Chrysos Corporation Limited

ABN 76 613 131 141

Financial Report for the year ended 30 June 2020

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Chrysos Corporation Limited
Directors' report
30 June 2020

The directors present their report, together with the financial statements, of Chrysos Corporation Limited (referred to hereafter as the 'Company') for the year ended 30 June 2020.

Directors

The following persons were directors of Chrysos Corporation Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Eric Ford
- Gock Loung Leong Mar
- Ivan Gustavo Mellado
- Robert Henry Richard Adamson
- Robert Brett Boynton

Principal activities

The Company's principal activities during the financial year were that of a mining technology development and supply company.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations and financial results

Total income increased by 21.5% from $5,101,000 to $6,199,000.

The key metric of invoiced revenue* grew by 260% to $2,844,000 from $790,000 in 2019.

As at 30 June 2020, there were 3 Chrysos™ PhotonAssay units on order with NucTech, planned for delivery, installation and commissioning during calendar years 2020 and 2021. There is a significant lead time required to manufacture and deliver Chrysos™ PhotonAssay units and financing for this lead time requires considerable planning and foresight.

Staff numbers grew from eleven at 30 June 2019 to sixteen at 30 June 2020, once again a reflection of the investment now being made to generate and support planned growth. Research and Development activities and staffing continued to represent a considerable proportion of total expenses.

A summary of the results for the year is as follows:

	2020 $'000	Re-stated** 2019 $'000	Change $'000	Change %
Invoiced revenue*	2,844	790	2,053	260.0%
Total Income	6,199	5,101	1,098	21.5%
Net gain on asset disposal	4,631	4,186	445	10.6%
Profit after income tax benefit (NPAT)	3,046	2,694	352	13.0%

* Invoiced revenue represents the amount invoiced to customers during the financial year.
**Refer to accounting policies where the Directors have re-stated the results for 2019 in respect of revenue recognition.

Significant changes in the state of affairs

The Company successfully raised $15,000,000 through the issue of ordinary share capital during the financial year. During the course of this raising there was significant interest and subsequently a further $15,000,000 was raised. The Company then subsequently used the additional funds to repay $14,800,000 as shareholder sell downs. The equity raise incurred $914,000 in costs (net of recovered costs) recognised in equity.

There were no other significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

Due to the impact of COVID-19, the Company has seen two deployments of ChrysosTM PhotonAssay delayed by our major customer until late into financial year 2021. This delay has reduced revenue during the year ended 30 June 2020 as one of these units had been planned for deployment during the financial year just ended. The deferral of deployments of these two units is expected to result in a reduction of invoiced revenue during the next financial year. While it is believed operationally there will be some immaterial increased costs, the Company has been able to pivot to offer arrangements for deployments in Australia and emerging international markets. As at July 2020, Kirkland Lake Gold Australia Pty Ltd and the Company executed an Assay Purchase Agreement for the deployment of a ChrysosTM PhotonAssay unit at their Fosterville mine near Bendigo, Victoria. Kirkland Lake is a major global producer based in Canada, and the Fosterville mine is a highly successful gold producing site. This is the first direct mining customer of ChrysosTM PhotonAssay.

The Company has taken an internal focus to streamline operations during COVID-19. This has seen the Company, carefully considering measures to reduce costs, including review of contractor payments, delayed employee remuneration reviews and continuance of the Company's non-payment of directors. The Company also used this time to reset timing of employee share grants, with the year ending 30 June 2021, completed in July 2020 in part to recognise both employee and director efforts during this challenging period. These grants are on the usual terms of the employee share program and totalled 660,000 options.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

The Company's growth strategy is focused on continuing its current growth trajectory, particularly in relation to the finalisation and deployment of machinery under construction as at 30 June 2020.

Environmental regulation

The Company is not subject to any significant environmental regulation under a law of Commonwealth or State within all the geographical locations the Company operates in.

Information on directors

Name:	Robert Henry Richard Adamson
Qualifications:	BE (Mechanical) (UWA), BE Hons (Ag)(Melb)MBA (AGSM)
Experience and expertise:	Mr Adamson has over 30 years' professional experience, including 26 years in advisory and investment roles with RFC Group Companies. Mr Adamson previously worked with Anglo America Corporation in South Africa. Mr Adamson is executive chairman of both RFC Ambrian Group Limited and RFC Ambrian Limited and is also a director of the following Group Companies; RFC Ambrian Limited, Alchemy Securities Pty Limited, Copper Technology Limited and Braemar Mining Developments Pty Limited. Robert is Chairman of NextOre Pty Limited, a company owned by RFC Ambrian Group Limited, CSIRO and Advisian, formed to advance magnetic resonance ore sorting.

