CHRYSOS CORPORATION
Assays at the speed of light

ANNUAL REPORT 2021

DRIVING GROWTH THROUGH INNOVATION

ABOUT US

Chrysos Corporation combines science and software to create technology solutions for the global mining industry.

With staff across Australia, North America and Africa, Chrysos' team of scientists, engineers and industry specialists blends innovation, technical expertise and superior customer service to create cutting-edge assay technologies and services that deliver the crucial operational data customers need to achieve better business outcomes.

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DIRECTORS' REPORT

The directors present their report, together with the reissued financial statements, of Chrysos Corporation Limited (referred to hereafter as the 'Company') for the year ended 30 June 2021.

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
> Kerry Jo-Anne Gleeson (appointed 15 July 2021)
> Dirk Moore Treasure (appointed 3 February 2022)

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

Chrysos' vision is to be the world's leading provider of innovative assay technologies and services. During the financial year the Company continued to expand via direct engagement with miners, including a deployment in Bendigo for Kirkland Lake Gold's use, partnering with Intertek in their Minerals Global Centre of Excellence to deploy multiple Chrysos PhotonAssay™ units and working with MSALABS.

This deployment schedule now confirms international growth on the base of seven Australian based PhotonAssay units, with a further five Australian units over the coming 14 months. Val d'Or Canada is the site of the current international deployment works, with this unit expected to be operational at the end of March, when it will be handed over to MSALABS.

To support the Company's growth strategy, Chrysos continued to invest in human capital, growing staff numbers from sixteen at 30 June 2020 to thirty at 30 June 2021. The growth profile reflects the sold deployment schedule and increased international footprint. Supporting this acceleration of growth and subsequent to the end of the financial year, the business has appointed two new members to executive team, being Kimberly Boland as Chief People Officer and Jasmin Chua, as Commercial Director. Additionally, Anand Sundaraj has been appointed as joint Company Secretary.

The COVID-19 pandemic continues to influence our operations with a focus on maintaining the safety and well-being of our team members. This includes developing and implementing COVID-19 safety processes across our Australian operations, but also implementing plans across global deployments.

The company continued to energise its safety-first values in both office and in the field, through its employee wellness program, team engagement schedule, training curriculum and skills development opportunities.

Research and Development activities continue to represent a considerable proportion of total expenses. These expenditure items support Chrysos' overarching Vision, enabling the development of new and enhanced technology solutions such as moisture measurement and copper analysis.

Chrysos' technology components, particularly linear accelerators, are long lead time items, taking up to 18 months from order. Accordingly, the Company continues to work on its supply chain to meet growth requirements and overcome current supply chain constraints (such as shipment delays and silicon shortages). To secure supply chain commitments the Company has, where appropriate, brought forward component orders and contracted separately for longer lead times. As at 30 June 2021, there were nine Chrysos PhotonAssay™ units on order with Nuctech, planned for delivery, installation and commissioning during calendar years 2021 and 2022. The manufacture and delivery of PhotonAssay units and financing continues to require considerable planning and foresight and at the time of writing there remains nine units on order and long lead time items for a further 8 units are ordered.

DIRECTORS' REPORT (CONTINUED)

Supporting growth, the Commonwealth Bank of Australia approved financing of $7.5m during the period, which has been partially drawn subsequent to 30 June 2021. The Company was also able to successfully raise $50m in equity in September 2021, the funds raised will directly support the deployment of more PhotonAssay units through to December 2022.

Chrysos operates a Product-as-a-Service business model, which means in addition to traditional financial metrics, the company looks closely at other metrics, such as invoiced revenue, Total Contract Value (TCV) and Annualised Recurring Revenue (ARR). At the close of the financial year the company has seen a 246% growth in TCV and the ARR exit rate for 30 June 2022 is up 142% to $17.4m, at time of writing.

		FY21 (restated) $M	FY20 (restated) $M	% Change
Prospective Financial Information (non-IFRS)				
Recurring Revenue	ARR (FY Exit Rate)*	11.3	4.4	157%
	TCV**	102.5	29.6	246%
Historical Financial Information (IFRS)				
Financial Metrics	Total revenue and other income	4.5	3.0	29%
	Loss after income tax benefit	(3.8)	(2.8)	37%

* ARR is calculated at month end, calculated for the next 12 months contracted invoicing, including the current month, which is subject to the Company's contractual performance obligations.

** TCV is the contracted value yet to be invoiced at a point in time, which are subject to the Company's contractual performance obligations. Including lease extension terms by lessee.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

During September, Chrysos completed a capital raising of $50,000,000 issuing 11, 111, 112 new ordinary shares ranking equally with existing shares. Concurrent to the capital raise, Chrysos employees exercised 744,444 vested options, with new equally ranking ordinary shares issued for these options.

The Company remains on track to deliver five Chrysos PhotonAssay™ units during the upcoming financial year, having handed over the company's seventh PhotonAssay unit, located on Barrick's Bulyanhulu mine in Tanzania.

The Company has added new PhotonAssay customers, with the addition of both EMR Capital and SGS Australia as direct Customers. Existing customers also continue to be a source of strong demand. Accordingly, the Company has secured additional PhotonAssay lease agreements across its customer base, bringing the Company's total number of units under committed lease agreements to 33.

The PhotonAssay unit contracted to Kirkland Lake Gold (KLG) has since been recontracted with On Site Laboratory Services Pty Ltd (OSLS) in which where KLG operated the unit. The Company expects that KLG will continue to use the unit through OSLS.

The Company has continued to see increased demand for PhotoAssay services, with all units now regularly operating in excess of minimum committed capacity.

Chrysos issued 550,000 options recognising both employee and director efforts. These grants are on the usual terms of the employee share program. The Company also extended the expiry date of 4,054,878 options issued to Founder and Chief Technology Officer, James Tickner for an additional 2 years. The 250,000 performance rights on issue, were exercised by Chief Executive Officer, Dirk Treasure on 4 February 2022 and converted to ordinary shares.

The Company has facilities of $7.5m of which $4.9m was drawn down in September 2021. Due to the restatement and reissuance of the financial statements for the year ended 30 June 2021, in which the Group changed its accounting for leases of its PhotonAssay machines as lessor from finance lease accounting to operating lease accounting, the Group would not have satisfied the covenant test at 31 December 2021 under the new accounting treatment, therefore the bank confirmed subsequent to year end that it was accepting of the Company's compliance with the covenant for the quarter ended 31 December 2021 under the previous accounting treatment. The Company does not expect to satisfy the existing covenants in future testing periods. As such, the Group has received a waiver from lenders relating to the 31 March 2022 testing date and is working with its bankers to amend the facility to accommodate the change in accounting treatment.

After drawing these funds, the Company has repaid $1,100,000 of higher interest customer prepayment funding.

The company incorporated the following wholly-owned subsidiaries during the period:

Company	Country of Incorporation	Date of Incorporation
Chrysos International Holdings Pty Ltd	Australia	27 October 2021
Chrysos CA Operations Limited	Canada	21 November 2021
Chrysos CA Holdings Limited	Canada	21 November 2021
Chrysos Operations Limited	Tanzania	23 February 2022

The formation of these entities is primarily for the Group to execute and continue its stated overseas expansion plans and operations.

No other matter or circumstance has arisen since 30 June 2021 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 finalisation and deployment of machinery currently under construction as at 30 June 2021.

