

# 2020

**DELECTA** LIMITED

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE **2020**

ABN 92 009 147 924



**GENERAL INFORMATION**

|  |   |
|--|---|
| <b>Directors</b>   | Bryan Hughes - Non-Executive Chairman<br>Malcolm Day - Managing Director<br>Hans-Rudolf Moser - Non-Executive Director<br>David Wheeler - Non-executive Director  |
| <b>Company Secretary</b>   | John Burness  |
| <b>Registered Office</b>   | Building 41<br>9-45 Ashley Street<br>Braybrook, Victoria, 3019<br><br>Telephone: (61 3) 9695 5858<br>Facsimile: (61 3) 9686 0644  |
| <b>Principal Business Office</b>                                       | Building 41<br>9-45 Ashley Street<br>Braybrook, Victoria, 3019<br><br>Telephone: (61 3) 9695 5858<br>Facsimile: (61 3) 9686 0644  |
| <b>Share Register</b>  | Advanced Share Registry Services<br>110 Stirling Highway<br>Nedlands, Western Australia, 6009<br><br>PO Box 1156<br>Nedlands, Western Australia, 6009<br><br>Telephone: (61 8) 9389 8033<br>Facsimile: (61 8) 9262 3723 |
| <b>Quoted on: Australian Stock Exchange<br/>German Stock Exchanges</b> | Code: DLC<br>WKN 873083   |

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## CHAIRMAN'S REPORT - YEAR ENDED 30 JUNE 2020

Dear Shareholders,

I present to you the Annual Report for Delecta Limited ("Delecta" or the "Company") for the year ending 30 June 2020.

I joined the Board as Chairman on 5 November 2019 in an agreed succession plan following the retirement of Brad Moore from the Board. I would like to thank Brad for the years of service he gave to the Company.

The Board has been further supplemented this year with the appointment of Mr David Wheeler as a non-executive Director on 24 June 2020. David brings over 3 decades of commercial experience, including many years of deep involvement in the resources sector.

I have been fortunate to have known our Managing Director, Mr Malcolm Day for a number of years prior to joining the Board and all shareholders should take great comfort that Mr Day works diligently and intelligently towards adding value to our Company. It may not be as well known to shareholders that Mr Day also has considerable experience and networks in the resources sector and I wish to highlight that the Board is now heavily weighted with significant experience in the resources sector.

I will leave the analysis of the performance of Calvista and the Company to Mr Day, other than to comment that the business has pleasingly performed above budget and continues to make a valuable contribution with the businesses profits sustaining the base costs of maintaining a listed company.

It is the Board's objective to now drive the Company forward to take advantage of our West Australian base. We are in a favourable environment at a time when most jurisdictions are under duress, and we intend to use our experience and networks at this time in the cycle, wisely.

We thank you for your support and we are committed to enhancing the value of the Company, and therefore the value of your investment.

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.



**Bryan Hughes**

CHAIRMAN

## MANAGING DIRECTOR'S REPORT

The 2019/2020 year was transitional for the Company.

Due to the impact of Covid-19 the Company's wholesale business selling adult products through its wholly owned subsidiaries, Calvista Australia Pty Ltd and Calvista New Zealand Ltd (Calvista), performed better in the second half of the year. Wholesale revenues increased by 9% to \$16,652,000 this financial year resulting in a net profit of \$827,000 for the division, compared to a net profit of \$141,000 last financial year.

Retail trading conditions (for adult products), particularly ecommerce, in Australia and New Zealand improved in the second half of the year. This flowed directly through to higher wholesale sales for Calvista. Gross profit margins remained under pressure due to the need to counter increased discounting by competitors. Additionally, the lower Australian dollar, for part of the year, adversely impacted upon gross margins.

Calvista managed to achieve several significant cost savings throughout the year including the closing down of the South Melbourne office and relocating it to within the Melbourne logistics hub.

Covid-19 has had a severely negative impact upon several aspects of Calvista's business especially around logistics. Since March Calvista has struggled to keep warehouse stock at optimum levels. This situation is expected to continue for some time until the world normalises post Covid-19. In the interim the Company will endeavour to manage its stock levels as best as possible.

Melbourne has been particularly hit hard by Covid-19. I would like to personally thank Calvista's General Manager Roger Sheldon-Collins, and the valuable staff, who have worked tirelessly to ensure the business was able to continue trading during such a difficult time.

For the financial year the Company recorded a net loss of \$307,000 (2019: loss of \$735,000) from continuing operations.

In February 2019, the Company completed the acquisition of the Cobalt-Copper project in the Goodsprings district of Nevada (the Highline Project). Due to the outlook for cobalt, the Company has not devoted any significant resources to exploration of the project.

On the 24th June 2020, the Company announced an investment in Sunrise Minerals Inc, a Colorado based US company that holds the REX Uranium-Vanadium Project. The REX Uranium-Vanadium Project consists of 256 BLM contiguous claims covering 2,072ha in Colorado, USA. The project lies within the Uravan Mineral Belt with a reported production, dating from 1898, totalling 86 mlbs at 0.24% uranium (U3O8) and 441 mlbs at 1.25% vanadium (V2O5).

On 22 July 2020 the Company announced some encouraging initial assay results from sampling programs across the REX Uranium-Vanadium Project. We are currently considering the next exploration steps.

In November 2019, the Company announced the appointment of Bryan Hughes as a Non-Executive Director and Chairman. Bryan brings extensive leadership and corporate skills to the Company. Additionally, Bryan has a wealth of experience in resources that we expect to be very beneficial to the Company going forwards.

In June 2020, the Company announced the appointment of David Wheeler as a Non-Executive Director. David has more than 30 years of senior executive management, directorships, and corporate advisory experience both in Australia and foreign countries and regions including the USA, UK, Europe, and Asia. His considerable experience in resources is an asset for the Company.

To further complement the Boards resources expertise, I am 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.

The Company continues to identify and review other resource investment opportunities particularly gold projects in Western Australia, Queensland, Nevada, and Arizona. It is noted that the resources sector is robust and outperforming many others. We expect the buoyant conditions in this sector to remain, particularly as Governments around the world stimulate their economies, much of it through infrastructure and business incentives. The Company is in very good shape and well positioned to assess and exploit opportunities in this sector. Please follow our progress closely.



**Malcolm Day**

MANAGING DIRECTOR

## DIRECTOR'S REPORT

The directors of Delecta Limited ("the Company") submit their report for the year ended 30 June 2020.

### 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.

Bryan Hughes (appointed 5 November 2019)  
Malcolm Day  
Hans-Rudolf Moser  
David Wheeler (appointed 24 June 2020)  
Bradley Moore (resigned 2 November 2019)

### INFORMATION ON DIRECTORS

#### Bryan Hughes (Non-Executive Chairman)

Mr Hughes was appointed as the Company's Non-Executive Chairman on 5 November 2019.

Mr Hughes is the Chairman of Pitcher Partners Perth Accountants, Auditors and Advisors and specialises in corporate advisory, corporate finance, turnaround and reconstruction. His experience as a Corporate Advisor as well as his former directorship of both ASX-listed and private companies provide a comprehensive skillset which assists the resolution of disputes and negotiating commercial outcomes in complex circumstances.

Mr Hughes has undertaken postgraduate studies at Columbia University Executive Business School in New York. He has 30 years' experience in the resources sector where he has facilitated, engineered and overseen many projects to significant financial success. Mr Hughes has worked in 15 different jurisdictions and is the global Chair of the Bakertilly Global Natural Resources Group. He has a substantial international network of resource industry focussed investment funds.

#### 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).

#### David Wheeler (Non-Executive Director)

Mr Wheeler has more than 30 years of senior executive management, directorships, and corporate advisory experience both in Australia and foreign countries and regions including the USA, UK, Europe and Asia.

He is a foundation director and partner of Pathways Corporate, a boutique corporate advisory firm that undertakes assignments on behalf of a range of clients including ASX listed companies.

## DIRECTOR'S REPORT (CONTINUED)

Mr Wheeler is a Fellow of the Australian Institute of Company Directors and has experience on both public and private boards and currently holds a number of directorships and advisory positions in Australian companies. He is currently a director of listed companies Thred Limited, Avira Resources Limited, Blaze International Limited, Protean Wave Energy Limited, Eneabba Gas Limited, Ragnar Minerals Limited, Tyranna Resources Limited, Syntonic Limited and VPCL Limited.

In the last three years Mr Wheeler has also been a director of Antilles Oil NL, Ausmex Mining Group Limited, Castillo Copper Limited and 333D Limited.

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

Mr Moser is a resident of Switzerland with over 30 years' experience in the Swiss banking and finance industry. He is currently a principal of a European portfolio manager.

### 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 30 years post qualification experience in public practice and commerce and industry. He has a total of 20 years' experience acting as company secretary for publicly listed companies.