Name:	Robert Brett Boynton
Qualifications:	B.Com (Economics and Accounting), MBA (Duke), CFA
Experience and expertise:	Mr Boynton has an international investment banking background with UBS in London and New York, and Credit Suisse in Australia. He has raised capital for a number of energy and resource companies both at IPO and on the secondary markets, and managed acquisition, joint venture and divestiture of a number of projects and assets. Mr Boynton is currently managing director of London listed Tectonic Gold Plc and sits on the board of a number of private companies.

Name:	Gock Loung Leong Mar
Qualifications:	BSc (Hons) PhD
Experience and expertise:	Dr Mar has over 20 years' of commercial and technical experience gained from research organizations, technology start up and small businesses. Dr Mar is currently commercialization manager of CSIRO, with previous experience as co-founder and COO of Instrument Works, founder and director of Red Planet Innovation, director and head of technology for EarthSafe Australia, business development manager for National Nanofabrication Facility, manager of business and scientific services and adjunct associate professor at the University of NSW.
Name:	Ivan Gustavo Mellado
Qualifications:	Graduate AICD, Senior Associate FINSIA, Master of Law (IP), B.Business (Marketing)
Experience and expertise:	Experience and expertise: Mr Mellado has over 25 years of business experience at executive and board level across several sectors including IT, telecommunications, management consulting, corporate advisory, and early stage technology investing and commercialisation. Mr Mellado's current professional roles include: Managing Director - Mellado & Co Pty Limited; Director - Fawkner Capital Management Pty Limited; Director - Biometix Pty Ltd; Director - Visionary Machines Pty Ltd; Venture Partner - Significant Capital Ventures.
Name:	Eric Ford
Qualifications:	Graduate AICD, BSc (Mining Engineering) MSc (Management Science)
Experience and expertise:	Mr. Ford has extensive experience in the global mining industry in executive management and directorship roles. Currently he is a non-executive director with Compass Minerals International (NYSE : CMP), where Mr Ford is Chairman of their EHSS committee and a member of the Nominating and Governance Committee. Previous roles have included chairman and CEO of Peabody Energy's Australian business unit, CEO of Anglo Coal Australia and Executive Director (Operations) with Anglo Platinum and numerous roles across local and international industry associations, including the Minerals Council of Australia.

Company secretary

Name:	Brett Anthony Coventry
Qualifications	BAcc, GDip Co Sec Prac, MBA (Deakin), CPA, FGIA, FCIS
Experience and expertise:	Mr Coventry as CFO and Company Secretary is responsible for assisting the Board and Company in meeting its fiduciary, compliance and corporate governance obligations, providing support in relation to risk, procurement and contract management issues. Mr Coventry has held the role of Company Secretary since April 2020.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Eric Ford	9	9
Gock Loung Leong Mar	8	9
Ivan Gustavo Mellado	9	9
Robert Henry Richard Adamson	9	9
Robert Brett Boynton	8	9

Shares under option
There are 7,827,378 options outstanding at the date of this report which have a weighted average exercise price of $0.52.

There are 250,000 performance rights outstanding at the date of this report.

No person entitled to exercise the options or performance rights had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were 1,000,000 ordinary shares of Chrysos Corporation Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Robert Brett Boynton
Director

28 October 2020

Robert Henry Richard Adamson
Director

28 October 2020

Deloitte Touche
Tohmatsu
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Australia

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The Board of Directors
Chrysos Corporation Limited
Waite Campus, Waite Road
Urrbrae, SA, 5064, Australia

28 October 2020

Dear Board Members

Auditor's Independence Declaration to Chrysos Corporation Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Chrysos Corporation Limited.

As lead audit partner for the audit of the financial statements of Chrysos Corporation Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants

Chrysos Corporation Limited
Contents
30 June 2020

Chrysos Corporation Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	2020 $'000	Re-stated 2019 $'000
Income			
Revenue	5a	53	791
Other income	6	153	36
Net gain on asset disposal	5b	4,631	4,186
Interest revenue calculated using the effective interest method	5c	1,362	88
Expenses			
Maintenance costs		(451)	(78)
Employee benefit expenses		(2,115)	(1,408)
Consulting fees		(155)	(120)
Travel and marketing costs		(306)	(257)
Legal fees		(120)	(51)
Other expenses		(442)	(642)
Depreciation and amortisation expense	7	(432)	(360)
Finance costs		(187)	-
Profit before income tax benefit		1,991	2,185
Income tax benefit	8	1,055	509
Profit after income tax benefit for the year attributable to the owners of Chrysos Corporation Limited		3,046	2,694
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Chrysos Corporation Limited		3,046	2,694