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) MAICD
Experience and expertise:	Mr Adamson is an experienced Chairman and Director with a demonstrated history as a corporate adviser and investor in the resources and related industries sectors. He has over 35 years' professional experience, including 31 years in advisory and investment roles with RFC Group Companies. He has taken his deep industry knowledge and commercial nous and combined it with the outstanding technology developed by the CSIRO to co-found Chrysos Corporation. Mr Adamson is executive chairman of both RFC Ambrian Group Limited and RFC Ambrian Limited. He is also Chairman of NextOre Limited, a company owned by RFC Ambrian Group Limited, CSIRO and Advisian, formed to advance magnetic resonance ore sorting. He previously worked with Anglo America Corporation in South Africa.

DIRECTORS' REPORT (CONTINUED)

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 advised on transactions and raised capital for energy, resources and technology sector companies, both at IPO and on the secondary markets. In his executive capacity he has managed cross-border acquisitions, joint ventures and divestments of several projects. Mr Boynton is now an active angel and venture capital investor in Australian startup companies. Mr Boynton is founder and Chief Executive Officer of London-listed Tectonic Gold Plc and sits on the board of several private companies.

Name:	**Gock Loung Leong Mar**
Qualifications:	BSc (Hons) PhD
Experience and expertise:	Dr Mar has over 20 years of technical, commercial and entrepreneurial experience from research organisations, technology companies and one of the world's iconic science corporations. He is currently Commercial Director for the Missions Program at CSIRO and Investment Committee Member at Uniseed Investments. Prior to this, Dr Mar was with global science corporation DuPont for 10 years, serving in several roles including Manager of the Australia and New Zealand Technology Centre, Leader of the Corporate Business Growth and Innovation Teams and member of the Country Leadership team. During this time he led the development and commercialisation of technology solutions including multi-industry award winning solutions for the mining sector. Dr Mar has also held executive roles with several technology companies and has been appointed Visiting Fellow at University of New South Wales and Honorary Senior Fellow at University of Melbourne. He has a successful track record in identifying, developing and commercializing technology in different industry sectors and possesses broad knowledge across multiple scientific disciplines with a demonstrated ability to bridge research and industry.

Name:	**Ivan Gustavo Mellado**
Qualifications:	GAICD, Master of Law (IP), B.Business
Experience and expertise:	Mr Mellado is a company director and corporate advisor with particular expertise in technology/IP commercialisation, technology-driven corporate transactions and new venture development. He leads Mellado & Co Pty Ltd, a specialist advisory practice delivering strategy and hands-on expertise to Boards and Management of innovative, high growth technology commercialisation companies and research institutions. Mr Mellado brings over 25 years of experience in business development, strategic marketing, financing and general management, the last 15 of which have been focused on the commercialisation and early-stage growth of intellectual property-based ventures. He has served as a director on numerous early stage company boards and has acted for corporate clients and major research institutions on a wide range of commercialisation-related transactions including new venture development, IP licensing, capital raising and M&A.

Name:	**Eric Ford**
Qualifications:	GAICD, 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. He is currently a Non-Executive Director with Compass Minerals International (NYSE: CMP), where he 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. Mr Ford's prior experience includes numerous executive roles within globally recognised mining companies during a career that spans almost 50 years in the industry, including previous participation in the Coal Industry Advisory Board to the International Energy Agency. Mr Ford has led, built, and turned around complex businesses encompassing large workforces in diverse geographies, cultures, currencies, and languages. This has included all lifecycle phases from feasibility through to closure and final rehabilitation in highly regulated and unionised environments across three continents.

Name:	**Kerry J Gleeson**
Qualifications:	LLB (Hons), FAICD
Experience and expertise:	Ms Gleeson is an experienced Non-Executive Director following a 25-year career as a senior executive and as a lawyer in both the UK and Australia. She has significant experience in international governance, strategic mergers and acquisitions and complex corporate finance transactions, as well as in risk and crisis management. Ms Gleeson was a member of the Group Executive at Incitec Pivot Limited for 10 years until 2013, including as Company Secretary and General Counsel, with involvement across its international operations in explosives and chemicals, mining, transport and logistics. Ms Gleeson led Incitec Pivot's Corporate Affairs function across government, media and regulatory affairs as well as leading international crises responses and major environmental remediation projects, and the Group's Culture & Values and Diversity programs. Earlier in her career, Ms Gleeson practised as a corporate lawyer, with Blake Dawson Waldron (now Ashurst) in Melbourne after a 10 year legal career in the UK, including as a corporate finance and transactional partner in an English law firm, focusing on mergers and acquisitions and initial public offerings. Ms Gleeson was appointed to the board 15 July 2021.

Name:	**Dirk M Treasure**
Qualifications:	
Experience and expertise:	Mr Treasure has been an active member of the mining industry since 2006. He is a metallurgist with both technical and corporate experience, with a background in mining related research and development. Mr Treasure spent seven years in novel metallurgical process design, employed by service providers and mining companies directly. He has designed, built, and managed pilot plants across various deployment scales for hydrometallurgical, pyrometallurgical and electrolytic technologies. During his time as Operations Manager of ABR Process Development, he oversaw development of technology from conceptual design to commercial application. His technical experience includes working as the high pressure acid leach Metallurgist for First Quantum's Ravensthorpe Nickel Operations, project technologist for Metals Finance Australia and Operations Manager for ABR Process Development. He is also a member of AusIMM and AICD. As Chrysos' Founding CEO, Mr Treasure has led the Company since operations began in 2017 and, while working within RFC Ambrian, he oversaw Chrysos' seed capital raising, Company formation and managed the acquisition of the underlying PhotonAssay technology from Australia's national science agency, CSIRO.

DIRECTORS' REPORT (CONTINUED)

Company secretaries

Name:	Brett Anthony Coventry
Qualifications	BAcc, GDip Co Sec Prac, MBA (Deakin), CPA, FGIA, FCIS, MAICD
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.

Name:	Anand Sundaraj
Qualifications	BSc LLB (Hon)
Experience and expertise:	Mr Sundaraj is a corporate lawyer with over 20 years' experience. He is a principal of Sydney-based law firm, Sundaraj & Ker. Mr Sundaraj has worked for a number of pre-eminent law firms including Herbert Smith Freehills, King & Wood Mallesons, and Allen & Overy, as well as global investment bank, Credit Suisse AG. Mr Sundaraj holds a Bachelor of Laws (with Honours) and a Bachelor of Science from Monash University and is admitted as a solicitor of the Supreme Courts of New South Wales and Victoria.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') and Committees of Directors held during the year ended 30 June 2021, is as follows:

Director's Name	Board Meetings		Audit and Finance Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Robert Adamson	6	6	3	3	–	–
Eric Ford	6	6	3	3	6	6
Ivan Mellado	6	6	–	–	6	6
Brett Boynton	6	6	3	3	6	6
Gock Loung Leong Mar	6	6	–	–	–	–
Kerry Gleeson	–	–	–	–	–	–
Dirk Treasure	–	–	–	–	–	–

Ms Gleeson was appointed as a Director 15 July 2021 and Mr Treasure was appointed as a Director 3 February 2022 and neither were eligible to attend any meetings during the financial year ended 30 June 2021.