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

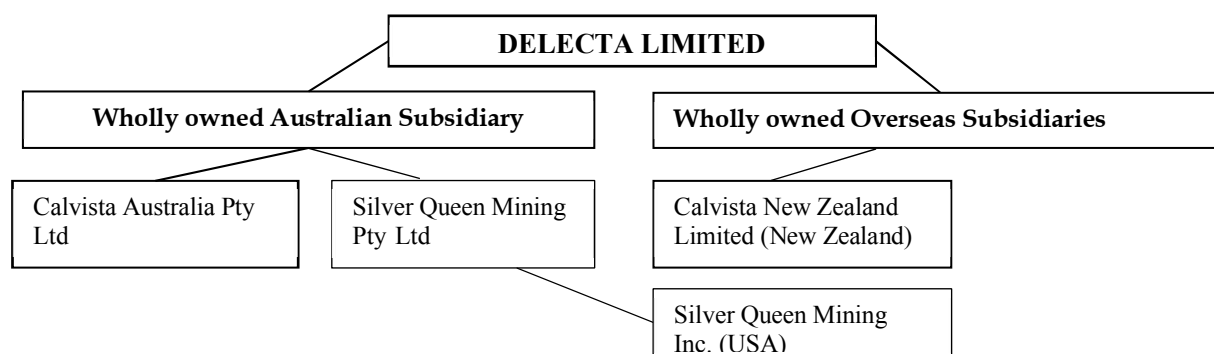
As at the date of this report, the interests of the directors in shares and options of the Company were:

|           | Ordinary Shares -Indirect | Unlisted Options over ordinary shares |
|-----------|---------------------------|---------------------------------------|
| M Day     | 183,639,768               | 12,250,000                            |
| H Moser   | 66,294,943                | 6,250,000                             |
| B Hughes  | -                         | 6,000,000                             |
| D Wheeler | -                         | 4,000,000                             |

### 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:





## DIRECTOR'S REPORT (CONTINUED)

### Employees

The consolidated entity employed 22 employees as at 30 June 2020 (2019: 24 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

### 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 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 \$307,000 (2019: loss \$735,000) from continuing operations.

The total loss per share for the year was 0.04 cents (2019: loss 0.11 cents).

The total group revenues increased by 9% to \$16,652,000.

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 2020

| Operating Segment        | Sales and services revenues to external customers<br>\$'000 | Other income<br>\$'000 | Earnings before interest, tax, depreciation, amortisation and impairment<br>\$'000 | Depreciation and amortisation<br>\$'000 | Net interest received<br>\$'000 | Profit / (loss) before income tax<br>\$'000 |
|--------------------------|---|------------------------|--|---|---------------------------------|---|
| Wholesale                | 16,652  | 365                    | 909  | (82)                                    | -                               | 827   |
| Exploration & evaluation | -   | -                      | (29)   | -                                       | -                               | (29)  |
| Unallocated              | -   | -                      | (1,106)  | -                                       | 1                               | (1,105)                                     |
| Total                    | 16,652  | 365                    | (226)  | (82)                                    | 1                               | (307)                                       |
| Income tax credit        |   |                        |  | -                                       | -                               | 9   |
|                          |   |                        |  |   |                                 | (298)                                       |

**DIRECTOR'S REPORT (CONTINUED)****Year ended 30 June 2019**

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

**Wholesale**

Wholesale sales revenue for the year increased by 9% primarily as a result of the acquisition of new premium suppliers.

Whilst the low Australian Dollar / US Dollar exchange rate, along with margin pressure from competitors continued to impact on profitability, the increased sales along with cost savings saw an increase in the net profitability of the division.

**Exploration & Evaluation**

The group did not conduct any significant exploration and evaluation of its Highline Project during the year and as a result did not incur any significant expenditure in this segment.

**Unallocated Expenditure**

Head office / corporate expenditure for the year increased to \$1,105,000 from \$876,000. However, included in this increase was \$330,000 in costs relating to the terminated American Vanadium Pty Ltd purchase agreement and ASX re-compliance requirements, and the withdrawn prospectus.

**REVIEW OF FINANCIAL CONDITION****Capital Structure**

Commitments were received for the placement of 313,625,000 fully paid ordinary shares at an issue price of \$0.004 per share to raise \$1,250,500. 100,000,000 of these ordinary shares were issued at year end. Transaction costs of \$21,615 were incurred.

Between the year end and the date of this report, the balance of 212,625,000 fully paid ordinary shares were issued following approval by the Company's shareholders at a general meeting held on 2 September 2020.

**Cash from Operations**

The Group recorded a net operating cash inflow of \$427,000 (2019: outflow \$5,000) 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.

## DIRECTOR'S REPORT (CONTINUED)

### 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 (2019: Nil).

### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The acquisition of a 60% interest in Sunrise Minerals Inc. at the acquisition cost of \$150,000 was completed on 17 July 2020. Sunrise Minerals Inc. is an exploration project which holds the REX Uranium-Vanadium Project. The project is in initial stages of exploration.

Following the approval of shareholders in general meeting on 2 September 2020, 212,625,000 fully paid ordinary shares and 236,312,500 unlisted options, exercisable at \$0.008 per option and expiring 3 years from the date of issue, were issued.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly financially impacted the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

During the COVID-19 pandemic the Group has changed operational aspects of the business such as moving to remote working, where possible to ensure the safety of employees. As at 30 June 2020 the Group has received Government subsidies relating to PAYG concessions of \$50,000 and payroll tax concessions of \$73,436.

Other than outlined above, 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 64 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.

## DIRECTOR'S REPORT (CONTINUED)

### DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors during the year ended 30 June 2020 and the number of meetings attended by each director.

|              | Maximum Possible | Number Attended |
|--------------|------------------|-----------------|
| Mr B Hughes  | 8                | 8               |
| Mr M Day     | 13               | 13              |
| Mr H R Moser | 13               | 2               |
| Mr D Wheeler | 1                | 1               |
| Mr B Moore   | 5                | 5               |

### Audit and Remuneration Committees

With the board consisting of only four 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><br>236,312,500 | \$0.008        | Between 4 September 2020 and 4 September 2023 |

Full details of issued share options in the current period 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.

## DIRECTOR'S 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 16).

#### 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 Hughes  | Chairman (non-executive) – appointed 5 November 2019 |
| M R Day   | Managing Director                                    |
| H R Moser | Director (non-executive)                             |
| D Wheeler | Director (non-executive) – appointed 24 June 2020    |
| B Moore   | Chairman (non-executive) – resigned 2 November 2019  |

##### (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               |

Except where stated above, 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.

## DIRECTOR'S REPORT (CONTINUED)

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

| Year ended 30 June: | 2020<br>\$'000 | 2019<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'000 |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| Net (loss) / profit | (298)          | (735)          | (2,468)        | 790            | (172)          |
| Closing share price | \$0.009        | \$0.006        | \$0.006        | \$0.004        | \$0.006        |

### 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.

## DIRECTOR'S 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 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   |
|---------------------|---|------------|----------------------------------|---------------------|---------|
|                     |   | Dir. Fees  | Salary/<br>Consultancy<br>Fees 1 | Super-<br>annuation |         |
|                     |   | \$         | \$                               | \$                  | \$      |
| <b>30 June 2020</b> |   |            |                                  |                     |         |
| B Hughes            | Non-Executive Chairman<br>(appointed 5 November 2019) | 39,534     | -                                | 3,756               | 43,290  |
| M Day               | Managing Director                                     | 80,000     | 180,000                          | 7,600               | 267,600 |
| H-R Moser           | Non-Executive Director                                | 22,000     | -                                | -                   | 22,000  |
| D Wheeler           | Non-Executive Director<br>(appointed 24 June 2020)    | -          | -                                | -                   | -       |
| B Moore             | Non-Executive Chairman<br>(resigned 2 November 2019)  | 13,589     | 21,000                           | 1,291               | 35,880  |
|                     |   | 155,123    | 201,000                          | 12,647              | 368,770 |
| <b>30 June 2019</b> |   |            |                                  |                     |         |
| M 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 |

1 Salary/Consultancy fees paid pertain to services performed as part of executive roles in the Company.

No emoluments paid or payable to directors in respect of the 2020 year (2019: nil) were performance related and no short term incentive scheme is or was in place for directors.

## DIRECTOR'S 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 2020</b> |  |               |            |                 |                    |         |                       |
| R Sheldon-Collins   | General Manager – Calvista Australia                           | 207,418       | -          | 19,582          | -                  | 227,000 | -                     |
| J Burness           | CFO / Company Sec. (Delecta) & Financial Controller (Calvista) | 155,263       | -          | 14,750          | 2,719              | 172,732 | -                     |
|                     |  | 362,681       | -          | 34,332          | 2,719              | 399,732 |                       |

| 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                           | 211,418       | -          | 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 2019 | Net change | Balance 30 June 2020 |
|------------------|---------------------|------------|----------------------|
| <b>Directors</b> |                     |            |                      |
| M Day            | 171,139,768         | -          | 171,139,768          |
| H Moser          | 53,794,943          | -          | 53,794,943           |
| Total            | 224,934,711         | -          | 224,934,711          |

|                  | Balance 1 July 2018 | Net change | Balance 30 June 2019 |
|------------------|---------------------|------------|----------------------|
| <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          |



**DIRECTOR'S REPORT (CONTINUED)**

Messrs Hughes, Wheeler, Burness and Sheldon-Collins did not hold any shares in Delecta Limited during the period. As at 30 June 2020 there are nil (2019: nil) options held by KMPs.