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Chrysos Corporation Limited
Statement of financial position
As at 30 June 2020

	Note	2020 $'000	Re-stated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	9	13,496	411
Trade and other receivables	10	-	2,117
Income tax refund		1,186	-
Finance lease receivable	11	2,995	1,209
Other assets		19	1
Total current assets		17,696	3,738
Non-current assets			
Property, plant and equipment	12	2,483	967
Finance lease receivable	11	12,488	6,759
Right-of-use assets	13	30	-
Intangibles	14	496	846
Security deposits		-	30
Total non-current assets		15,497	8,602
Total assets		33,193	12,340
Liabilities			
Current liabilities			
Trade and other payables	15	2,707	980
Contract liabilities	16	166	9
Lease liabilities	17	36	-
Employee benefits		138	93
Other financial liabilities	18	299	272
Total current liabilities		3,346	1,354
Non-current liabilities			
Trade and other payables	15	2,592	2,572
Employee benefits		19	-
Other financial liabilities	18	2,514	1,167
Deferred tax liability	8	233	355
Total non-current liabilities		5,358	4,094
Total liabilities		8,704	5,448
Net assets		24,489	6,892
Equity			
Issued capital	19	24,334	9,800
Retained earnings (accumulated losses)		123	(2,923)
Share based payment reserve	20,27	32	15
Total equity		24,489	6,892

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

Chrysos Corporation Limited
Statement of changes in equity
For the year ended 30 June 2020

Company	Issued capital $'000	Accumulated Losses $'000	Share based payment reserve $'000	Total Equity $'000
Balance at 1 July 2018	9,800	(5,617)	9	4,192
Profit after income tax benefit for the year - restated	-	2,694	-	2,694
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year - restated	-	2,694	-	2,694
Transactions with owners in their capacity as owners:				
Share-based payments (note 27)	-	-	6	6
Balance at 30 June 2019 - restated	9,800	(2,923)	15	6,892

Company	Issued capital $'000	Accumulated Losses $'000	Share based payment reserve $'000	Total Equity $'000
Balance at 1 July 2019 - restated	9,800	(2,923)	15	6,892
Profit after income tax benefit for the year	-	3,046	-	3,046
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	3,046	-	3,046
Transactions with owners in their capacity as owners:				
Share-based payments (note 27)	3	-	17	20
Issued share capital, net of sell down	15,200	-	-	15,200
Equity raising costs	(922)	-	-	(922)
Deferred tax on equity raising costs	253	-	-	253
Balance at 30 June 2020	24,334	123	32	24,489

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

Chrysos Corporation Limited
Statement of cash flows
For the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,200	469
Payments to suppliers and employees (inclusive of GST)		(4,070)	(3,198)
		2,130	(2,729)
Research and development refund received		-	865
Interest paid		(159)	-
Net cash from operating activities	27	1,971	(1,864)
Cash flows from investing activities			
Interest received		52	7
Payments for plant and equipment	12	(3,072)	(977)
Net cash used in investing activities		(3,020)	(970)
Cash flows from financing activities			
Net proceeds from issue of share capital		14,278	-
Repayment of lease liabilities		(52)	-
Repayment of other borrowings		(91)	
Net cash from financing activities		14,135	-
Net increase/(decrease) in cash and cash equivalents		13,085	(2,834)
Cash and cash equivalents at the beginning of the financial year		411	3,245
Cash and cash equivalents at the end of the financial year	9	13,496	411

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

Note 1. General information

Chrysos Corporation Limited (the 'Company') is incorporated in Australia and currently operates in Australia. The financial statements are presented in Australian dollars, which is Chrysos Corporation Limited's functional and presentation currency.

Chrysos Corporation Limited is a for profit entity. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Hopgoodganim Lawyers	Waite Road
Level 8, 1 Eagle Street Brisbane QLD 4000	Urrbrae SA, 5064

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 October 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

AASB 16 Leases
The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact on the financial performance of the Company was not material.

Practical expedients applied
When adopting AASB 16 from 1 July 2019, the Company has applied the following practical expedients:
- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

Note 2. Significant accounting policies (continued)

Interpretation 23 Uncertainty over Income Tax
The Company has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exists. The interpretation requires: the Company to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the Company to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the Company concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Management has considered all facts and circumstances as it relates to the Company and believe there is no material uncertainty over the availability of the tax losses and other deductions to the Company.

Going concern

During the year ended 30 June 2020, the Company incurred a profit after income tax benefit of $3,046,000 (2019 restated - $2,694,000).