Where:

Column A is the number of meetings the Director was entitled to attend; and Column B is the number of meetings the Director attended

Subsequent to the end of the financial year, the Board has revisited the Committee structure to ensure the most effective governance of the Company and future Committees will consist of the following:

> Audit, Finance and Risk Committee;
> Environmental, Safety, Social and Corporate Governance Committee; and
> Remuneration and Nominations Committee.

SHARES UNDER OPTION

There are 7,577,934 options outstanding at the date of this report which have a weighted average exercise price of $0.66.

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.

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 on page 8 and forms part of this directors report.

AUDITOR

KPMG has been appointed 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

Dirk Moore Treasure
Director

18 March 2022

Robert Henry Richard Adamson
Director

18 March 2022

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Chrysos Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Chrysos Corporation Limited for the financial year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Adrian Nathanielsz

Partner

Melbourne

16 March 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	30 June 2021 (restated) Note 4 $'000	30 June 2020 (restated) Note 4 $'000
Revenue and other income			
Operating lease income	5A	4,341	2,794
Proof-of-concept revenue	5B	47	41
Other income	5C	80	153
Finance income		**62**	**52**
Expenses			
Maintenance costs		(786)	(451)
Employee benefit expenses		(3,695)	(2,087)
Consulting fees		(40)	(155)
Travel and marketing costs		(259)	(306)
Legal fees		(176)	(120)
Other expenses		(605)	(442)
Depreciation and amortisation expense	6	(2,343)	(1,905)
Finance costs	6	(468)	(388)
Loss before income tax		**(3,842)**	**(2,814)**
Income tax benefit	7	–	–
Loss for the year		**(3,842)**	**(2,814)**
Other comprehensive income for the year		–	–
Total comprehensive loss for the year attributable to the owners		**(3,842)**	**(2,814)**
From continuing operations			
Basic and diluted loss per share	27	($0.051)	($0.039)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	30 June 2021 (restated) Note 4 $'000	30 June 2020 (restated) Note 4 $'000	1 July 2019 (restated) Note 4 $'000
Current assets				
Cash and cash equivalents	8	5,768	13,496	411
Trade and other receivables	9	1,024	681	2,117
Current tax asset		957	1,186	489
Other current assets		44	19	1
Prepayments		2,119	–	–
		9,912	**15,382**	**3,018**
Non-current assets				
Plant and equipment	10	18,775	10,079	6,660
Security deposits		–	–	30
Right of use assets	11	130	30	–
Intangible assets	12	695	496	846
		19,600	**10,605**	**7,536**
Total assets		**29,512**	**25,987**	**10,554**
Current liabilities				
Trade and other payables	13	7,706	2,523	840
Lease liabilities	15	136	36	–
Employee benefits		573	138	93
Other financial liabilities	16	358	299	272
Provisions	17	1,194	480	–
		9,967	3,476	1,205
Non-current liabilities				
Trade and other payables	13	2,489	2,426	2,300
Employee benefits		27	19	–
Other financial liabilities	16	2,647	2,514	1,167
Provisions	17	154	68	–
		5,317	5,027	3,467
Total liabilities		15,284	8,503	4,672
Net assets		14,228	17,484	5,882
Equity				
Issued capital	18	24,081	24,081	9,800
Accumulated losses		(10,589)	(6,747)	(3,933)
Share-based payment reserve	19, 26	736	150	15
Total equity		**14,228**	**17,484**	**5,882**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued capital (restated) Note 4	Accumulated losses (restated) Note 4	Share-based payments reserve (restated) Note 4	Total (restated) Note 4
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2019 as previously reported	**9,800**	**(2,923)**	**15**	**6,892**
Adjustment (Note 4)	–	(1,010)	–	(1,010)
Balance at 1 July 2019 as restated	**9,800**	**(3,933)**	**15**	**5,882**
Loss for the year	–	(2,814)	–	(2,814)
Total comprehensive loss for the year	–	(2,814)	–	(2,814)
Share-based payments	3	–	135	138
Issued shares	15,200	–	–	15,200
Equity raising costs, net of tax	(922)	–	–	(922)
Balance at 30 June 2020	**24,081**	**(6,747)**	**150**	**17,484**
Loss for the year	–	(3,842)	–	(3,842)
Total comprehensive loss for the year	–	(3,842)	–	(3,842)
Share-based payments	–	–	586	586
Issued shares	–	–	–	–
Equity raising costs, net of tax	–	–	–	–
Balance at 30 June 2021	**24,081**	**(10,589)**	**736**	**14,228**

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 (restated) Note 4 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,479	6,200
Payments to suppliers (inclusive of GST)		(4,928)	(4,071)
Cash used in operations		(449)	2,129
Research and development refund received		1,186	–
Interest paid		(186)	(159)
Income tax refund/(paid)		–	–
Net cash from operating activities	**25**	**551**	**1,970**
Cash flows from investing activities			
Interest received		62	52
Purchases of intangibles		(973)	–
Purchases of property, plant and equipment		(7,100)	(3,072)
Net cash used in investing activities		**(8,011)**	**(3,020)**
Cash flows from financing activities			
Proceeds from issue of share capital		–	14,278
Repayment of lease liabilities		(72)	(52)
Repayment of other borrowings		(196)	(91)
Net cash from financing activities		**(268)**	**14,135**
Net cash increase in cash and cash equivalent		**(7,728)**	**13,085**
Cash and cash equivalents at 1 July		13,496	411
Cash and cash equivalents at 30 June	**8**	**5,768**	**13,496**

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2021

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
Thomson Geer Lawyers
Level 5, 19 Currie Street
Adelaide SA 5000

Principal place of business
Waite Road
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.

These reissued financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2022. They replace the financial statements for the year ended 30 June 2021 that were originally issued on 4 November 2021 – refer to Note 4 for further information on the reissue and restatement of these financial statements. 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.

Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its liabilities.

The Group has recognised a net loss after tax for the year of $3,842,000* (2020: $2,814,000*) *Restated – Note 4, and has a current asset deficiency at 30 June 2021 of $55,000*) *Restated – Note 4, primarily driven by investing in additional Photon Assay units for deployment during the year, the assets of which are classified as non-current (30 June 2020: current asset surplus of $11,906,000*) *Restated – Note 4.

The Company has facilities of $7.5m of which $4.9m was drawn down in September 2021. Due to the restatement and reissuance of the financial statements for the year ended 30 June 2021, in which the Group changed its accounting for leases of its PhotonAssay machines as lessor from finance lease accounting to operating lease accounting, the Group would not have satisfied the covenant test at 31 December 2021 under the new accounting treatment, therefore the bank confirmed subsequent to year end that it was accepting of the Company's compliance with the covenant for the quarter ended 31 December 2021 under the previous accounting treatment. The Company does not expect to satisfy the existing covenants in future testing periods. As such, the Group has received a waiver from lenders relating to the 31 March 2022 testing date, and is working with its bankers to amend the facility to accommodate the change in accounting treatment. Additionally, the Company issued ordinary share capital also in September 2021, raising an additional $50,000,000 to continue to accelerate the growth in deployment of additional finance lease units.

Based on these factors, the Directors have a reasonable expectation that the Company has and will have adequate resources to continue in operational existence for the foreseeable future and pay its debts as and when they become due and payable.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with the Australian Accounting Standards Tier 1 Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities that have public accountability. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These are the entity's first financial statements prepared in accordance with Australian Accounting Standards (AASBs) – Tier 1 and AASB 1 First-time Adoption of Australian Accounting Standards has been applied. As the entity has previously complied with all the recognition, measurement and classification requirements of Australian Accounting Standards and has not elected any options under AASB 1, there is no impact on the reported financial position, financial performance and cash flows of the entity.