**Other transactions with Key Management Personnel**

Salary and consultancy fees have been paid to Directors M Day, \$180,000 and B Moore, \$21,000 in relation services performed as part of their executive roles in the Company.

Other than the above there have been no other significant transactions with Key Management Personnel in the current year.

Sales and services provided to related parties were 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  
29 September 2020



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 30/06/2020, 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 that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Darryn Hall'.

Darryn Hall  
Partner  
29 September 2020

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

|  | Note        | 2020<br>\$'000      | 2019<br>\$'000 |
|--|-------------|---------------------|----------------|
| <b>Continuing operations</b>   |             |                     |                |
| <b>Revenue</b>   | <b>4(a)</b> | <b>16,652</b>       | 15,284         |
| Cost of sales  |             | (12,452)            | (11,288)       |
| <b>Gross profit</b>  |             | <b>4,200</b>        | 3,996          |
| Other income   | <b>4(b)</b> | <b>365</b>          | 288            |
| Distribution expenses  |             | (184)               | (238)          |
| Marketing expenses   |             | (119)               | (294)          |
| Administrative expenses  |             | (3,482)             | (3,398)        |
| Occupancy expenses   |             | (425)               | (487)          |
| Other expenses   |             | (633)               | (602)          |
| Finance costs  |             | (29)                | -              |
| <b>Loss from continuing operations before income tax</b>   |             | <b>(307)</b>        | (735)          |
| Income tax credit  | <b>5</b>    | <b>9</b>            | -              |
| <b>Total net loss for the year</b>   |             | <b>(298)</b>        | (735)          |
| <b>Other comprehensive income / (loss)</b>   |             |                     |                |
| <i>Items that may be reclassified subsequently to profit and loss</i>                                    |             |                     |                |
| Foreign currency translation   |             | <b>9</b>            | (18)           |
| <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                        |             | <b>(407)</b>        | (1,364)        |
| <b>Other comprehensive income / (loss) for the year, net of tax</b>                                      |             | <b>(398)</b>        | (1,382)        |
| <b>Total comprehensive loss for the year attributable to ordinary equity holders of the company</b>      |             | <b>(696)</b>        | (2,117)        |
| <b>Loss per share attributable to ordinary equity holders of the company:</b>                            |             |                     |                |
| Basic loss per share   | <b>6</b>    | <b>(0.04) cents</b> | (0.11) cents   |
| Diluted loss per share   | <b>6</b>    | <b>(0.04) cents</b> | (0.11) cents   |
| <b>Loss per share from continuing operations attributable to ordinary equity holders of the company:</b> |             |                     |                |
| Loss per share   | <b>6</b>    | <b>(0.04) cents</b> | (0.11) cents   |
| Diluted loss per share   | <b>6</b>    | <b>(0.04) cents</b> | (0.11) 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 2020

|   | Note  | 2020<br>\$'000 | 2019<br>\$'000 |
|---|-------|----------------|----------------|
| <b>ASSETS</b>   |       |                |                |
| <b>Current Assets</b>   |       |                |                |
| Cash and cash equivalents   | 7     | 1,722          | 637            |
| Trade and other receivables                                       | 8     | 2,329          | 2,076          |
| Inventories   | 9     | 2,100          | 3,473          |
| Financial assets at fair value through Other Comprehensive Income | 10    | 539            | 946            |
| Prepayments and deposits  |       | 938            | 702            |
| <b>Total Current Assets</b>                                       |       | <b>7,628</b>   | <b>7,834</b>   |
| <b>Non-current Assets</b>   |       |                |                |
| Property, plant and equipment                                     | 11    | 184            | 219            |
| Right of use asset  | 12    | 798            | -              |
| Exploration and evaluation  | 13    | 908            | 917            |
| Deferred tax asset  |       | 15             | -              |
| <b>Total Non-Current Assets</b>                                   |       | <b>1,905</b>   | <b>1,136</b>   |
| <b>TOTAL ASSETS</b>   |       | <b>9,533</b>   | <b>8,970</b>   |
| <b>LIABILITIES</b>  |       |                |                |
| <b>Current Liabilities</b>  |       |                |                |
| Trade and other payables  | 14    | 990            | 1,415          |
| Share placement funds received in advance                         |       | 440            | -              |
| Current tax liabilities   |       | 6              | -              |
| Lease liabilities   | 12    | 121            | -              |
| Provisions  | 15    | 182            | 160            |
| <b>Total Current Liabilities</b>                                  |       | <b>1,739</b>   | <b>1,575</b>   |
| <b>Non-current Liabilities</b>                                    |       |                |                |
| Lease liabilities   | 12    | 704            | -              |
| Provisions  | 15    | 116            | 104            |
| <b>Total Non-Current Liabilities</b>                              |       | <b>820</b>     | <b>104</b>     |
| <b>TOTAL LIABILITIES</b>  |       | <b>2,559</b>   | <b>1,679</b>   |
| <b>NET ASSETS</b>   |       | <b>6,974</b>   | <b>7,291</b>   |
| <b>EQUITY</b>   |       |                |                |
| <b>Equity attributable to equity holders of the Parent</b>        |       |                |                |
| Contributed equity  | 16(a) | 70,497         | 70,118         |
| Accumulated losses  | 16(c) | (63,666)       | (63,368)       |
| Reserves  | 16(d) | 143            | 541            |
| <b>TOTAL EQUITY</b>   |       | <b>6,974</b>   | <b>7,291</b>   |

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

|   | Note | 2020<br>\$'000 | 2019<br>\$'000 |
|---|------|----------------|----------------|
| <b>Cash flows used in operating activities</b>                |      |                |                |
| Receipts from customers                                       |      | 18,586         | 17,739         |
| Payments to suppliers   |      | (15,742)       | (15,148)       |
| Payments to employees   |      | (2,389)        | (2,600)        |
| Interest received   |      | 1              | 4              |
| Interest paid   |      | (29)           | -              |
| <b>Net cash flows from / (used) in operating activities</b>   | 7    | <b>427</b>     | <b>(5)</b>     |
| <b>Cash flows used in investing activities</b>                |      |                |                |
| Payment for the purchase of property, plant and equipment     |      | (47)           | (68)           |
| Exploration and evaluation expenditure                        |      | -              | (291)          |
| Security deposit (paid) / refunded                            |      | -              | (3)            |
| <b>Net cash used in investing activities</b>                  |      | <b>(47)</b>    | <b>(362)</b>   |
| <b>Cash flows from financing activities</b>                   |      |                |                |
| Proceeds from issuance of shares                              |      | 400            | -              |
| Share placement funds received in advance                     |      | 440            | -              |
| Transaction costs on issue of shares                          |      | (21)           | -              |
| Principal repayment of lease liability                        |      | (109)          | -              |
| <b>Net cash from financing activities</b>                     |      | <b>709</b>     | <b>-</b>       |
| <b>Net increase / (decrease) in cash and cash equivalents</b> |      | <b>1,089</b>   | <b>(367)</b>   |
| Net foreign exchange differences                              |      | (4)            | 6              |
| Cash and cash equivalents at beginning of year                |      | 637            | 998            |
| <b>Cash and cash equivalents at end of year</b>               | 7    | <b>1,722</b>   | <b>637</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 2020

|  | Attributable to equity holders of the Company |                                 |                             |                 |
|--|---|---------------------------------|-----------------------------|-----------------|
|  | Issued<br>capital<br>\$'000                   | Accumulated<br>losses<br>\$'000 | Other<br>reserves<br>\$'000 | Total<br>\$'000 |
| <b>CONSOLIDATED</b>  |   |                                 |                             |                 |
| <b>At 30 June 2018</b>   | 69,493  | (62,577)                        | 1,923                       | 8,839           |
| New accounting standards adjustment to opening balances                      | -   | (56)                            | -                           | (56)            |
| <b>At 30 June 2018</b>   | 69,493  | (62,633)                        | 1,923                       | 8,783           |
| Other comprehensive income   |   |                                 |                             |                 |
| - Foreign currency translation   | -   | -                               | (18)                        | (18)            |
| - Fair value loss 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>    |
| Other comprehensive income   |   |                                 |                             |                 |
| - Foreign currency translation   | -   | -                               | 9                           | 9               |
| - Fair value loss on assets at fair value through other comprehensive income | -   | -                               | (407)                       | (407)           |
| Loss for the year  | -   | (298)                           | -                           | (298)           |
| Total comprehensive loss for the year  | -   | (298)                           | (398)                       | (696)           |
| Issue of share capital   | 400   | -                               | -                           | 400             |
| Transaction costs on issue of shares   | (21)  | -                               | -                           | (21)            |
| <b>At 30 June 2020</b>   | <b>70,497</b>                                 | <b>(63,666)</b>                 | <b>143</b>                  | <b>6,974</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 2020

### 1. CORPORATE INFORMATION

The financial report of Delecta Limited (the Company) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 29 September 2020. 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 6.