The Company has issued ordinary share capital during the financial year to accelerate growth with the deployment of additional finance lease units. As at 30 June 2020, the Company still has $13,496,000 remaining in cash and cash equivalents for future operating, investing and financing requirements as and when they are expected to fall due. Based on the Company's cash flow forecast, the financial report has been prepared by the Directors on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business and assumes the Company will have sufficient cash resources to pay its debts as and when they become due and payable for at least 12 months from the date of signing the financial report.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Comparative information

The financial statements presented in the comparative financial information are for the financial year ended 30 June 2019 which was previously presented under a special purpose framework, and when required by accounting standards, comparative amounts have been adjusted to conform to changes in presentation for the current financial year under a general purpose reduced disclosure framework.

Foreign currency translation

Foreign currency transactions
Foreign currency transactions are translated into the Company's functional currency which is Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss as other income.

Note 2. Significant accounting policies (continued)

Revenue recognition
The Company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue from services
Revenue from a contract to provide services is recognised over time simultaneously as the customer receives the service. Service revenue includes revenue from operating leases and revenue from finance or operating leases in respect of maintenance obligations.

Revenue from proof of concept activities
Revenue from proof of concept activities are recognised at a point in time when the results of the proof of concept are passed to the customer.

Interest
Interest 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.

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

Grant income
During the year the Company received payments from both the Federal and the South Australian government amounting to $152,000. Payments included the Export Market Development Grant (EMDG), Job-Accelerator programs and grants to boost cash flow for small medium businesses and employers due to the impacts of the COVID-19 pandemic, noting the Company was not eligible for JobKeeper allowances. These amounts have been recognised as government grants and recognised as other income once there is reasonable assurance the Company will comply with any conditions attached.

Net gain on asset disposal
Net gain on asset disposals is recognised when its performance obligation to transfer control of the goods to the customer is satisfied at the point of sale when delivery is completed by way of shipping the product to the location specified by the customer and the ownership risks have therefore passed to the customer pursuant to the contract. The net gain on asset disposal includes raw materials and consumables including both direct and indirect labour costs and other costs directly attributable to the disposal of the asset.

Note 2. Significant accounting policies (continued)

Contract assets and liabilities
AASB 15 uses the terms ‘contract asset’ and ‘contract liability’ to describe what is commonly known as ‘accrued revenue’ and ‘deferred revenue’. Contract receivables represent receivables in respect of which the Company’s right to consideration is unconditional subject only to the passage of time. Contract receivables are non-derivative financial assets accounted for in accordance with the Company’s accounting policy for non-derivative financial assets. Contract assets represent the Company’s right to consideration for services provided to customers for which the Company’s right remains conditional on something other than the passage of time. Contract liabilities arise where payment is received prior to work being performed. Contract assets and contract liabilities are recognised and measured in accordance with this accounting policy.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Research and development grant
The Company accounts for the concession as part of its calculation of income tax expense/benefit for the financial year.

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 2. Significant accounting policies (continued)

Trade other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 45 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. The Company is satisfied that no allowance for credit losses is required having undertaken this exercise.

Finance lease receivables
A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

The Company has recognised the lease of PhotonAssay Max Unit 3 as a finance lease in the current year (PhotonAssay Max Unit 1 & 2 were recognised as finance leases in the comparative year) on the basis the minimum lease payments (which represent the leasing component amount of the contract) amounts to a major part of the fair value of the leased assets and the lease term, represents managements view the terms of the lease cover period forms a major part of the estimated life of the asset even if title is not transferred.

The estimated unguaranteed residual value is reviewed regularly by the Company for any potential reductions in the estimated amount. The Company compares the current estimate of the unguaranteed residual value with the original estimate; any decrease in the unguaranteed residual value will be discounted using the interest rate implicit in the lease at inception to determine the loss to be recognised.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease. Finance income is recognised at the rate implicit in the lease on the total net investment including the unguaranteed residual value.

Subsequent to the recognition of a loss due to a decrease in the unguaranteed residual value, interest income will be accrued using the rate implicit in the lease on the basis of the revised carrying amount. The interest rate implicit in the lease determined at the inception of the lease remains unchanged.

Other financial assets
Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Note 2. Significant accounting policies (continued)

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Plant and equipment
Prototype costs have been expensed in the profit and loss account as incurred.

For plant and equipment which is under construction (photon assay machinery) and not yet in use, this is held at historical cost less impairment. Plant and equipment is subsequently stated at historical cost less accumulated depreciation and impairment once the asset comes into use. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Other items of plant and equipment and motor vehicles are measured at cost less accumulated depreciation and impairment.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment under construction	-
Motor vehicles	5 years
Plant and equipment	5 years

An item of plant and equipment is derecognised upon either recognition of the asset as a finance lease, disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss and presented as net gains on disposal of assets.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Intangible assets are initially recognised at cost and relate to Intellectual Property (finite life intangible asset).

Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The expected finite life of Intellectual Property is 5 years.

Note 2. Significant accounting policies (continued)

Impairment of non-financial assets
Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid.

Due to their short-term and long term nature they are either measured at amortised cost and are not discounted (short term), or recognised at the present value of the trade payments to be made over the credit term period, discounted using a market rate of interest (long term).

Other financial liabilities
Other financial liabilities are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are 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 currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Issued capital
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.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations is on-going.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the goods and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Treatment of Photon Assay Unit 3
The Company has considered the substance of the transaction for the lease of Photon Assay Max Unit 3 and on the basis that, at the inception of the lease, the present value of the minimum lease payments (after excluding non-lease component) amounted to at least substantially all of the fair value of the leased asset, combined with the Directors' view the lease term is for the major part of the economic life of the asset, have treated the lease as a finance lease. In their assessment of economic life, the Directors have taken into account the specific observable inputs available, such as the higher than conventional duty requirements for key components and the risk of the potential obsolescence during the lease term in respect of material improvements of the hardware and software that comprise the unit.

Allocated transaction price for service revenue
The best evidence of a stand-alone selling price is the observable price of a service when this is sold separately in similar circumstances and to similar customers. As the Company does not sell service obligations separately, given the specialised nature of the units, the Company has allocated the transaction price based on expected service cost plus a margin approach. There is judgement relating to expected service costs to be incurred and this estimate will continue to be monitored by management.

Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted, and key judgements exist when determining the vesting period and fair value at grant date.

Useful life of intellectual property
The Company regularly considers the finite life of Intellectual Property, which is currently estimated to be five years. In determining the appropriate useful life for these assets a range of factors are taken into account including the specific nature of the asset created, risk of technological obsolescence, business performance and market conditions.

Research and development expense
Expenditure during the research and development phase of a project is recognised as an expense as incurred. At present, management have considered the Company and asset maturity profile and continue to recognise all expenses as research and development expenditure in the profit and loss account.

Note 4. Re-statement of comparatives

During the year, the Directors evaluated the Company's revenue recognition policies in respect of service revenue. It was identified that in the prior year a service obligation in respect of a lease contract had not been separately identified which resulted in an overstatement of the net gain on disposal of the related asset and the separate recognition of a contract liability in respect of the future service obligations. Accordingly, for the year ended 30 June 2019, the following account balances were re-stated:

Profit and loss after income tax benefit reduced by $428,000 as a result of the following:

- Net gain on disposal was reduced by $119,000 from $4,305,000 to $4,186,000;
- Other income and Interest revenue reduced by $4,000 from $128,000 to $124,000 with the reduction due to a decrease in interest revenue recognised from the finance lease receivable; and
- An amount of $305,000 was transferred from net gain on disposal to other expenses in respect of certain expenses not attributable to the disposal.

Statement of financial position reduced net assets by $428,000 as a result of the following:

- Recognition of contract liability (current) of $9,000 relating to deferred service revenue; and
- Reduction in finance lease receivable (non-current) of $419,000 from separating the service performance obligation.

Note 5a. Revenue

	2020 $'000	2019 $'000
Revenue	53	791

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	2020 $	2019 $
Timing of revenue recognition		
Revenue recognised at a point in time	41	38
Revenue recognised over time	12	753
	53	791

Revenue recognised at a point in time relates to proof of concept activities.

Revenue recognised over time relates to service revenue either derived from operating lease revenue or service revenue from satisfying performance obligations relating to maintenance.

Note 5b. Net gain on asset disposal

	2020 $'000	Re-stated 2019 $'000
Net gain on asset disposal	4,361	4,186

Net gain on asset disposal relates to the gain on finance lease receivables.

Note 5c. Interest revenue

	2020 $'000	2019 $'000
Interest revenue	1,422	93

Interest revenue relates to revenue derived from finance lease receivables which contain a significant financing component.

Note 6. Other income

	2020 $'000	2019 $'000
Other income		
Gains and losses on foreign currency	1	-
Government grant income	152	36
	153	36

Note 7. Expenses

	2020 $'000	2019 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	28	10
Right-of-use assets	54	-
Total depreciation	82	10
Amortisation		
Intellectual property	350	350
Total amortisation	350	350
Total depreciation and amortisation	432	360
Finance costs		
Interest and finance charges paid/payable on other liabilities	183	-
Interest and finance charges paid/payable on lease liabilities	4	-
Finance costs expensed	187	-
Leases		
Short-term lease payments*	27	-

*The Company adopted AASB 16 on a modified retrospective basis. As such all rental expenses pertaining to operating leases were recognised in profit before income tax.