The change in the basis of preparation of these financial statements resulted in an increase in the level of disclosures as required by the Australian Accounting Standards.

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.

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.

Revenue recognition

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.

The Company recognises revenue as follows:

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.

Operating lease income

Minimum operating lease income from PhotonAssay units comprises the Minimum Monthly Assay Payment (MMAP) which is recognised as income over the lease term on a straight-line basis for the commitment of the Company to provide the PhotonAssay machine for use by the lessee. Any claims for warranty, where the machines are not available for the minimum availability as agreed under the lease are deducted from the MMAP if and when they are claimed by the lessee and agreed to by the Company in accordance with the lease agreement.

Variable operating lease income arises from assay volumes that occur in-excess of the minimum monthly volume agreed in the lease and are recognised on a monthly basis in the month that those excess volumes occur.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other revenue

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

Government grant income

During the year the Company received payments from both the Australian Federal, South Australian and Queensland government's amounting to $86,000 (2020: $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 continued to remain in-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.

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 refundable research and development tax credits in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance.*

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any 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.

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.

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	10 years	
Deployed Photon Assay Units on a component basis	> Linear Accelerators	10 years
	> Automation Equipment	5 years
	> Shielding and Housing	20 years
	> Non-significant components	10 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

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

The expected finite life of acquired intellectual property is 5 years.

Internally developed software and hardware IP, where expenditure is incurred on the research phase of projects to develop new technologies and solutions is recognised as an expense as incurred.

Costs that are directly attributable to analytics, tools or hardware IP during its development phase are recognised as capitalised development expenditure, provided they meet the following recognition requirements:

> the development costs can be measured reliably;
> the project is technically and commercially feasible;
> the company intends to and has sufficient resources to complete the project;
> the company has the ability to use or sell the IP created; and
> the software/hardware will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs and costs incurred on analytics and tools or hardware IP development.

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 internally develop analytics and tools or hardware is 10 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined contribution superannuation expense

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

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Further detail on the provision for payroll tax is set out in Note 17.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Leases

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

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 and include:

Effective Date	New Standard or Amendments
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The impact of these amendments is still being considered by the Company.

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.

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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.

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.

Useful life of PhotonAssay units

The Company regularly considers the useful life of the PhotonAssay units, which is now primarily aligned to the useful life of the linear accelerator (linac). The Company has changed its estimate of the useful life of the linac in the current year from 5 to 10 years, based on maintenance and service experience of deployed units to date. Other significant components have been assessed as having different useful lives to this, with shielding having a longer useful life of 20 years and components of automation considered to have a shorter useful life of 5 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 deployed, risk of technological obsolescence, operational and business performance and market conditions.

Research and development expenses

Expenditure during the research phase of a project is recognised as an expense as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Provision for payroll taxes

The provision for payroll tax is the Company's best estimate of its future liability for payroll tax on share-based payments that have been granted prior to reporting period end and remain unexercised. The liability is based estimate based on the current fair value of shares in the Company at balance date, using recent share transaction prices and other information that is relevant to the valuation of the Company, including the progress in executing new leasing arrangements as lessor and status of negotiations with new lessees, amongst other information. As the date at which the liability crystalises is uncertain, and contingent upon the holder when and if a holder exercises, the fair value of the instruments at the time of exercise is currently unknown, and consequently the amount payable for associated payroll tax could be greater or less than the estimate provided for. Refer to Note 17 for further information.

Leases of PhotonAssay units as lessor

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease term is for the major part of the economic life of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Significant judgement is required to determine the lease term. Consideration has been given to the non-cancellable periods and early cancellation penalties contained within the leasing arrangements and it has been determined that the lease term is not a major part of the economic life of the underlying unit being leased. On this basis, amongst other factors, all current leases have determined to be operating leases.

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS

Subsequent to the issuance of the financial statements for the financial year ended 30 June 2021, and in connection with the finalisation of the financial statements for the interim period ending 31 December 2021, classification of leases has been reconsidered and the financial statements for 30 June 2021 have been reissued. The Company has restated for lease classification and other errors that were identified in the accounts and the 30 June 2021 accounts have been corrected by restating each of the affected line items in the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, and Statement of Cash Flows for both the current and prior periods presented. The nature of each adjustment is described below:

(i) Reclassification of finance leases as lessor

Previously, four out of five lease arrangements that commenced prior to 30 June 2021 were accounted for as finance leases. This resulted in the net present value of all future lease payments over the expected lease term being recognised in the statement of financial position as a finance lease receivable and the difference between that and the cost of the Photon Assay machine being recognised in the Statement of Profit or Loss as selling profits on finance leases.

Subsequent to the issuance of the financial statements for the year ended 30 June 2021, the Company has reconsidered its key judgements made in respect of classifying leasing arrangements (as lessor) for its Photon Assay machines and concluded that these leases should be classified as operating leases. Accounting for operating leases involves recognising the equipment that is subject to the lease as property, plant and equipment and recognising the operating lease income on a straight-line basis over the term of the lease.

The changes are summarised as:

> Previously recognised finance lease receivables have been derecognised under operating lease accounting;

> Trade and other receivables previously formed part of the finance lease receivables, and have now been separately presented as trade and other receivables;

> Inventory and work in progress has been reclassified to property, plant and equipment;

> Cumulative selling profits on finance leases through to 30 June 2021 have been reversed, with operating lease income recognised in the relevant periods. The costs of machines previously included in this amount have been recognised as ‘Deployed units’ under ‘Property, plant and equipment’ at cost and depreciated;

> Customer claims for any reduced machine availability during the lease term which were previously recognised as an expense in other expenses, have been reclassified as a deduction from operating lease income in the Statement of Profit or Loss and Other Comprehensive Income;

> Maintenance provided under the lease arrangements were previously considered a non-lease component and accounted for separately under AASB 15 *Revenue from Contracts with Customers* when the leases were characterised as finance leases. This is now accounted for as part of the operating lease as the use of the leased assets are highly dependent and interrelated with the maintenance services;

> Interest income previously recognised on the unwinding of the discount on the finance lease receivables has been reversed;

> The tax impact of the above; and

> The previous accounting for the leases as finance leases led to the recognition of a net deferred tax liability overall for the Company which was previously recognised in the Statement of Financial Position as at 1 July 2019, 30 June 2020 and 30 June 2021. As a result of the restatement, the deferred tax liability has been reversed and a net deferred tax asset has resulted as at 1 July 2019, 30 June 2020 and 30 June 2021 (refer Note 7). However, the net deferred tax asset has not been recognised because, partially as a consequence of the accelerated tax depreciation currently available for the Company’s investments in PhotonAssay machines, at balance date it was not considered probable that future taxable profits will be available in the 2 year forecast period.

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

(ii) Share based payments

Performance rights granted to Key Management Personnel in the year ended 30 June 2020 were previously not accounted for. As a result, share based payments expense and the related share based payments reserve were understated by $118,000 for the year ended 30 June 2020 and by $192,000 for the year ended 30 June 2021. The Key Management Personnel Disclosures have also been amended accordingly (refer Note 23).