### 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 2019, the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2019.

Adoption of these Standards and Interpretations were considered and incorporated into the Group's policies but they did not have a material effect on the financial position or performance of the Group with the exception of AASB 16.

#### Impact on adoption of AASB 16

AASB 16 was issued in January 2016 and it replaces AASB 117 Leases ("AASB 117"), AASB Interpretation 4 Determining whether an Arrangement contains a Lease ("AASB Interpretation 4"), AASB Interpretation 115 Operating Leases - Incentives and AASB Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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

Lessees will be also 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 lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

The impacts of this standard are as follows:

Effective 1 July 2019, the Group has adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019, and as such the comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 July 2019.

The Group applied the practical expedient 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.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease. For operating leases, the leased property was not capitalised and the lease payments were recognised as an expense in profit or loss on a straight-line basis.

The effect of adopting IFRS as at 1 July 2019 is set out below:

|  | 1 July 2019<br>\$'000 | 30 June 2020<br>\$'000 |
|--|-----------------------|------------------------|
| <b>Assets</b>                            |                       |                        |
| Non-current assets – Right of use assets | 794                   | 809                    |
| <b>Liabilities</b>                       |                       |                        |
| Current liabilities – lease liability    | 122                   | 121                    |
| Non-current – lease liability            | 672                   | 704                    |

Modified retrospective transition:

|   | \$'000 |
|---|--------|
| Operating lease commitments at 30 June 2019                     | 315    |
| Extension options exercisable                                   | 672    |
| Commitments relating to unrecognised short term lease contracts | (165)  |
| Present value discounting                                       | (28)   |
| Lease liabilities at 1 July 2019                                | 794    |

Principal repayments on lease liabilities of \$138,000 were presented as financing cash flows in the consolidated statement of cash flows. Interest repayments on lease liabilities of \$29,000 for the year ended 30 June 2020 were presented as operating cash flows in the consolidated statement of cash flows.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 3.9%.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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

The Group has not elected to early adopt any new standards or interpretations that are not mandatorily effective.

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 2020. The standards that are effective from 1 July 2020 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 |
|----------------------------------|--|--|------------------------------|----------------------------|
| 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. It is arranged in eight chapters, as follows:</p> <ul style="list-style-type: none"> <li>• Chapter 1 – The objective of financial reporting</li> <li>• Chapter 2 – Qualitative characteristics of useful financial information</li> <li>• Chapter 3 – Financial statements and the reporting entity</li> <li>• Chapter 4 – The elements of financial statements</li> <li>• Chapter 5 – Recognition and derecognition</li> <li>• Chapter 6 – Measurement</li> <li>• Chapter 7 – Presentation and disclosure</li> <li>• Chapter 8 – Concepts of capital and capital maintenance</li> </ul> <p>AASB 2019-1 has also been issued, which sets out the amendments to other pronouncements for 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 2018-6                      | Amendments to Australian Accounting Standards – Definition of a Business   | <p>The Standard amends the definition of a business in AASB 3 Business Combinations. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.</p> <p>Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.</p>  | 1 January 2020               | 1 July 2020                |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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

| Reference   | Title  | Summary  | Application date of standard | Application date for Group |
|-------------|--|--|------------------------------|----------------------------|
| 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> <p>The amendments to the definition of material is not expected to have a significant impact on the Group’s consolidated financial statements.</p> | 1 January 2020               | 1 July 2020                |
| AASB 2019-5 | Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia | This Standard amends AASB 1054 by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 on the potential effect of an IFRS Standard that has not yet been issued by the AASB so that such entity complying with Australian Accounting Standards can assert compliance with IFRS Standards.   | 1 January 2020               | 1 July 2020                |
| AASB 101    | Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current                    | <p>This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.</p> <p>The amendment is not expected to have a significant impact on the Group’s consolidated financial statements.</p>   | 1 January 2022               | 1 July 2022                |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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

| Reference | Title   | Summary  | Application date of standard | Application date for Group |
|-----------|---|--|------------------------------|----------------------------|
|           | Amendments to Australian Accounting Standards – Reference to the Conceptual Framework | <p>This Standard makes amendments to Australian Accounting Standards, Interpretations and other pronouncements to permit other entities to continue using the Framework for the Preparation and Presentation of Financial Statements adopted by the AASB in 2004 (Framework) and Statement of Accounting Concepts SAC 1 Definition of the Reporting Entity to determine whether they are a reporting entity that needs to prepare general purpose financial statements that comply with Australian Accounting Standards.</p> <p>Some Australian Accounting Standards, Interpretations and other pronouncements contain references to, or quotations from, the Framework. This Standard update some of those references and quotations so that they refer to the conceptual Framework, and makes other amendments to clarify which version of the conceptual framework is referred to in particular pronouncements.</p> <p>The amendment is not expected to have a significant impact on the Group's consolidated financial statements.</p> | 1 January 2022               | 1 July 2022                |

#### (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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (d) Basis of consolidation (continued)

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 Group, the liabilities incurred by the Group to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group 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.

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) 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 currency of the foreign operation, Calvista New Zealand Ltd (New Zealand), is New Zealand Dollars (NZD\$).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (g) Foreign currency translation (continued)

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.

### (h) 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.

### (i) 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 limited to debts outstanding greater than three months. 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*

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.

### (j) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (j) Inventories (continued)

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

### (k) Investments and other financial assets

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.

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 AASB 15. Refer to the accounting policies in section (t) Revenue recognition.

In order for a financial asset (debt instrument) 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.

#### (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 Fair values with changes in fair value recognised in profit or loss.

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" or "fair value through profit and loss". Financial assets held at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed.

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.

Impairments in debt securities are recognised based on management's expectation of losses in each investment ("expected credit loss" model).

All equity investments must be measured at fair value under AASB 9.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (l) 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 – 4 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 of disposal 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.

### (m) Leases

#### *Measurement for reporting periods prior to 1 July 2019*

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### **(m) Leases (continued)**

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 straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

### **(n) 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.

### **(o) 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.

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.

### **(p) 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (q) 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.

### (r) 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.

#### (i) Sale of goods

The Group generates a significant proportion of its revenue from the sale of the 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.

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.

#### (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.

### (s) 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 recognized 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 (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (s) 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.

### (t) 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 (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### (u) Earnings per share

Basic earnings per share is calculated as net result 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 result 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.

### (v) 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.

### *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.

### (x) Significant accounting estimates and judgements

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience, 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:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

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

#### *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).

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(x). 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 14.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### 3. OPERATING SEGMENTS (continued)

#### *Exploration and evaluation*

The exploration and evaluation segment peruse mining exploration activities in areas where the Company hold the right to tenure.

#### **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:

#### *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

#### **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 2020 and 30 June 2019:

#### **Year ended 30 June 2020**

|                                 | <b>Continuing<br/>Operations<br/>Wholesale<br/>\$'000</b> | <b>Exploration<br/>&amp;<br/>Evaluation<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---------------------------------|---|--|-------------------------|
| <b>Revenue</b>                  |   |  |                         |
| Sales to external customers     | 16,652  | -  | 16,652                  |
| Total segment revenue           | 16,652  | -  | 16,652                  |
| Unallocated finance income      |   |  | 1                       |
| Total consolidated revenue      |   |  | 16,653                  |
| <b>Result</b>                   |   |  |                         |
| Segment results                 | 827   | (29)   | 798                     |
| Unallocated income / (expenses) |   |  |                         |
| - Corporate expenses            |   |  | (1,106)                 |
| - Net finance Income            |   |  | 1                       |
| - Income tax credit             |   |  | 9                       |
| Net loss for year               |   |  | (298)                   |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 3. OPERATING SEGMENTS (continued)

##### At 30 June 2020

|  | Continuing<br>Operations<br>Wholesale<br>\$'000 | Exploration<br>&<br>Evaluation<br>\$'000 | Total<br>\$'000 |
|--|---|--|-----------------|
| <b>Assets and liabilities</b>                |   |  |                 |
| Segment assets                               | 6,233   | 908                                      | 7,141           |
| Unallocated assets                           |   |  |                 |
| - Cash and cash equivalents                  |   |  | 1,722           |
| - Financial assets at fair value through OCI |   |  | 539             |
| - Other                                      |   |  | 142             |
| Total assets                                 |   |  | 9,544           |
| Segment liabilities                          | 2,064   | -  | 2,064           |
| Unallocated liabilities                      |   |  | 507             |
| Total liabilities                            |   |  | 2,571           |
| <b>Other segment information</b>             |   |  |                 |
| Capital expenditure                          | 47  | -  | 47              |
| Depreciation & amortisation                  | 82  | -  | 82              |

##### Year ended 30 June 2019

|                             | Continuing<br>Operations<br>Wholesale<br>\$'000 | Exploration<br>&<br>Evaluation<br>\$'000 | Total<br>\$'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)           |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 3. OPERATING SEGMENTS (continued)