Note 8. Income and deferred tax

	2020 $'000	2019 $'000
Income tax benefit / (expense)		
Current tax benefit / (expense)	697	865
Deferred tax - origination and reversal of temporary differences	(881)	(1,183)
Adjustment recognised for prior periods	651	456
Under/over opening deferred tax assets	588	371
Aggregate income tax benefit	1,055	509
Deferred tax included in income tax benefit comprises:		
Decrease/(increase) in deferred tax liability	122	(355)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Profit before income tax benefit	1,991	2,185
Tax at the statutory tax rate of 27.5%	(547)	(600)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development	354	353
Other non-assessable and non-deductible items	39	(71)
	393	282
Adjustment recognised for prior periods	651	456
Under/over opening deferred tax liability	558	371
Income tax benefit	1,055	509
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Plant and equipment	1,365	1,023
Intangible assets	309	213
Employee provisions	43	26
Trade and other payables	36	21
Lease liabilities	10	-
Equity raising costs	204	6
Tax losses	1,838	1,300
Prepayments	(5)	-
Finance lease receivable	(4,025)	(2,944)
ROU Asset	(8)	-
Deferred tax liability	(233)	(355)

Note 9. Current assets - cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank	13,496	411

Note 10. Current assets - trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	-	300
Other receivables	-	1,817
	-	2,117

Allowance for expected credit losses
There is no allowance for expected credit losses.

Note 11. Finance lease receivable

	2020 $'000	2019 $'000
Finance lease receivable	15,483	7,968

Reconciliation
Movement in the finance lease receivable during the financial year are as follows:

	2020 $'000	2019 $'000
Opening balance	7,968	-
Additions	8,368	8,058
Finance lease receipts (net)*	(2,163)	(178)
Interest revenue taken to profit and loss	1,310	88
Total closing balance	15,483	7,968
Finance lease receivable – current asset	2,995	1,209
Finance lease receivable – non current	12,488	6,759
Total closing balance	15,483	7,968
Non-current maturity profile		
Between one and two years	2,493	1,282
Between two and five years	9,995	5,477
Closing balance – non current	12,488	6,759

*Whilst the arrangement meets the criteria as a finance lease receivable, it is deemed to be operating in nature to support working capital requirements and as such has been presented in operating activities for cash-flow purposes.

Note 12. Non-current assets - plant and equipment

	2020 $'000	2019 $'000
Plant and equipment - at cost	142	142
Less: Accumulated depreciation	(38)	(10)
	104	132
Motor Vehicle - at cost	22	-
Less: Accumulated depreciation	-	-
	22	-
Plant and equipment under construction	2,357	835
	2,483	967

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant and equipment $'000	Motor vehicle $'000	Plant and equipment under construction $'000	Total $'000
Balance at 1 July 2018	-	-	377	377
Additions	142	-	835	977
Disposals	-	-	(377)	(377)
Depreciation expense	(10)	-	-	(10)
Balance at 30 June 2019	132	-	835	967
Additions	-	22	2,357	2,379
Disposals	-	-	(835)	(835)
Depreciation expense	(28)	-	-	(28)
Balance at 30 June 2020	104	22	2,357	2,483

Plant and equipment under construction disposals relate to de-recognition of machinery when contracted with customers under finance lease terms. In the event the constructed asset is contracted with customers under operating lease terms, the asset will be subsequently transferred to plant and equipment and depreciated over 5 years.

Note 13. Non-current assets - right-of-use assets

	2020 $'000	2019 $'000
Buildings - right-of-use	84	-
Less: Accumulated depreciation	(54)	-
	30	-

The Company leases buildings for its offices under agreements of between one to two years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Buildings - right-of-use $'000
Balance at 30 June 2019	-
Additions	84
Depreciation expense	(54)
Balance at 30 June 2020	30

Note 14. Non-current assets - intangibles

	2020 $'000	2019 $'000
Intellectual property - at cost	1,750	1,750
Less: Accumulated amortisation	(1,254)	(904)
	496	846

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Total $'000
Balance at 1 July 2018	1,196
Amortisation expense	(350)
Balance at 30 June 2019	846
Amortisation expense	(350)
Balance at 30 June 2020	496

Note 15. Trade and other payables

	2020 $'000	2019 $'000
Trade payables	288	46
Accrued expenses	450	291
Vendor extended payment terms	1,969	643
Trade and other payables - current	2,707	980
Vendor extended payment terms – non-current	2,592	2,572
Trade and other payables – non current	2,592	2,572
Vendor extended payment terms - maturity		
Less than one year	1,969	643
Between one and two years	1,896	596
Between two and five years	696	1,976
Closing balance	4,561	3,215

The vendor extended liability is secured against the vendor supplied assets.

