldon-Collins	General Manager- Calvista Australia Limited
J Burness	Chief Financial Officer and Company Secretary – Delecta Limited Financial Controller – Calvista Australia Pty Ltd

There were no changes in directors or key executives during the financial year or after reporting date and before the date the financial report was authorised for issue.

	2019 \$	2018 \$
<b>Compensation by Category: Key management personnel</b>		
Short-term employee benefits	<b>912,981</b>	912,979
Post-employment benefits	<b>57,885</b>	50,443
Long-term benefits	<b>2,670</b>	2,670
	<b>973,536</b>	966,092

#### Other transactions with Key Management Personnel

Adultshop.com Pty Ltd, a company related to Mr Day, purchased goods and services to the value of \$2,250,000 (2018: \$2,065,000) from the Group. At year end \$4,000 (2018: \$213,000) was owing by Adultshop.com Pty Ltd to the group. The business and operations of Adultshop.com Pty Ltd were sold effective from 26 May 2019 to an unrelated party.

Sales and services provided to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTINUED)

### 20. PARENT ENTITY INFORMATION

#### Information relating to Delecta Limited:

	2019 \$'000	2018 \$'000
Current assets	1,062	2,588
Non-current assets	5,839	2,990
Total assets	6,901	5,578
Current liabilities	(61)	(99)
Total Liabilities	(61)	(99)
	6,840	5,479
Issued capital	70,118	69,493
Reserves	787	2,151
Accumulated losses	(64,065)	(66,165)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>6,840</b>	<b>5,479</b>
Profit / (loss) after tax of the Parent Entity	2,101	(2,325)
Other comprehensive loss of the Parent Entity	-	-
Total comprehensive income / (loss) of the Parent Entity	2,101	(2,325)

### 21. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since the end of the financial year to the date of this report which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### 22. AUDITORS' REMUNERATION

The auditor of Delecta Limited is Ernst & Young.

	2019 \$'000	2018 \$'000
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	91,300	89,500
	91,300	89,500

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Delecta Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2(b).
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2019.
- (e) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 19 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



**M R Day**

Director

Perth, Western Australia

24 September 2019



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## Independent Auditor's Report to the Members of Delecta Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Delecta Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



## 1. Inventory valuation

### Why significant

As at 30 June 2019, the Group held \$3.5 million in inventories.

As detailed in Note 2(k) of the financial report, inventories are carried at the lower of cost and net realisable value.

Inventories are a significant component of total assets and the valuation of inventories requires judgment. Assessments of forecast sales, expected future market trends as well as consideration of historical sales performance factor into the determination of the provision for obsolescence when recognising inventories at the lower of cost and net realisable value.

### How our audit addressed the key audit matter

We evaluated the Group's assumptions in determining the inventory provision by analysing the level of provisions on an aggregate, category and individual product basis. Our procedures included the following:

- ▶ Assessed the policy and basis for the provision for obsolescence
- ▶ Assessed the provision after considering historic sales trends and historic provisioning assumptions;
- ▶ Through observation, we sought out any indicators of damaged or obsolete stock at stocktakes we attended;
- ▶ Considered whether there were for any other indicators of obsolescence at an individual stock item or stock category level;
- ▶ Assessed whether inventory was measured in accordance with Australian Accounting Standards, at the lower of cost or net realisable value, including with reference to recent sales prices.

## 2. Recoverability of receivables

### Why significant

As disclosed in Note 8 of the financial report, the Group held trade and other receivables amounting to \$2.1 million as at 30 June 2019.

As detailed in Note 2(j) of the financial report, collectability and impairment of trade receivables and other receivables are assessed on an ongoing basis. The Group applies a simplified approach in calculating forward-looking expected credit losses being a loss allowance based on lifetime expected credit losses at each reporting date.

The recoverability of these receivables was considered a key audit matter given their value and the degree of judgement required by the Group in assessing the recoverability of receivables.