At 30 June 2019

|  | Continuing<br>Operations<br>Wholesale<br>\$'000 | Exploration &<br>Evaluation<br>\$'000 | Total<br>\$'000 |
|--|---|---------------------------------------|-----------------|
| <b>Assets and liabilities</b>                |   |                                       |                 |
| Segment assets                               | 6,384   | 917                                   | 7,301           |
| Unallocated assets                           |   |                                       |                 |
| - Cash and 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              |

#### 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 2020 and 2019.

2020

|  | Continuing<br>Operations<br>Australia<br>\$'000 | Continuing<br>Operations<br>New Zealand<br>\$'000 | Total<br>\$'000 |
|--|---|---|-----------------|
| <b>Revenue</b>                           |   |   |                 |
| Sales to external customers <sup>1</sup> | 15,374  | 1,278   | 16,652          |
| Finance income                           | 1   | -   | 1               |
| Total segment revenue                    | 15,375  | 1,278   | 16,653          |
| <b>Other segment information</b>         |   |   |                 |
| Segment non-current assets               | 1,136   | -   | 1,136           |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 3. OPERATING SEGMENTS (continued)

| 2019                                     | Continuing<br>Operations<br>Australia<br>\$'000 | Continuing<br>Operations<br>New Zealand<br>\$'000 | Total<br>\$'000 |
|--|---|---|-----------------|
| <b>Revenue</b>                           |   |   |                 |
| Sales to external customers <sup>1</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           |

Sales are made to numerous customers. However, revenue from one customer amounted to 16% (2019: 14%) of total revenue recorded in the current period.

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

#### 4. REVENUE AND EXPENSES

##### *Revenue and expenses from continuing operations*

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>(a) Revenue</b>  |                |                |
| Revenue from contracts with customers   | 16,652         | 15,284         |
|   | 16,652         | 15,284         |
| <b>(b) Other Income</b>   |                |                |
| Finance revenue   | 1              | 4              |
| Foreign exchange gain   | -              | 21             |
| Sundry income   | 364            | 263            |
|   | 365            | 288            |
| <b>(c) Depreciation, impairment, and amortisation of fixed assets included in income statement:</b> |                |                |
| Depreciation (note 11)  | 82             | 77             |
| <b>(d) Lease and other expenses included in income statement</b>                                    |                |                |
| Included in occupancy expenses:   |                |                |
| Short term lease expense  | 149            | 418            |
| Depreciation of right of use asset  | 136            | -              |
| Other occupancy expenses  | 57             |                |
| <b>(e) Employee benefit expense</b>   |                |                |
| Included in administration expenses:  |                |                |
| Wages and salaries  | 2,185          | 2,373          |
| Workers compensation costs  | 25             | 22             |
| Superannuation expense  | 204            | 227            |
| Movement in provision for annual and long service leave   | 20             | 21             |
|   | 2,434          | 2,643          |



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### 4. REVENUE AND EXPENSES (continued)

*Revenue and expenses from continuing operations (continued)*

|                                      | 2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------------------|----------------|----------------|
| <b>(f) Other</b>                     |                |                |
| Impairment charge for doubtful debts | 22             | 57             |
| Provision for inventory obsolescence | (21)           | 110            |
| Foreign exchange loss                | 102            | -              |

### 5. INCOME TAX

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>(a) Income tax expense / (benefit)</b>  |                |                |
| The major components of income tax expense are:  |                |                |
| Current income tax expense / (benefit)   | (35)           | (167)          |
| Deferred tax (credit) / expense arising from origination and reversal of temporary differences | (54)           | -              |
| Tax loss utilised  | (6)            | (8)            |
| Deferred tax assets not brought to account   | 89             | 175            |
| Amount of benefit arising from previously unrecognised temporary difference                    | (20)           | -              |
| Current year movement in deferred tax  | 5              | -              |
|  | (9)            | -              |

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            | (307) | (735) |
| Total accounting loss before tax  | (307) | (735) |
| At the Group's statutory income tax rate of 27.5% (2019: 27.5%)             | (84)  | (202) |
| Other non-deductible items  | 1     | 11    |
| Amount of benefit arising from previously unrecognised temporary difference | (20)  | -     |
| Current year movement in deferred tax                                       | 5     | -     |
| Net deferred tax assets not booked  | 89    | 199   |
|   | (9)   | -     |

The Group has tax losses arising in Australia of \$17,777,000 (2019: \$17,646,183) that are available for offset against future taxable profits.

Potential deferred tax assets attributable to tax losses carried forward in Australia have not been brought to account at 30 June 2020 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:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 5. INCOME TAX (continued)

- (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.

|  | Statement of Financial<br>Position |                | Statement of<br>Comprehensive Income |              |
|--|------------------------------------|----------------|--------------------------------------|--------------|
|  | 2020                               | 2019           | 2020                                 | 2019         |
|  | \$'000                             | \$'000         | \$'000                               | \$'000       |
| <b>(b) Deferred Income tax</b>             |                                    |                |                                      |              |
| Deferred income tax at 30 June relates to: |                                    |                |                                      |              |
| <b>Deferred tax assets</b>                 |                                    |                |                                      |              |
| Employee entitlements                      | 63                                 | 57             | 6                                    | 1            |
| Available for sale financial asset         | 402                                | 290            | -                                    | -            |
| Allowance for inventory obsolescence       | 138                                | 167            | (29)                                 | 18           |
| Trade and other receivables                | 73                                 | 67             | 6                                    | 28           |
| Right of use asset                         | 5                                  | -              | 5                                    |              |
| Provisions / leasehold improvements        | 36                                 | 46             | (11)                                 | (2)          |
| Carried forward tax losses                 | 4,889                              | 4,859          | 30                                   | 95           |
| Tax only assets                            | 77                                 |                | 77                                   |              |
|  | <b>5,682</b>                       | <b>5,486</b>   | <b>(84)</b>                          |              |
| Net unrecognised deferred tax assets       | <b>(5,665)</b>                     | <b>(5,486)</b> | <b>69</b>                            | <b>(140)</b> |
| Net deferred tax asset                     | <b>15</b>                          | <b>-</b>       |                                      |              |
| Deferred tax income expense                |                                    |                | <b>15</b>                            | <b>-</b>     |

#### 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 (2019: 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 6. LOSS PER SHARE (continued)

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.

|   | 2020<br>\$'000              | 2019<br>\$'000              |
|---|-----------------------------|-----------------------------|
| Net loss attributable to ordinary equity holders of the Parent from continuing operations | (307)                       | (735)                       |
| Net loss attributable to ordinary equity holders of the Parent                            | (307)                       | (735)                       |
|   | 2020<br>Number of<br>shares | 2019<br>Number of<br>shares |
| Weighted average number of ordinary shares for basic loss per share                       | 695,996,205                 | 662,366,068                 |

The options to acquire ordinary shares in the company on issue at the end of the prior year have not 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

|                          | 2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------|----------------|----------------|
| Cash at bank and in hand | 1,716          | 422            |
| Deposits on call         | 6              | 215            |
|                          | 1,722          | 637            |

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 \$1,722,000 (2019: \$637,000).

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

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Net loss   | (298)          | (735)          |
| <i>Adjustments for:</i>                              |                |                |
| Depreciation   | 82             | 77             |
| Right of use asset amortisation                      | 136            | -              |
| Foreign exchange loss                                | 9              | (18)           |
| Impairment of trade debtors                          | 22             | 57             |
| Movement in provisions                               | 34             | (130)          |
| Write off of exploration & evaluation asset          | 8              | -              |
| <i>Changes in assets and liabilities</i>             |                |                |
| Decrease i in inventories                            | 1,373          | 154            |
| (Increase) / decrease in trade and other receivables | (290)          | 299            |
| (Increase) / decrease in prepayments                 | (236)          | (162)          |
| Increase / (decrease) in trade and other payables    | (422)          | 451            |
| Net cash used in operating activities                | 427            | (5)            |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### 7. CASH AND CASH EQUIVALENTS (continued)

#### Significant non-cash transactions

In the prior financial year, 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 13 for more details.

### 8. TRADE AND OTHER RECEIVABLES

|                             | 2020<br>\$'000 | 2019<br>\$'000 |
|-----------------------------|----------------|----------------|
| <b>Current</b>              |                |                |
| Trade receivables (i) (ii)  | 2,525          | 2,290          |
| Allowance for credit losses | (266)          | (244)          |
|                             | 2,259          | 2,046          |
| Other debtors (ii) (iii)    | 70             | 30             |
|                             | 2,329          | 2,076          |

(i) Receivables are non-interest bearing and are generally on 30-60 day terms. 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.

(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 18.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 16.