Note 16. Contract liabilities

	2020 $'000	Re-stated 2019 $'000
Deferred revenue - current	166	9

Movement in contract liabilities

	2020 $'000	Re-stated 2019 $'000
Balance at 30 June	9	-
Additions	169	9
Recognised as service revenue	(12)	-
Balance at 30 June 2020	166	9

Note 17. Lease liabilities

	2020 $'000	2019 $'000
Lease liabilities	36	-
	36	-

The Company leases buildings for its offices under agreements of between one to two years with, in some cases, options to extend. The average incremental borrowing rate is 5%. There is no comparative balance as the Company adopted AASB 16 Leases using the modified retrospective approach.

Reconciliations
Reconciliations of lease liabilities at the beginning and end of the current financial year are set out below:

	$'000
Balance at 30 June 2019	-
Additions	84
Interest charged to profit and loss	4
Lease payments	(52)
Balance at 30 June 2020	36

Note 18. Other financial liabilities

	2020 $'000	2019 $'000
Other financial liabilities - current	299	272
Other financial liabilities - non current	2,514	1,167
	2,813	1,439

Reconciliations
Other financial liabilities relates to customer deposits which are deferred over the finance lease term.

Reconciliations of other financial liabilities at the beginning and end of the current and previous financial year are set out below:

	$'000
Balance at 1 July 2018	-
Additions	1,439
Amounts recognised against finance receivable	-
Balance at 30 June 2019	1,439
Additions	1,466
Amounts recognised against finance receivable	(92)
Balance at 30 June 2020	2,813

Note 19. Equity - issued capital

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares - fully paid	75,695,122	67,195,122	24,334	9,800

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The Company successfully raised $15,000,000 through the issue of ordinary share capital during the financial year. During the course of this raising there was significant interest and subsequently a further $15,000,000 was raised. The Company then subsequently used the additional funds to repay $14,800,000 as shareholder sell downs. The equity raise incurred $914,000 in costs (net of recovered costs) recognised in equity.

Note 20. Equity – share based payment reserves

	2020 $'000	2019 $'000
Balance at 1 July	15	9
Share options granted in year	20	6
Share options vested and moved to ordinary shares	(3)	-
Employee share scheme reserve	32	15

Employee share scheme reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Note 21 Capital commitments

Capital commitments for plant and equipment
There were $10,192,000 (2019 - $2,654,000) in capital commitments relating to plant and equipment under construction.

Note 22. Financial instruments

	2020 $'000	2019 $'000
Financial assets at amortised cost		
Cash and cash equivalents	13,496	411
Finance lease receivables	15,483	7,968
Trade and other receivables	489	2,116
Financial liabilities at amortised cost		
Trade and other payables	288	46
Supplier finance arrangements	4,561	3,214
Contract liabilities	166	9
Lease liabilities	36	-
Other financial liabilities	2,813	1,439

None of the Company's financial instruments are subsequently measured at fair value at each reporting period.

Financial risk management objectives
The Company's activities expose it to a variety of financial risks included market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

Risk management is carried out by senior finance executives ('Finance') under frameworks approved by the Board of Directors ('the Board'). These frameworks include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits. Finance identifies and evaluates the financial risks for each of the Photon Assay units in operation and those under construction.

Market risk

Foreign currency risk
The Company undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. The Company has however determined the foreign currency risk exposure is currently not material to the Company.

Price risk
The Company is not exposed to any significant price risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a single customer and based on an assessment of expected allowances for credit loss, no exposure has been identified. The Company also protects its material contracts with customers by virtue of a guarantee from the customers highly liquid parent entity.

Liquidity risk
Liquidity risk management requires the Company to maintain sufficient liquid assets to fund plant and equipment acquisition growth. The Company carefully considers timing and lead time risks to manage timing of supplier payments, at the same time leveraging extended trade payable funding arrangements with its key suppliers, profiling working capital commitments over a similar term to the contractual cash inflows secured. The Company also manages its operating and investing requirements through the use of its equity capital structure as required, including net $14,278,000 raised during the financial year.

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	2020 $'000	2019 $'000
Audit services - Deloitte Touche Tohmatsu		
Audit of the financial statements	30	17

Note 24. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	2020 $'000	2019 $'000
Short-term employee benefits	552	408
Post-employment benefits	49	38
Long-term benefits	10	0
Share-based payments	2	6
	613	452

Note 25. Related party transactions

Parent entity
Chrysos Corporation Limited is the parent entity and the Company has no subsidiaries.