(iii) Provision for payroll tax liability on share-based payments

The Company is liable to payroll tax on share-based payments that were granted from 2017 through to 30 June 2021, for which no provision was previously been recognised. The liability is calculated based on the difference between the fair value of the instrument issued and its exercise price at either the exercise date by the holder or the 7th anniversary from the grant date, whichever occurs earlier. An estimate of this liability should have been recognised at previous reporting periods based on the facts and circumstances at each reporting date. Based on management's assessment, the following amounts have been restated as at and for the years ended 30 June 2020 and 30 June 2021, and have been disclosed as at non-current where the instrument's vesting date does not occur until at least 12 months post the relevant reporting period end:

		As at		Year ended
Year ended	**Current provision $'000**	**Non-current provision $'000**	**Total $'000**	**Period Expense $'000**
30 June 2020	480	68	548	548
30 June 2021	1,194	154	1,348	800

(iv) Statement of cash flows

Salaries and wages of $973,000 capitalised as intangibles in the year ended 30 June 2021 were previously reported as an operating cash flow and have been reclassified as purchase of intangibles as part of investing cash flows.

A number of other errors that were previously not considered as material in the context of the previously reported results have now been restated in these reissued financial statements. These are summarised below:

(v) R&D refundable tax offset

An amount of $1,183,0000 of refundable R&D tax offset was previously recorded as an income tax benefit for the year ended 30 June 2020, whereas $489,000 of this amount should have been recorded in the year ended 30 June 2019 and recognised as a current tax asset receivable as at 1 July 2019. The remaining $694,000 which was recorded in the Statement of Profit and Loss and Other Comprehensive Income in income tax expense has been reclassified to reduce employee benefits expense in accordance with AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* for the year ending 30 June 2020.

(vi) Discount on Supplier extended terms payable

Supplier payables for the acquisition of deployed units under extended payment terms were not previously discounted, resulting in an overstatement of property, plant and equipment and trade and other payables, and an understatement of finance costs. As a result, the carrying value of deployed units has been reduced by $431,000 as at 1 July 2019, $570,000 at 30 June 2020 and $775,000 as at 30 June 2021. The carrying amount of trade and other payables has been reduced by $412,000 as at 1 July 2019, $350,000 at 30 June 2020 and $273,000 as at 30 June 2021. Additional finance costs of $19,000 have been recognised in opening retained losses at 1 July 2019 and $201,000 and $282,000 has been recognised for the year ending 30 June 2020 and 30 June 2021 respectively. Consequential tax and depreciation adjustments have also been made.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

A summary of the restatement as at 1 July 2019, the beginning of the earliest comparative period is set out below:

Statement of Financial Position as at 1 July 2019	Note	Previously Reported $'000's	Adjustment (i) $'000's	Adjustments $'000's	Restated $'000's
Current assets					
Cash and cash equivalents		411	-	-	411
Trade and other receivables		2,117	-	-	2,117
Current tax asset	(v)	-	-	489	489
Finance lease receivable	(i)	1,209	(1,209)	-	-
Other current assets		1	-	-	1
		3,738	**(1,209)**	**489**	**3,018**
Non-current assets					
Plant and equipment	(i),(vi)	967	6,124	(431)	6,660
Finance lease receivable	(i)	6,759	(6,759)	-	-
Right of use assets		-	-	-	-
Intangible assets		846	-	-	846
Security deposit		30	-	-	30
Deferred tax asset		-	-	-	-
		8,602	**(635)**	**(431)**	**7,536**
Total assets		**12,340**	**(1,844)**	**58**	**10,554**
Current liabilities					
Trade and other payables	(vi)	980	-	(140)	840
Contract liabilities	(i)	9	(9)	-	-
Lease liabilities		-	-	-	-
Employee benefits		93	-	-	93
Provisions		-	-	-	-
Other financial liabilities		272	-	-	272
		1,354	**(9)**	**(140)**	**1,205**
Non-current liabilities					
Trade and other payables	(vi)	2,572	-	(272)	2,300
Employee benefits		-	-	-	-
Other financial liabilities		1,167	-	-	1,167
Deferred tax liability	(i)	355	-	(355)	-
Provisions		-	-	-	-
		4,094	**-**	**(627)**	**3,467**
Total liabilities		**5,448**	**(9)**	**(767)**	**4,672**
Net assets		**6,892**	**(1,835)**	**825**	**5,882**
Equity					
Issued capital		9,800	-	-	9,800
Accumulated profits/(losses)	(i), (v)	(2,923)	(1,835)	825	(3,933)
Share-based payment reserve		15	-	-	15
Total equity		**6,892**	**(1,835)**	**825**	**5,882**

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

A summary of the restatement as at and for the year ended 30 June 2020 is set out below:

Statement of Financial Position as at 30 June 2020	Note	Previously Reported $'000's	Adjustment (i) $'000's	Adjustments $'000's	Restated $'000's
Current assets					
Cash and cash equivalents		13,496	-	-	13,496
Trade and other receivables	(i)	-	681	-	681
Current tax asset		1,186	-	-	1,186
Finance lease receivable	(i)	2,995	(2,995)	-	-
Other current assets		19	-	-	19
		17,696	**(2,314)**	**-**	**15,382**
Non-current assets					
Plant and equipment	(i),(vi)	2,483	8,166	(570)	10,079
Finance lease receivable	(i)	12,488	(12,488)	-	-
Right of use assets		30	-	-	30
Intangible assets		496	-	-	496
Deferred tax asset		-	-	-	-
		15,497	**(4,322)**	**(570)**	**10,605**
Total assets		**33,193**	**(6,636)**	**(570)**	**25,987**
Current liabilities					
Trade and other payables	(vi)	2,707	-	(184)	2,523
Contract liabilities	(i)	166	(166)	-	-
Lease liabilities		36	-	-	36
Employee benefits		138	-	-	138
Provisions	(iii)	-	-	480	480
Other financial liabilities		299	-	-	299
		3,346	**(166)**	**296**	**3,476**
Non-current liabilities					
Trade and other payables	(vi)	2,592	-	(166)	2,426
Employee benefits		19	-	-	19
Other financial liabilities		2,514	-	-	2,514
Deferred tax liability	(i)	233	122	(355)	-
Provisions	(iii)	-	-	68	68
		5,358	**122**	**(453)**	**5,027**
Total liabilities		**8,704**	**(44)**	**(157)**	**8,503**
Net assets		**24,489**	**(6,592)**	**(413)**	**17,484**
Equity					
Issued capital		24,334	(253)	-	24,081
Accumulated profits/(losses)	(i), (ii), (iii), (v), (vi)	123	(6,339)	(531)	(6,747)
Share-based payment reserve	(ii)	32	-	118	150
Total equity		**24,489**	**(6,592)**	**(413)**	**17,484**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

Statement of Profit or Loss and Other Comprehenisve Income for the year ended 30 June 2020	Note	Previously Reported $'000's	Adjustment (i) $'000's	Adjustments $'000's	Restated $'000's
Revenue and other income					
Operating lease income	(i)	-	2,794	-	2,794
Revenue	(i)	53	(12)	-	41
Other income		153	-	-	153
Selling profit on finance leases	(i)	4,631	(4,631)	-	-
Finance income	(i)	1,362	(1,310)	-	52
Expenses			-	-	
Maintenance costs		(451)	-	-	(451)
Employee benefit expenses	(ii), (iii), (v)	(2,115)	-	28	(2,087)
Consulting Fees		(155)	-	-	(155)
Travel and marketing costs		(306)	-	-	(306)
Legal fees		(120)	-	-	(120)
Other Expenses		(442)	-	-	(442)
Depreciation and amortisation expense	(i), (vi)	(432)	(1,473)	-	(1,905)
Finance Costs	(vi)	(187)	-	(201)	(388)
Loss before income tax		**1,991**	**(4,632)**	**(173)**	**(2,814)**
Income tax benefit/(expense)	(i), (iii), (v)	1,055	128	(1,183)	-
Loss for the year		**3,046**	**(4,504)**	**(1,356)**	**(2,814)**
Other comprehensive income for the year		-	-	-	-
Total comprehensive loss for the year attributable to the owners		**3,046**	**(4,504)**	**(1,356)**	**(2,814)**
From continuing operations					
Basic and diluted loss per share		$ 0.042	$(0.062)	$(0.019)	$(0.039)

There were no impacts of the restatements on the Statement of Cash Flows for the year ended 30 June 2020.