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<br>carrying amount at<br>default \$m | Expected credit loss<br>rate | Lifetime expected<br>credit loss \$m |
|---------------------|--|------------------------------|--------------------------------------|
| Current             | 214  | 3.8%                         | (8)                                  |
| Under one month     | 1,302  | 3.8%                         | (49)                                 |
| One to two months   | 593  | 7.3%                         | (43)                                 |
| Two to three months | 188  | 26.1%                        | (49)                                 |
| Over three months   | 228  | 51.9%                        | (117)                                |
| <b>Total</b>        | <b>2,525</b>   |                              | <b>(266)</b>                         |

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

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| Opening balance 1 July                                | 244            | 129            |
| New accounting standard adjustment to opening balance | -              | 56             |
| (Decrease) / increase in provision                    | 22             | 59             |
| Closing balance 30 June                               | 266            | 244            |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 9. INVENTORIES

|                | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------|----------------|----------------|
| Finished goods | 2,100          | 3,473          |

Inventory write-ups /downs recognised as income or an expense totalled \$8,000 (2019: \$110,000) for the Group. This income / expense is included in the cost of sales.

#### 10. FINANCIAL ASSETS

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Listed</b>   |                |                |
| <b>11,000,000 ordinary shares in European Lithium Limited</b> |                |                |
| Fair value at beginning of the year                           | 946            | 2,310          |
| Fair value loss for the period                                | (407)          | (1,364)        |
|   | 539            | 946            |

At 30 June 2020 the asset was re-valued to market value with the movement being recorded in other comprehensive income. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. This is a level 1 measurement basis on the fair value hierarchy.

#### 11. PROPERTY, PLANT AND EQUIPMENT

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Plant and Equipment</b>  |                |                |
| At beginning of the year net of accumulated depreciation and impairment | 219            | 229            |
| Additions   | 47             | 68             |
| Disposals and writedowns  | -              | (1)            |
| Depreciation charge for the year  | (82)           | (77)           |
| At end of the year net of accumulated depreciation and impairment       | 184            | 219            |
| Gross carrying amount - at cost   | 840            | 1,456          |
| Accumulated depreciation and impairment                                 | (656)          | (1,237)        |
| Net carrying amount   | 184            | 219            |

#### 12. RIGHT OF USE ASSET / LEASE LIABILITY

|   | 2020<br>\$'000 | 2019<br>\$'000 |
|---|----------------|----------------|
| <b>Right of use asset: Land &amp; buildings</b> |                |                |
| Right of use asset at transition                | 794            | -              |
| Additions                                       | 140            | -              |
| Closing balance at 30 June                      | 934            | -              |
| <b>Accumulated depreciation</b>                 |                |                |
| Opening Accumulated depreciation                | -              | -              |
| Depreciation expense                            | (136)          | -              |
| Closing balance at 30 June                      | (136)          | -              |
| Net carrying amount                             | 798            | -              |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 12. RIGHT OF USE ASSET / LEASE LIABILITY (continued)

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| <b>Lease liabilities</b>                 |                |                |
| Opening                                  | -              | -              |
| Balance at transition                    | 794            | -              |
| Remeasurement of lease liability         | 140            | -              |
| Accretion of interest                    | 29             | -              |
| Payments                                 | (138)          | -              |
| Closing balance at 30 June               | 825            | -              |
| Current lease liability                  | 121            | -              |
| Non-current lease liability              | 704            | -              |
| Closing balance at 30 June               | 825            | -              |
| <b>Lease liability maturity analysis</b> |                |                |
| Less than 3 months                       | 8              | -              |
| 3 – 12 months                            | 113            | -              |
| 1 – 5 years                              | 704            | -              |
| Net carrying amount                      | 825            | -              |

#### 13. EXPLORATION AND EVALUATION ASSETS

|                                | 2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Areas of Interest</b>       |                |                |
| Goodsprings mining district    | 908            | 908            |
| Other                          | -              | 9              |
| Carrying amount at end of year | 908            | 917            |

##### (a) Reconciliation of movements in carrying amount:

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Carrying amount at beginning               | 917            | -              |
| (Written off) / acquired during the period | (9)            | 917            |
| Carrying amount at end of year             | 908            | 917            |

The recoverability of the carrying amount of the exploration and evaluation asset is dependent on the successful development and commercial exploitation, or alternatively the sale of the respective area of interest.

#### 14. TRADE AND OTHER PAYABLES

|                              | 2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------|----------------|----------------|
| <b>Current</b>               |                |                |
| Trade payables (i)           | 605            | 1,139          |
| Goods and services tax       | 123            | 58             |
| Other creditors and accruals | 262            | 218            |
|                              | 990            | 1,415          |

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 15. PROVISIONS

|                  | Employee<br>entitlements<br>\$'000 | Make good<br>provisions<br>\$'000 | Total<br>\$'000 |
|------------------|------------------------------------|-----------------------------------|-----------------|
| Current 2020     | 182                                | -                                 | 182             |
| Non-current 2020 | 60                                 | 56                                | 116             |
|                  | <b>242</b>                         | <b>56</b>                         | <b>298</b>      |
| Current 2019     | 160                                | -                                 | 160             |
| Non-current 2019 | 54                                 | 50                                | 104             |
|                  | <b>214</b>                         | <b>50</b>                         | <b>264</b>      |

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

| Make good provisions | 2020<br>\$'000 | 2019<br>\$'000 |
|----------------------|----------------|----------------|
| At 1 July            | 50             | 50             |
| Utilised             | (50)           | -              |
| Additions            | 56             |                |
| At 30 June           | <b>56</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.

#### 16. CONTRIBUTED EQUITY AND RESERVES

| (a) Ordinary shares                     | 2020<br>\$'000     | 2019<br>\$'000 |
|---|--------------------|----------------|
| Ordinary shares - issued and fully paid | <b>70,497</b>      | 70,118         |
|   | <b>Number</b>      | <b>\$'000</b>  |
| At 1 July 2018                          | 633,496,205        | 69,493         |
| Movements during the year               | 62,500,000         | 625            |
| At 30 June 2019                         | <b>695,996,205</b> | <b>70,118</b>  |
| Movements during the year               | <b>100,000,000</b> | <b>379</b>     |
| At 30 June 2020                         | <b>795,996,205</b> | <b>70,497</b>  |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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

##### (b) Options

|   | 2020<br>Number | 2019<br>Number |
|---|----------------|----------------|
| <i>Movement in options on issue</i>                 |                |                |
| At 1 July   | 40,000,000     | -              |
| Unlisted options (expired) / issued during the year | -              | 40,000,000     |
| At 30 June  | 40,000,000     | 40,000,000     |

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

##### (c) Accumulated losses

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Movements in accumulated losses were as follows:                               |                |                |
| Balance 1 July under AASB 139  | (63,368)       | (62,577)       |
| Adjustment to opening balances for credit impaired trade and other receivables | -              | (56)           |
| Net loss for the year  | (298)          | (735)          |
| Balance 30 June  | (63,666)       | (63,368)       |

##### (d) Reserves

|  | Option<br>premium<br>reserve<br>\$'000 | Foreign<br>currency<br>translation<br>\$'000 | Fair value<br>gains/losses<br>\$'000 | Share<br>based<br>payments<br>\$'000 | Total<br>\$'000 |
|--|--|--|--------------------------------------|--------------------------------------|-----------------|
| <b>At 30 June 2018</b>                                     | 115                                    | (228)  | 1,826                                | 210                                  | 1,923           |
| Currency translation differences for continuing operations | -                                      | (18)   | -                                    | -                                    | (18)            |
| Fair value gains and losses                                | -                                      | -  | (1,364)                              | -                                    | (1,364)         |
| <b>At 30 June 2019</b>                                     | 115                                    | (246)  | 462                                  | 210                                  | 541             |
| Currency translation differences for continuing operations | -                                      | 9  | -                                    | -                                    | 9               |
| Fair value gains and losses                                | -                                      | -  | (407)                                | -                                    | (407)           |
| <b>At 30 June 2020</b>                                     | 115                                    | (237)  | 55                                   | 210                                  | 143             |

##### *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 reserve is used to record movements in the market value of financial assets carried at fair value.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

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

#### e) Capital management

Capital managed by the board includes shareholder equity, which is \$6,974,000 at 30 June 2020 (2019: \$7,291,000). 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 (2019: 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, credit 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.