Key management personnel
Disclosures relating to key management personnel are set out in note 24.

Transactions with related parties
The following transactions occurred with related parties:

	2020 $'000	2019 $'000
Payment for other expenses:		
RFC Ambrian Limited	814	276

Fees paid during the year to related parties are on a gross basis, where RFC Ambrian fees expensed to the Company's accounts, after pass through of transaction costs on secondary share sales, totalled $214,000.

Receivable from and payable to related parties
There were no trade receivables from, or trade payables to, related parties at the current and previous reporting date.

Loans to/from related parties
There are no loans with any related parties.

Note 26. Reconciliation of loss after income tax to net cash used in operating activities

	2020 $'000	**2019 $'000**
Profit after income tax benefit for the year	3,046	2,694
Adjustments for:		
Depreciation and amortisation	432	360
Non - cash revenue from sale of goods and services	(8,343)	(7,959)
Non - cash raw materials and consumables used	1,527	3,591
Other non-cash items	3	6
Change in operating assets and liabilities:		
Increase in trade and other receivables	1,779	(639)
Increase in income tax refund	(1,186)	-
Increase in other assets	30	-
Increase in finance receivables	2,919	-
Increase in trade and other payables	1,747	51
Increase in other liabilities	(48)	-
Increase in employee benefits	65	32
Net cash used in operating activities	1,971	(1,864)

Note 27. Share-based payments

The Company's incentive program has been in place since 2016 and underpins a broader strategy of rewarding performance and retaining key talent.

The program is designed to assist in motivating and rewarding long term performance and teamwork towards the realisation of shared goals: growth in Chrysos's social impact and business success, and growth of the value of the business and share price towards realisation of a liquidity event.

No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

The share-based payment expense in relation to options and rights for 2020 is $20,000 (2019: $6,000).

<u>Equity-settled share option plan</u>

Set out below are summaries of options granted:

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Outstanding at the beginning of the financial year	7,269,878	$0.30	6,389,878	$0.20
Granted	897,500	$2.00	880,000	$1.00
Exercised	1,000,000	$0.20	-	$0.00
Forfeited	-	$0.00	-	$0.00
Outstanding at the end of the financial year	7,167,378	$0.52	7,269,878	$0.30

The options outstanding at 30 June 2020 had a weighted average exercise price of $0.52 (2019: $0.30), and a weighted average remaining contractual life of 1.93 years. In 2020, options were granted in April.

Performance rights for a total of 250,000 rights, remain unchanged from prior financial periods.

Note 28. Events after the reporting period

Due to the impact of COVID-19, the Company has seen two deployments of ChrysosTM PhotonAssay delayed by our major customer until late into financial year 2021. This delay has reduced revenue during the year ended 30 June 2020 as one of these units had been planned for deployment during the financial year just ended. The deferral of deployments of these two units is expected to result in a reduction of invoiced revenue during the next financial year. While it is believed operationally there will be some immaterial increased costs, the Company has been able to pivot to offer arrangements for deployments in Australia and emerging international markets. As at July 2020, Kirkland Lake Gold Australia Pty Ltd and the Company executed an Assay Purchase Agreement for the deployment of a ChrysosTM PhotonAssay unit at their Fosterville mine near Bendigo, Victoria. Kirkland Lake is a major global producer based in Canada, and the Fosterville mine is a highly successful gold producing site. This is the first direct mining customer of ChrysosTM PhotonAssay.

The Company has taken an internal focus to streamline operations during COVID-19. This has seen the Company, carefully considering measures to reduce costs, including review of contractor payments, delayed employee remuneration reviews and continuance of the Company’s non-payment of directors. The Company also used this time to reset timing of employee share grants, with the year ending 30 June 2021, completed in July 2020 in part to recognise both employee and director efforts during this challenging period. These grants are on the usual terms of the employee share program and totalled 660,000 options.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Chrysos Corporation Limited
Directors declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Robert Brett Boynton
Director

28 October 2020

Robert Henry Richard Adamson
Director

28 October 2020

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Independent Auditor's Report to the members of Chrysos Corporation Limited

Opinion

We have audited the financial report of Chrysos Corporation Limited (the "Company") which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) (including Independence Standards) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' 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.

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 on 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 – Reduced disclosures 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 ability of the Company 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 Company or to cease operations, or has 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 the 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 the Australian Auditing Standards – Reduced Disclosures, we exercise professional judgement 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 Company'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Joshua Tanchel
Partner
Chartered Accountants
Sydney, 28 October 2020