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

A summary of the restatement as at and for the year ended 30 June 2021 is set out below:

Statement of Financial Position as at 30 June 2021	Note	Previously Reported $'000's	Adjustment (i) $'000's	Adjustments $'000's	Restated $'000's
Current assets					
Cash and cash equivalents		5,768	-	-	5,768
Trade and other receivables	(i)	219	805	-	1,024
Current tax asset		957	-	-	957
Finance lease receivable	(i)	4,377	(4,377)	-	-
Other current assets		44	-	-	44
Inventory and WIP	(i)	2,688	(2,688)	-	-
Prepayments		2,119	-	-	2,119
		16,172	**(6,260)**	**-**	**9,912**
Non-current assets					
Plant and equipment	(i),(vi)	3,256	16,294	(775)	18,775
Finance lease receivable	(i)	24,566	(24,566)	-	-
Right of use assets		130	-	-	130
Intangible assets		695	-	-	695
Deferred tax asset	(i)	-	-	-	-
		28,647	**(8,272)**	**(775)**	**19,600**
Total assets		**44,819**	**(14,532)**	**(775)**	**29,512**
Current liabilities					
Trade and other payables	(vi)	8,220	-	(514)	7,706
Contract liabilities	(i)	203	(203)	-	-
Lease liabilities		136	-	-	136
Employee benefits		573	-	-	573
Provisions	(iii)	-	-	1,194	1,194
Other financial liabilities		358	-	-	358
		9,490	**(203)**	**680**	**9,967**
Non-current liabilities					
Trade and other payables	(vi)	2,248	-	241	2,489
Employee benefits		27	-	-	27
Other financial liabilities		2,647	-	-	2,647
Deferred tax liability	(i)	1,565	(1,210)	(355)	-
Provisions	(iii)	-	-	154	154
		6,487	**(1,210)**	**40**	**5,317**
Total liabilities		**15,977**	**(1,413)**	**720**	**15,284**
Net assets		**28,842**	**(13,119)**	**(1,495)**	**14,228**
Equity					
Issued capital		24,334	(253)	-	24,081
Accumulated losses	(i),(ii), (iii), (v), (vi)	4,082	(12,866)	(1,805)	(10,589)
Share-based payment reserve	(ii)	426	-	310	736
Total equity		**28,842**	**(13,119)**	**(1,495)**	**14,228**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

Statement of Profit or Loss and Other Comprehenisve Income for the year ended 30 June 2021	Note	Previously Reported $'000's	Adjustment (i) $'000's	Adjustments $'000's	Restated $'000's
Revenue and other income					
Operating lease income	(i)	372	3,969	-	4,341
Revenue	(i)	354	(307)	-	47
Other income	(i)	193	(113)	-	80
Selling profit on finance leases	(i)	8,798	(8,798)	-	-
Finance income	(i)	1,619	(1,557)	-	62
Expenses			-	-	
Maintenance costs		(786)	-	-	(786)
Employee benefit expenses	(ii), (iii)	(2,703)	-	(992)	(3,695)
Consulting Fees		(40)	-	-	(40)
Travel and marketing costs		(259)	-	-	(259)
Legal fees		(176)	-	-	(176)
Other Expenses	(i)	(926)	321	-	(605)
Depreciation and amortisation expense	(i), (vi)	(969)	(1,374)	-	(2,343)
Finance Costs	(vi)	(186)	-	(282)	(468)
Loss before income tax		**5,291**	**(7,859)**	**(1,274)**	**(3,842)**
Income tax benefit/(expense)	(i)	(1,332)	1,332	-	-
Loss for the year		**3,959**	**(6,527)**	**(1,274)**	**(3,842)**
Other comprehensive income for the year		-	-	-	–
Total comprehensive loss for the year attributable to the owners		**3,959**	**(6,527)**	**(1,274)**	**(3,842)**
From continuing operations					
Basic and diluted loss per share		$ 0.052	$(0.086)	$(0.017)	$(0.051)

NOTE 4: RESTATEMENT AND REISSUANCE OF FINANCIAL STATEMENTS (CONTINUED)

Statement of Cash Flows as at 30 June 2021	Previously Reported $'000's	Adjustment (iv) $'000's	Restated $'000's
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	4,479	-	4,479
Payments to suppliers (inclusive of GST)	(5,901)	973	(4,928)
Cash used in operations	(1,422)	973	(449)
Research and development refund received	1,186	-	1,186
Interest paid	(186)	-	(186)
Income tax refund/(paid)	-	-	-
Net cash used in operating activities	(422)	973	551
Cash flows from investing activities			
Interest received	62	-	62
Purchase of intagibles	-	(973)	(973)
Purchases of property, plant and equipment	(7,100)	-	(7,100)
Net cash used in investing activities	(7,038)	(973)	(8,011)
Cash flows from financing activities			
Proceeds from issue of share capital	-	-	-
Repayment of lease liabilities	(72)	-	(72)
Repayment of other borrowings	(196)	-	(196)
Net cash from financing activities	(268)	-	(268)
Net cash increase in cash and cash equivalent	(7,728)	-	(7,728)
Cash and cash equivalents at 1 July	13,496	-	13,496
Cash and cash equivalents at 30 June	5,768	-	5,768

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: REVENUE AND OTHER INCOME

The Company generates revenue primarily from deployment of PhotonAssay units with it customers. Under each contract for deployment the Company assess the terms to understand where substantially all of the risks and rewards incidental to ownership lie. When the risks and rewards of ownership lie with the Company, revenue is recognised as operating lease income (see Note 5A). When the risk and rewards of ownership lie with the customer, the asset is considered as a finance lease. Currently, all lease arrangements are categorised as operating leases. A maturity analysis for operating leases as lessor is set out in Note 14.

NOTE 5A: OPERATING LEASE INCOME

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Operating lease income – minimum lease payments	4,228	2,794
Operating lease income – variable lease payments	113	–
	4,341	**2,794**

NOTE 5B: REVENUE

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Revenue recognised at a point in time	47	41

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

NOTE 5C: OTHER INCOME

	30 June 2021 (restated) Note 4	30 June 2020
	$'000's	**$'000's**
Government grants	86	152
Gains/(losses) on foreign currency	(6)	1
	80	**153**

NOTE 5D: SEGMENT INFORMATION

The Company currently operates in one sector being mining services in Australia and therefore the Company's financial information is currently considered as one operating segment. The company's non-current assets are all located in Australia. The company's operating lease income is wholly derived from PhotonAssay machines wholly deployed in Australia. Operating lease income from one major customer represented 86% of total operating lease income (2020: 100%).