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:

|                         | 2020<br>\$'000 | 2019<br>\$'000 |
|-------------------------|----------------|----------------|
| <i>Financial assets</i> |                |                |
| Cash                    | 1,722          | 637            |
| Security deposits       | 238            | 238            |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

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

##### (b) Options

|   | 2020<br>Number | 2019<br>Number |
|---|----------------|----------------|
| <i>Movement in options on issue</i>                 |                |                |
| At 1 July   | 40,000,000     | -              |
| Unlisted options (expired) / issued during the year | -              | 40,000,000     |
| At 30 June  | 40,000,000     | 40,000,000     |

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

##### (c) Accumulated losses

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Movements in accumulated losses were as follows:                               |                |                |
| Balance 1 July under AASB 139  | (63,368)       | (62,577)       |
| Adjustment to opening balances for credit impaired trade and other receivables | -              | (56)           |
| Net loss for the year  | (298)          | (735)          |
| Balance 30 June  | (63,666)       | (63,368)       |

##### (d) Reserves

|  | Option<br>premium<br>reserve<br>\$'000 | Foreign<br>currency<br>translation<br>\$'000 | Fair value<br>gains/losses<br>\$'000 | Share<br>based<br>payments<br>\$'000 | Total<br>\$'000 |
|--|--|--|--------------------------------------|--------------------------------------|-----------------|
| <b>At 30 June 2018</b>                                     | 115                                    | (228)  | 1,826                                | 210                                  | 1,923           |
| Currency translation differences for continuing operations | -                                      | (18)   | -                                    | -                                    | (18)            |
| Fair value gains and losses                                | -                                      | -  | (1,364)                              | -                                    | (1,364)         |
| <b>At 30 June 2019</b>                                     | 115                                    | (246)  | 462                                  | 210                                  | 541             |
| Currency translation differences for continuing operations | -                                      | 9  | -                                    | -                                    | 9               |
| Fair value gains and losses                                | -                                      | -  | (407)                                | -                                    | (407)           |
| <b>At 30 June 2020</b>                                     | 115                                    | (237)  | 55                                   | 210                                  | 143             |

##### *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 reserve is used to record movements in the market value of financial assets carried at fair value.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

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

#### e) Capital management

Capital managed by the board includes shareholder equity, which is \$6,974,000 at 30 June 2020 (2019: \$7,291,000). 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 (2019: 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, credit 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.

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:

|                         | 2020<br>\$'000 | 2019<br>\$'000 |
|-------------------------|----------------|----------------|
| <i>Financial assets</i> |                |                |
| Cash                    | 1,722          | 637            |
| Security deposits       | 238            | 238            |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

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

#### Risk Exposures and Responses (continued)

*At 30 June 2020/2019, 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<br>Higher / (Lower) |                |
|--|---|----------------|
|  | 2020<br>\$'000                              | 2019<br>\$'000 |
| +1% (100 basis points)                       | 17  | 6              |
| -0.5% (50 basis points)                      | (9)   | (3)            |

The movements in results are due to higher interest income from variable rate cash and deposit balances. The sensitivity is higher in 2020 than in 2019 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.

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 2020, the Group had the following exposure to foreign currencies:*

|                              | USD   | GBP | Euro | 2020<br>\$'000<br>Total | USD   | GBP | 2019<br>\$'000<br>Total |
|------------------------------|-------|-----|------|-------------------------|-------|-----|-------------------------|
| <i>Financial Assets</i>      |       |     |      |                         |       |     |                         |
| Cash and cash equivalents    | 3     | -   | -    | 3                       | -     | -   | -                       |
|                              | 3     | -   | -    | 3                       | 427   | 1   | 428                     |
| <i>Financial Liabilities</i> |       |     |      |                         |       |     |                         |
| Trade and other payables     | (177) | (4) | -    | (181)                   | (559) | -   | (559)                   |
| Net exposure                 | (174) | (4) | -    | (178)                   | (132) | 1   | (131)                   |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

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

#### Risk Exposures and Responses (continued)

*At 30 June 2020, 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<br>Higher / (Lower) |                | Equity<br>Higher / (Lower) |                |
|--|-------------------------------------|----------------|----------------------------|----------------|
|  | 2020<br>\$'000                      | 2019<br>\$'000 | 2020<br>\$'000             | 2019<br>\$'000 |
| AUD/USD +10%                                 | 31                                  | (13)           | 31                         | (13)           |
| AUD/USD -10%                                 | (31)                                | 13             | (31)                       | 13             |
| AUD/GBP +10%                                 | 4                                   | -              | 4                          | -              |
| AUD/GBP -10%                                 | (4)                                 | -              | (4)                        | -              |
| AUD/Euro +10%                                | 1                                   | -              | 1                          | -              |
| AUD/Euro -10%                                | (1)                                 | -              | (1)                        | -              |

The movements in results in 2020 is more sensitive than in 2019 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.

#### *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 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 repayments and interest resulting from recognised financial liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2020.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

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

#### Risk Exposures and Responses (continued)

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

|                     | Lease<br>Liabilities | Trade & Other<br>Payables<br>\$'000 | Total<br>\$'000 |
|---------------------|----------------------|-------------------------------------|-----------------|
| <b>30 June 2020</b> |                      |                                     |                 |
| 6 months or less    | 60                   | 1,007                               | 1,067           |
| 6 – 12 months       | 91                   | -                                   | 91              |
| 1 -5 years          | 760                  | -                                   | 760             |
|                     | <b>911</b>           | <b>1,007</b>                        | <b>1,918</b>    |
|                     |                      |                                     |                 |
|                     |                      | Trade & Other<br>Payables<br>\$'000 | Total<br>\$'000 |
| <b>30 June 2019</b> |                      |                                     |                 |
| 6 months or less    |                      | 1,415                               | 1,415           |

#### *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 \$539,000. A decrease of 10% of the value would have an impact of approximately \$54,000 before tax on other comprehensive income attributable to the Group.

### 18. COMMITMENTS AND CONTINGENCIES

#### Capital commitments

At the reporting date the Group had no capital commitments contracted for but not recognised as liabilities (2019: 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 (2019: 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 19.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 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 |      |
|------------------------------|--------------------------|-------------------|------|
|                              |                          | 2020              | 2019 |
| Calvista Australia Pty Ltd   | Australia                | 100               | 100  |
| Calvista New Zealand Limited | New Zealand              | 100               | 100  |
| Canadian River Inc. (1)      | 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               | 100  |
| Silver Queen Mining Inc.     | United States            | 100               | 100  |

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

(1) Dormant companies

#### 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:

|   | CLOSED GROUP |          |
|---|--------------|----------|
|   | 2020         | 2019     |
|   | \$'000       | \$'000   |
| <i>Consolidated Statement of Comprehensive Income</i> |              |          |
| Loss from continuing operations before income tax     | (328)        | (766)    |
| Income tax expense                                    | -            | -        |
| Loss for the period                                   | (328)        | (766)    |
| <i>Reconciliation of accumulated losses</i>           |              |          |
| Accumulated loss at the beginning of the period       | (63,241)     | (62,418) |
| Adjustment to opening retained income                 | -            | (56)     |
| Loss for the period                                   | (328)        | (766)    |
| Accumulated loss at the end of the period             | (63,569)     | (63,241) |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 19. RELATED PARTY DISCLOSURE (continued)

##### *Consolidated Statement of Financial Position*

|  | <b>CLOSED GROUP</b> |               |
|--|---------------------|---------------|
|  | <b>2020</b>         | <b>2019</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| <b>ASSETS</b>  |                     |               |
| <b>Current Assets</b>                                      |                     |               |
| Cash and cash equivalents                                  | 1,699               | 606           |
| Trade and other receivables                                | 2,122               | 1,907         |
| Inventories  | 2,100               | 3,464         |
| Financial assets   | 539                 | 946           |
| Prepayments and deposits                                   | 932                 | 699           |
| <b>Total Current Assets</b>                                | <b>7,392</b>        | <b>7,622</b>  |
| <b>Non-current Assets</b>                                  |                     |               |
| Other financial assets                                     | 566                 | 601           |
| Property, plant and equipment                              | 184                 | 219           |
| Right of use asset   | 798                 | -             |
| Exploration & evaluation                                   | 908                 | 917           |
| <b>Total Non-current assets</b>                            | <b>2,456</b>        | <b>1,737</b>  |
| <b>TOTAL ASSETS</b>  | <b>9,848</b>        | <b>9,359</b>  |
| <b>LIABILITIES</b>   |                     |               |
| <b>Current Liabilities</b>                                 |                     |               |
| Trade and other payables                                   | 977                 | 1,431         |
| Share placement funds received in advance                  | 440                 | -             |
| Lease liabilities  | 121                 | -             |
| Provisions   | 182                 | 160           |
| <b>Total Current Liabilities</b>                           | <b>1,720</b>        | <b>1,591</b>  |
| <b>Non-current Liabilities</b>                             |                     |               |
| Lease liabilities  | 704                 | -             |
| Provisions   | 116                 | 104           |
| <b>Total non-current Liabilities</b>                       | <b>820</b>          | <b>104</b>    |
| <b>TOTAL LIABILITIES</b>                                   | <b>2,540</b>        | <b>1,695</b>  |
| <b>NET ASSETS</b>  | <b>7,308</b>        | <b>7,664</b>  |
| <b>EQUITY</b>  |                     |               |
| <b>Equity attributable to equity holders of the Parent</b> |                     |               |
| Issued capital   | 70,497              | 70,118        |
| Accumulated Losses   | (63,569)            | (63,241)      |
| Other reserves   | 380                 | 787           |
| <b>TOTAL EQUITY</b>  | <b>7,308</b>        | <b>7,664</b>  |



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2020

#### 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 Hughes  | Chairman (non-executive) – appointed 5 November 2019 |
| M R Day   | Managing Director                                    |
| H R Moser | Director (non-executive)                             |
| B Wheeler | Director (non-executive) – appointed 24 June 2020    |
| B Moore   | Chairman (non-executive) – resigned 2 November 2019  |

###### (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               |

Except as otherwise stated, 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.

|   | 2020<br>\$     | 2019<br>\$     |
|---|----------------|----------------|
| <b>Compensation by Category: Key management personnel</b> |                |                |
| Short-term employee benefits                              | 718,804        | 912,981        |
| Post-employment benefits                                  | 46,979         | 57,885         |
| Long-term benefits  | 2,719          | 2,670          |
|   | <b>768,502</b> | <b>973,536</b> |

#### Other transactions with Key Management Personnel

Salary and consultancy fees have been paid to Directors M Day, \$180,000 and B Moore, \$21,000 in relation services performed as part of their executive roles in the Company.