### How our audit addressed the key audit matter

Our audit procedures included an assessment of the Group's evaluation of recoverability of the receivables, including consideration of the contractual agreements, the past collection history and consideration of the credit-worthiness of counterparties and any payments received subsequent to year end. We considered the adequacy of the financial report disclosure relating to receivables, including those relating to past due but not impaired receivables at 30 June 2019.



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### 3. Carrying value of capitalised exploration and evaluation assets

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Note 12, as at 30 June 2019, the Group held capitalised exploration and evaluation expenditure assets of \$0.9 million.</p> <p>The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the carrying value of exploration and evaluation expenditure assets may exceed their recoverable amount.</p> <p>The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, intends to perform ongoing exploration and evaluation activity and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The exploration and evaluation assets were acquired during the year. The Group determined that there had been no indicators of impairment.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> <li>▶ Considered the Group's right to explore in the relevant areas of interest, which included obtaining and assessing supporting documentation such as the project acquisition agreements</li> <li>▶ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant areas of interest, which included assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group</li> <li>▶ Assessed recent exploration and evaluation activity in the relevant licence area to determine if there are any negative indicators that would suggest a potential impairment of the asset</li> <li>▶ Considered whether the exploration activities within each area of interest have reached a stage where the commercially viable resource estimates could be made</li> <li>▶ Assessed the adequacy of the disclosure included in the financial report.</li> </ul>

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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.



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

### **Auditor's responsibilities for the audit of the financial report**

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Audit of the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 14 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Delecta Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Darryn Hall'.

Darryn Hall  
Partner  
Perth  
24 September 2019

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Delecta Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Delecta Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

Delecta Limited's corporate governance practices were in place throughout the financial year ended 30 June 2019 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1.	Lay a solid foundation for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

### Structure and Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 directors, increasing where additional expertise is considered desirable in certain areas.
- The Board should comprise a majority of independent non-executive directors.
- The Chairperson should be a non-executive director.
- Directors should bring characteristics, which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

No formal program is in place for inducting new directors and providing directors with professional development opportunities due to the limited number of directors appointed and their long length of continued service.

The Australian Stock Exchange Corporate Governance Council's "Corporate Governance Principles and Recommendations with 2010 Amendments" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to warrant the establishment of a Nomination Committee.

The terms and conditions of the appointment and retirement of directors is set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The performance of all directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Directors of Delecta Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of their unfettered judgement.

The following directors of Delecta Limited are considered to be independent:

<i>Name</i>	<i>Position</i>
H R Moser	Non-Executive Director
B Moore	Non-Executive Director (Chairman)

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

The term in office of each director in office at the date of this report is as follows:

<i>Name</i>	<i>Term in Office</i>
M Day	21 years
H R Moser	21 years
B Moore	16 years

### Responsibilities of the Board

The Board is responsible for:

- Overseeing the Company, including its control and accountability systems.
- Appointing and removing the Managing Director and Company Secretary.
- Ratifying the appointment or removal of the Chief Financial Officer.
- Input into and approving the Group strategy, ensuring sufficient resources are available to implement the strategy and assessing managements performance against the strategy.
- Reviewing and ratifying systems of risk management and internal compliance and controls, codes of conduct and legal compliance.
- Approving and monitoring the progress of major capital expenditure, capital management, business acquisitions and disposals.
- Approving and monitoring financial and other reporting.

### Code of Conduct and Trading Policy for Directors and Executives

The Company has introduced a Code of Conduct and a Trading Policy to guide the directors and key executives to the practices necessary to maintain confidence in the Company's integrity.

The principles of the Code of Conduct are:

- To act honestly, in good faith and in the best interest of the Company.
- Not use property, information or position, or opportunities arising from these, for personal gain or to compete with the Company.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- To keep confidential non-public information except where disclosure is authorised or legally mandated.
- To deal fairly with all Company's customers, suppliers, competitors and employees.
- Protect and ensure the proper and efficient use of the Company's assets for legitimate business purposes.
- To actively comply with and promote compliance with laws and regulations.
- Encourage the reporting of unlawful or unethical behaviour.

Directors, key management and employees are prohibited from trading in the Company's securities at any time if the person possesses Inside Information.