NOTE 6: EXPENSES

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Loss before income tax includes the following specific expenses: Depreciation		
Plant and Equipment	42	28
Deployed units	1,880	1,473
Total depreciation – property, plant and equipment	**1,922**	**1,501**
Right-of-use assets	71	54
Total Depreciation	**1,993**	**1,555**
Amortisation		
Intellectual Property	350	350
Total amortisation	**350**	**350**
Total Depreciation and amortisation	**2,343**	**1,905**
Finance costs		
Interest and finance charges paid/payable on other liabilities	461	384
Interest and finance charges paid/payable on lease liabilities	5	4
Finance costs expensed	**468**	**388**
Leases		
Short-term lease payments	14	27
Superannuation on defined contribution funds	**290**	**191**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: INCOME AND DEFERRED TAX

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Income tax benefit/(expense)		
Current tax benefit/(expense)	3,376	24
Deferred tax – origination and reversal of temporary differences	(2,790)	1,489
Less: Temporary differences and tax losses not brought to account	(586)	(1,513)
Aggregate income tax (expense)/benefit	**–**	**–**
Deferred tax included in income tax benefit comprises:		
Decrease/(increase) in deferred tax asset	–	–
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(3,842)	(2,814)
Tax benefit at the statutory tax rate of 26% (2020: 27.5%)	(999)	(774)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development expenditure subject to R&D tax incentive and not deductible	319	441
R&D refund included in salaries & wages not assessable	(126)	(192)
Other non-assessable and non-deductible items	220	490
	413	(739)
Temporary differences and tax losses not brought to account	586	1,513
Income tax benefit	**–**	**–**
Deferred tax asset/(liability)		
Plant and equipment	(2,400)	622
Intangible assets	329	309
Employer provisions	57	43
Trade and other payables	402	186
Lease liabilities	9	10
Equity raising costs	193	204
Tax losses	4,642	1,266
Prepayments	(6)	–
ROU Asset	(8)	(8)
Subtotal	**3,218**	**2,632**
Less: deferred tax assets not recognised	(3,218)	(2,632)
Deferred tax asset	**–**	**–**

NOTE 7: INCOME AND DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom:

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Deductible temporary differences	253	1,366
Tax losses	2,965	1,266
	3,218	**2,632**

The deductible temporary differences and tax losses do not expire under current tax legislation. The gross amounts of deferred tax assets in relation to deductible temporary differences and tax losses that have not been recognised are:

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Deductible temporary differences	1,012	5,155
Tax losses	11,860	4,777
	12,872	**9,932**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: INCOME AND DEFERRED TAX (CONTINUED)

Movements in deferred tax balances are shown below:

	Net balance at 1 July 2020 (restated) Note 4	Recognised in profit or loss (restated) Note 4	Recognised in OCI (restated) Note 4	Recognised directly in equity (restated) Note 4	Other (restated) Note 4	Net at 30 June 2021 (restated) Note 4	Deferred tax assets (restated) Note 4	Deferred tax liabilities (restated) Note 4
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Movement in unrecognised deferred tax balances								
Plant and equipment	622	(3,022)	–	–	–	(2,400)	–	(2,400)
Intangible assets	309	20	–	–	–	329	329	–
Employer provisions	43	14	–	–	–	57	57	–
Trade and other payables	186	216	–	–	–	402	402	–
Lease liabilities	10	(1)	–	–	–	9	9	–
Equity raising costs	204	(11)	–	–	–	193	193	–
Tax losses	1,266	3,376	–	–	–	4,642	4,642	–
Prepayments	–	(6)	–	–	–	(6)	–	(6)
ROU Asset	(8)		–	–	–	(8)	–	(8)
Subtotal	2,632	586	–	–	–	3,218	5,632	(2,414)
Offset of deferred tax assets/liabilities	–	–	–	–	–	–	(2,414)	2,414
Less: unrecognised	(2,632)	(586)	–	–	–	(3,218)	3,218	–
Aggregate income tax benefit/(expense)	–	–	–	–	–	–	–	–

NOTE 7: INCOME AND DEFERRED TAX (CONTINUED)

	Net balance at 1 July 2019 (restated) Note 4	Recognised in profit or loss (restated) Note 4	Recognised in OCI (restated) Note 4	Recognised directly in equity (restated) Note 4	Other (restated) Note 4	Net at 30 June 2020 (restated) Note 4	Deferred tax assets (restated) Note 4	Deferred tax liabilities (restated) Note 4
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Movement in unrecognised deferred tax balances								
Plant and equipment	(621)	1,243	–	–	–	622	622	–
Intangible assets	213	96	–	–	–	309	309	–
Employer provisions	26	17	–	–	–	43	43	–
Trade and other payables	–	186	–	–	–	186	186	–
Lease liabilities	–	10	–	–	–	10	10	–
Equity raising costs	6	(55)	–	253	–	204	204	–
Tax losses	1,242	24	–	–	–	1,266	1,266	–
Prepayments	–	–	–	–	–	–	–	–
ROU Asset	–	(8)	–	–	–	(8)	–	(8)
Subtotal	1,036	1,513	–	253	–	2,632	2,640	(8)
Offset of deferred tax assets/liabilities	–	–	–	–	–	–	(8)	8
Less: unrecognised	(1,036)	(1,513)	–	(253)	–	(2,632)	2,632	–
Aggregate income tax benefit/(expense)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

NOTE 8: CASH AND CASH EQUIVALENTS

	30 June 2021 $'000's	30 June 2020 $'000's
Cash at Bank	5,768	13,496

NOTE 9: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Trade receivables	1,024	681

As at 30 June 2021, there were no receivables past due (2020: None) and no provision for impairment was required (2020: $Nil). The carrying value of trade receivables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10: NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Plant and Equipment at cost	208	142
Less: Accumulated Depreciation	(73)	(38)
	135	104
Motor Vehicle at cost	22	22
Less: Accumulated Depreciation	(5)	–
	17	22
Furniture and Fittings – Adelaide Office	13	–
Less: Accumulated Depreciation	(3)	–
	10	–
Deployed Units (subject to operating leases as lessor)	20,562	10,479
Less: Accumulated Depreciation	(4,637)	(2,757)
	15,925	7,596
Property, plant and equipment	16,087	7,722
Work in progress – units	2,688	2,357
	2,688	2,357
Total property, plant and equipment	**18,775**	**10,079**

Plant and equipment reconciliation

	Plant and equipment	Motor vehicles	Furniture and fittings	Deployed units (restated) Note 4	WIP units (restated) Note 4	Total (restated) Note 4
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Balance at 1 July 2019	**132**	**–**	**–**	**5,693**	**835**	**6,660**
Additions	–	22	–	2,541	2,357	4,920
Transfers	–	–	–	835	(835)	–
Depreciation expense	(28)	–	–	(1,473)	–	(1,501)
Balance at 30 June 2020	104	22	–	7,596	2,357	10,079
Additions	65	–	13	8,158	2,382	10,618
Transfers	–	–	–	2,051	(2,051)	–
Depreciation expense	(34)	(5)	(3)	(1,880)	–	(1,922)
Balance at 30 June 2021	**135**	**17**	**10**	**15,925**	**2,688**	**18,775**