Sales and services provided to the related party were made at arm's length transactions both at normal market prices and on normal commercial terms.

#### 19. PARENT ENTITY INFORMATION

| Information relating to Delecta Limited: | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Current assets                           | 1,566          | 1,062          |
| Non-current assets                       | 4,721          | 5,839          |
| Total assets                             | 6,287          | 6,901          |
| Current liabilities                      | (507)          | (61)           |
| Total Liabilities                        | (507)          | (61)           |
| Net Assets                               | 5,780          | 6,840          |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

### 20. PARENT ENTITY INFORMATION (continued)

#### Information relating to Delecta Limited (continued)

|  | 2020<br>\$'000 | 2019<br>\$'000 |
|--|----------------|----------------|
| Issued capital   | 70,497         | 70,118         |
| Reserves   | 380            | 787            |
| Accumulated losses                                       | (65,097)       | (64,065)       |
| <b>TOTAL SHAREHOLDERS EQUITY</b>                         | <b>5,780</b>   | <b>6,840</b>   |
| (Loss) / profit after tax of the Parent Entity           | (1,032)        | 2,101          |
| Other comprehensive loss of the Parent Entity            | (407)          | (1,364)        |
| Total comprehensive (loss) / income of the Parent Entity | (1,439)        | 737            |

### 21. EVENTS AFTER THE REPORTING PERIOD

The acquisition of a 60% interest in Sunrise Minerals Inc. at the acquisition cost of \$150,000 was completed on 17 July 2020.

212,625,000 fully paid ordinary shares at an issue price of \$0.004 and 236,312,500 options, exercisable at \$0.008 on or before 3 September 2023, were issued after approval of shareholders in general meeting on 2 September 2020.

No other 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.

|   | 2020<br>\$    | 2019<br>\$    |
|---|---------------|---------------|
| Amounts received or due and receivable by Ernst & Young (Australia) for:                                  |               |               |
| • an audit or review of the financial report of the entity and any other entity in the consolidated group | 96,000        | 91,300        |
|   | <b>96,000</b> | <b>91,300</b> |

## 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 2020 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 2020.
- (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 18 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  
29 September 2020



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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 2020, 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 2020 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 (including Independence Standards)* (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   | How our audit addressed the key audit matter   |
|---|--|
| <p>As at 30 June 2020, the Group held \$2.1 million in inventories.</p> <p>As detailed in Note 2(j) of the financial report, inventories are carried at the lower of cost and net realisable value.</p> <p>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.</p> <p>Due to the level of judgement involved in assessing inventory provisions, this was considered a key audit matter.</p> | <p>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:</p> <ul style="list-style-type: none"> <li>▶ Assessed the policy and basis for the provision for obsolescence</li> <li>▶ Assessed the provision after considering historic sales trends and historic provisioning assumptions</li> <li>▶ Through observation, we sought out any indicators of damaged or obsolete stock we observed</li> <li>▶ Considered whether there were for any other indicators of obsolescence at an individual stock item or stock category level</li> <li>▶ Assessed whether inventory was measured in accordance with Australian Accounting Standards, at the lower of cost or net realisable value.</li> </ul> |

## 2. Recoverability of receivables

| Why significant  | How our audit addressed the key audit matter   |
|--|--|
| <p>As disclosed in Note 8 of the financial report, the Group held trade and other receivables amounting to \$2.3 million as at 30 June 2020.</p> <p>As detailed in Note 2(i) 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.</p> | <p>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 2020.</p> |



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.

3. Carrying value of capitalised exploration and evaluation assets

Why significant

As disclosed in Note 13, as at 30 June 2020, the Group held capitalised exploration and evaluation expenditure assets of \$0.9 million.

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.

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.

How our audit addressed the key audit matter

- Our audit procedures included the following:
- ▶ 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
  - ▶ 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
  - ▶ Assessed recent exploration and evaluation activity in the relevant licence area to determine whether there were any negative indicators that would suggest a potential impairment of the asset
  - ▶ Considered whether the exploration activities within each area of interest had reached a stage where the commercially viable resource estimates could be made
  - ▶ Assessed the adequacy of the disclosure included in the financial report.

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### **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 2020, 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.

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.

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, actions taken to eliminate threats or safeguards applied.

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 13 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Delecta Limited for the year ended 30 June 2020, 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.

Ernst & Young

Darryn Hall  
Partner  
Perth  
29 September 2020

## 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 2020 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>                   |
|-------------|-----------------------------------|
| B Hughes    | Non-Executive Director (Chairman) |
| B Wheeler   | Non-Executive Director            |
| H R Moser   | Non-Executive Director            |

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       | 22 years              |
| H R Moser   | 22 years              |
| B Hughes    | First year            |
| D Wheeler   | First year            |

### 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 four Director's, three 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 (4) 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 21 full time employees of which 10 are women. None of the 4 board members and 2 senior executives are women and 1 of the 3 employees in the next level of management are woman.

### 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 23 September 2020.

### 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        | 613          |
| 1,001 - 5,000 shares    | 649          |
| 5,001 - 10,000 shares   | 300          |
| 10,001 - 100,000 shares | 553          |
| 100,001 shares and over | 373          |
|                         | <u>2,488</u> |

(b) There were 2,041 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<br>Shares<br>Held | % of Fully<br>Paid<br>Shares<br>Held |
|----|---|-----------------------------|--------------------------------------|
| 1  | Goldshore Investments Pty Ltd <MR Day Superfund A/A>              | 171,139,768                 | 16.97                                |
| 2  | HSBC Custody Nominees (Australia) Limited                         | 101,658,530                 | 10.08                                |
| 3  | JP Morgan Nominees Australia Limited                              | 84,621,678                  | 8.39                                 |
| 4  | Coral Brook Pty Ltd <Lloyd Super Fund A/C>                        | 60,000,000                  | 5.95                                 |
| 5  | Sunset Capital Management Pty Ltd <Sunset Superfund A/C>          | 26,009,594                  | 2.58                                 |
| 6  | Mr Bradley Moore & Ms Tanya Endicott <Tanbrad Super A/C>          | 24,794,943                  | 2.46                                 |
| 7  | Celtic Capital Pty Ltd <The Celtic Capital A/C>                   | 23,990,406                  | 2.38                                 |
| 8  | Rimoyne Pty Ltd   | 18,750,000                  | 1.86                                 |
| 9  | Mr Bradley Moore & Ms Tanya Endicott <Tanbrad Superannuation A/C> | 15,000,000                  | 1.49                                 |
| 10 | Mr Avdo Tabakovic   | 14,000,000                  | 1.39                                 |
| 11 | United & Pacific Shirt Co Pty Ltd <The Elizabeth No 2 A/C>        | 13,510,360                  | 1.34                                 |
| 12 | Mr Andrew William Spencer + Mrs Benedicte Marie Francoise Spencer | 12,587,501                  | 1.25                                 |
| 13 | Mr Danny Pavlovich <The Pavlovich Family Trust>                   | 12,500,000                  | 1.24                                 |
| 14 | Hans-Rudolf Moser   | 12,500,000                  | 1.24                                 |
| 15 | Danteen Pty Ltd   | 12,500,000                  | 1.24                                 |
| 16 | Hollywood Marketing (WA) Pty Ltd                                  | 12,500,000                  | 1.24                                 |
| 17 | Mr Jeffrey Robert Moulds  | 10,344,500                  | 1.03                                 |
| 18 | Alitime Nominees Pty Ltd <Honeyham Family A/C>                    | 10,000,000                  | 0.99                                 |
| 19 | Yucaja Pty Ltd <The Yoegiar Family A/C>                           | 9,790,000                   | 0.97                                 |
| 20 | Mr Paul Bleasdale   | 9,300,000                   | 0.92                                 |
|    |   | <u>655,497,280</u>          | <u>65.01</u>                         |
|    | Total Shares on Issue   | <u>1,008,621,205</u>        |                                      |

**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, Goldshore Investments Pty Ltd and Hollywood Marketing (WA) Pty Ltd | 183,639,768               |

**UNQUOTED OPTIONS**

There are a total of 236,312,500 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                 | 236,312,500         | \$0.008               | 4 September 2020 to 3 September 2023   | 55                  |

Note 1: There are no holders with 20% or more of these unquoted securities.



## NOTES

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## NOTES

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