Directors and Key Management Personnel are, in addition to the general prohibition above, prohibited from trading in the Company's securities during the following blackout periods:

- The period commencing on the last day of the financial half year and ending 24 hours after the release of the Company's half year results; and
- The period commencing on the last day of the financial year and ending 24 hours after the release of the Company's full year results.

At any other time, any Director or Key Management Personnel wishing to trade in the Company's securities shall consult with, and obtain written clearance from, either the Chief Executive Officer or the Chief Financial Officer of the Company, and the Chairman of the Board (or one other non-executive member of the board in the case of the Chairman himself), prior to transacting.

This notification requirement is not mandatory for other employees, however, they are encouraged to adopt it.

The Company expects all employees to act appropriately at work and has introduced 'Standards of Conduct' which provides guidelines aimed at attaining high ethical standards and appropriate corporate behaviour.

### Audit Committee

The operation of a separate Audit Committee is considered to be impractical and of little benefit given that the Board consists of only three Directors, two of which are independent, and that the matters previously dealt with by an Audit Committee are better dealt with by the full Board.

### Continuous Disclosure and Communication with Shareholders

The Chief Executive Officer is responsible, in consultation with the Board, for interpreting and monitoring the Company's compliance with the continuous disclosure requirements of the Australian Stock Exchange whilst the Company Secretary is responsible for all communications with Australian Stock Exchange.

Communication with shareholders is conducted through the following mechanisms:

- Announcements lodged with Australian Stock Exchange.
- Australian Stock Exchange Quarterly Cashflow Reports.
- Half Yearly and Preliminary Final Reports.
- Annual Reports.
- Annual general meetings.

The Company's external auditors are requested to attend the Annual General Meeting and make themselves available take shareholders' questions and comments about the conduct of the audit and the preparation and content of the Audit Report.

Due the limited size and nature of the Company's operations it is not considered cost effective or feasible to maintain an investor relations program.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Diversity

The Company (and its subsidiaries) does not have a formal diversity policy in place. The Company is an equal opportunity employer and does not discriminate on the basis of gender, race, religion, nationality, age or sexual persuasion, and is focused on employing the best possible candidate for any available position.

The Board does not currently believe that the adoption of a formal gender diversity policy would be of benefit to the Company, its shareholders or employees, given the current small number of directors (3) and senior executives (2) employed by the group.

As the Company does not have a formal gender diversity policy there are no measurable objectives against which to measure progress and the information indicated in the guide to reporting on Principle 3 is not provided.

The consolidated entity currently has 24 full time employees of which 15 are women. None of the 3 board members and 2 senior executives are women and 2 of the 4 employees in the next level of management are women.

### Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Chief Executive Officer and the executive team. The operation of a Remuneration Committee is not considered practical given the size and composition of the Board, and that the matters previously dealt with by a Remuneration Committee are considered to be better dealt with by the Board.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives.
- Attraction of quality management to the Company.
- Performance incentives which allow executives to share the rewards of the success of the Company.

Details on the amount of remuneration and all monetary and non-monetary components for each of the directors and executives are provided in the Directors' Report. In relation to the payments of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Delecta Limited and the performance of the individual during the period.

There were no loans made to directors or executives during the period and there are no amounts owing by directors and executives at the year end. The performance of senior executives is reviewed annually, including in the current year.

### Risk Management

The Board monitors and receives advice on areas of operational and financial risk and the control framework, which it reviews annually, and considers strategies for appropriate risk management arrangements. The operation of a separate Risk Committee is not considered practical given the size and composition of the Board

Specific areas of risk identified initially and which are regularly considered at Board Meetings include compliance with regulations covering the Company's operating activities, foreign currency fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

The Board requires and receives from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively before it approves the Company's financial statements for a financial period.

The Company does not operate an internal audit function as it is not considered feasible given the size and nature of its operations.

The Company has no known material exposure to economic, environmental and social sustainability risks.

## ASX ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 20 September 2019.

### FULLY PAID ORDINARY SHARES

#### 1. Distribution of shareholders

(a) Analysis of number of shareholders by size of holding.

Category of Holding	Number
1 - 1,000 shares	611
1,001 - 5,000 shares	653
5,001 - 10,000 shares	301
10,001 - 100,000 shares	513
100,001 shares and over	178
	<hr/> 2,256 <hr/>

(b) There were 2,053 shareholders with less than a marketable parcel of ordinary shares.

#### 2. Twenty Largest Shareholders

The names of the twenty largest shareholders are:

	NAME	Number of Shares Held	% of Fully Paid Shares Held
1	Goldshore Investments Pty Ltd <MR Day Superfund A/A>	171,139,768	24.59
2	HSBC Custody Nominees (Australia) Limited	101,478,280	14.58
3	JP Morgan Nominees Australia Limited	90,024,566	12.93
4	Coral Brook Pty Ltd <Lloyd Super Fund A/C>	60,000,000	8.62
5	Mr Bradley Moore & Ms Tanya Endicott <Tanbrad Super A/C>	24,794,943	3.56
6	Mr Matthew Blumberg	16,115,679	2.32
7	Bradley Moore & Tanya Endicott <Tanbrad Superannuation A/C>	15,000,000	2.16
8	United & Pacific Shirt Co Pty Ltd	13,510,360	1.94
9	Mr Jeffrey Robert Moulds	13,334,500	1.92
10	BNP Paribas Noms Pty Ltd / BNP Nominees Pty Ltd	10,318,049	1.48
11	Mr Paul Bleasdale	9,300,000	1.34
12	Mr Andrew William Spencer <Spencer Super Fund A/C>	8,589,100	1.23
13	Mr Carl Philip Magnus Coward	8,500,000	1.22
14	Dor Nominees Pty Ltd	6,718,049	0.97
15	Buelow Nominees Pty Ltd <Buelow Family Superfund A/C>	6,380,754	0.92
16	AA Lam Pty Limited	6,281,414	0.90
17	Ms Svetlana Amelichkina	5,474,585	0.79
18	Druce Enterprises Pty Ltd <The McMahon Family A/C>	5,474,585	0.79
19	Mr Andrew William Spencer <The AJ Family A/C>	5,418,017	0.78
20	PMrs Yingjing Li & Mr Kai Zhang	5,018,576	0.72
		<hr/> 582,871,225 <hr/>	<hr/> 83.75 <hr/>
	Total Shares on Issue	<hr/> 695,996,205 <hr/>	

**ASX ADDITIONAL INFORMATION (CONTINUED)****3. Voting Rights**

At a general meeting of shareholders:

(a) On a show of hands, each person who is a member or sole proxy has one vote.

(b) On a poll, each shareholder is entitled to one vote for each fully paid share.

**4. Substantial Shareholders**

There were three substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company as follows:

<b>Name</b>	<b>Shares Entitlement</b>
Malcolm Raymond Day and Goldshore Investments Pty Ltd	171,139,768
Hans Rudolf Moser	53,794,943
B Moore & T Endicott	50,794,943

**UNQUOTED OPTIONS**

There are a total of 40,000,000 unquoted options over unissued ordinary shares as follows:

<b>Refer Note</b>	<b># of Options</b>	<b>Exercise Price</b>	<b>Exercise Periods / Expiry Dates</b>	<b># of Holders</b>
1	40,000,000	\$0.015	11 March 2019 to 30 June 2020	2

The names of the holders of 20% or more options in these unquoted securities are listed below:

<b>Note</b>	<b>Name</b>	<b>Number of Options Held</b>	<b>% of Options Held</b>
1	Coral Brook Pty Ltd (Lloyd Super Fund A/C)	20,000,000	50
	Razorback Ridge Investments Pty Ltd (Greg Smith Super Fund A/C)	20,000,000	50

## This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings on the paper.

## NOTES

This image shows a full page of a handwriting practice worksheet. It consists of multiple sets of three horizontal dashed lines spaced evenly down the page, providing a guide for letter height and placement. The background is plain white, and there are no other markings or text present.