NOTE 11: NON-CURRENT ASSETS – RIGHT-OF-USE ASSETS

	30 June 2021	30 June 2020
	$'000's	**$'000's**
Adelaide Office – right-of-use	236	84
Less: Accumulated Depreciation	(119)	(54)
	117	30
Kalgoorlie Rental – right-of-use	18	–
Less: Accumulated Depreciation	(5)	–
	13	–
	130	**30**

Non-current assets – right-of-use assets reconciliation

	Buildings right-of-use (Ade)	Buildings right-of-use (Kal)	Total
	$'000's	**$'000's**	**$'000's**
Balance at 1 July 2019	**84**	**–**	**84**
Additions	–	–	–
Disposals	–	–	–
Depreciation expense	(54)	–	(54)
Balance at 30 June 2020	**30**	**–**	**30**
Additions	152	18	170
Disposals	–	–	–
Depreciation expense	(65)	(5)	(70)
Balance at 30 June 2021	**117**	**13**	**130**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 12: NON-CURRENT ASSETS – INTANGIBLES

	30 June 2021	30 June 2020
	$'000's	$'000's
Intellectual property – at cost	1,750	1,750
Less: Accumulated amortisation	(1,604)	(1,254)
Capitalise development expenditure	549	–
Less: Accumulated amortisation	–	–
	695	**496**

Intangibles reconciliation

	Intellectual property	Capitalised development expenditure	Total
	$'000	$'000	$'000
Balance at 1 July 2019	**846**	**–**	**846**
Additions	–	–	–
Disposals	–	–	–
Depreciation Expense	(350)	–	(350)
Balance at 30 June 2020	**496**	**–**	**496**
Additions	–	549	549
Disposals	–	–	–
Depreciation Expense	(350)	–	(350)
Balance at 30 June 2021	**146**	**549**	**695**

Included net in additions for the current year is a government grant (refundable R&D tax offset) of $422,933 (2020:$Nil).

NOTE 13: TRADE AND OTHER PAYABLES

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Current		
Trade payables	1,450	290
Accrued expenses	82	450
Supplier extended payment terms	6,174	1,783
	7,706	2,523
Non-current		
Supplier extended payment terms	2,489	2,426

The Company has extended payment terms with key suppliers. The amounts payable under these arrangements are shown above as 'Supplier extended payment terms' and are non-interest bearing. The carrying amount of these amounts has been discounted to present value.

The company has an economic dependency on key suppliers. Further information is set out in Note 29.

NOTE 14: OPERATING LEASES AS LESSOR – MATURITY ANALYSIS

The Company has determined that the current leases as lessor for its PhotonAssay machines are all operating leases. Revenue recognised on these arrangements is set out in note 5.

The table below sets out the maturity analysis on an undiscounted basis for the non-cancellable lease term:

Non-cancellable lease term – maturity analysis	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Less than one year	4,825	1,760
One to two years	2,880	–
Two to three years	2,880	–
Three to four years	280	–
Four to five years	–	–
More than five years	–	–
Total undiscounted lease payments	**10,865**	**1,760**

The table below sets out the maturity analysis on an undiscounted basis for the total initial terms and any option periods (which includes and is in-excess of the non-cancellable lease term as disclosed above):

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14: OPERATING LEASES AS LESSOR – MATURITY ANALYSIS (CONTINUED)

Initial terms and option periods– maturity analysis	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Less than one year	7,512	3,960
One to two years	7,512	3,960
Two to three years	7,512	3,960
Three to four years	7,375	3,960
Four to five years	6,840	3,960
More than five years	23,666	16,239
Total undiscounted lease payments	**60,417**	**36,039**

The Company manages risk associated with rights retained in underlying PhotonAssay units leased under operating leases through an ongoing maintenance and monitoring program and remains the legal owner of the units. Additionally, the Company applies incremental charges to its clients for exceeding specified utilisation rates while operating Chrysos PhotonAssay units.

NOTE 15: LEASE LIABILITIES

	30 June 2021	30 June 2020
	$'000's	$'000's
Lease liabilities	136	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%.

Lease liability reconciliation

	$'000
Balance at 1 July 2019	–
Additions	84
Interest charged to profit and loss	4
Lease payments	(52)
Balance at 30 June 2020	**36**
Additions	171
Interest charged to profit and loss	5
Lease payments	(76)
Balance at 30 June 2021	**136**

NOTE 16: OTHER FINANCIAL LIABILITIES

	30 June 2021	30 June 2020
	$'000's	**$'000's**
Interest-bearing loans from customers	358	299
Other financial liabilities –current	**358**	**299**
Interest-bearing loans from customers	794	1,048
Customer deposits	1,853	1,466
Other financial liabilities – non-current	**2,647**	**2,514**
	3,005	**2,813**

The interest-bearing loans from customer bear interest at 11%. The repayment of these loans is linked to a fixed percentage applied to the minimum lease payments and any additional charges arising under the operating leases for Photon Assay machines with the relevant lessee. The loans are to be repaid by crediting the amounts due under the relevant operating lease as and when they are due. Any amounts not repaid through this mechanism are to be repaid on the 5th anniversary of when the customer has agreed to the Site Acceptance Test on installation of the relevant machine. The Company voluntarily repaid these amounts post year end (refer Note 30).

Undrawn Facilities

The Company has undrawn facilities with the Commonwealth Bank of $7,500,000 available, which has been drawn subsequent to year end. Covenants are to be reported quarterly and the Company is currently renegotiating the covenants based on the treatment of the PhotoAssay unit leases as operating leases. The facility has a maturity of 2 years and is secured by a general security interest over the assets of the Company. The Company utilised the facility subsequent to year end (refer Note 30).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 17: PROVISIONS

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Provision for payroll tax	1,194	480
Provisions – current	**1,194**	**480**
Provision for payroll tax	154	68
Provisions – non-current	**154**	**68**
Total Provisions	**1,348**	**548**
Movement in provision for payroll tax		
Opening balance 1 July	548	–
Additional provision for the year	800	548
Closing balance 30 June	**1,348**	**548**

The provision for payroll tax represents an estimate of the South Australian payroll tax payable on share-based payments that have been granted prior to reporting period end. The amount of payroll tax that is paid in the future is calculated by deducting the exercise price of the instrument from the fair value of the instrument at the earlier of the date when the holder exercises their instruments or the 7th anniversary of the grant date, multiplied by the payroll tax rate.

The provision at balance date has been determined by reference to the estimated fair value of the Company's shares at balance date. Instruments where the vesting date is in excess of 12 months from reporting period end have been classified as non-current (noting that all instruments currently on issue have a vesting date which is prior to the 7th anniversary of their grant date).

NOTE 18: EQUITY – ISSUED CAPITAL

	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Shares	**Shares**	**$'000's**	**$'000's**
Ordinary shares – fully paid	75,695,122	75,695,122	24,081	24,081

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. Subsequent to the end of the year, the Company successfully raised $50,000,000 through the issue of ordinary share capital during the financial year.

NOTE 18: EQUITY – ISSUED CAPITAL (CONTINUED)

Movement in ordinary shares during the year

	30 June 2021	30 June 2020	30 June 2021 (restated) Note 4	30 June 2021 (restated) Note 4
	No. of shares	No. of shares	$'000's	$'000's
Issued at 1 July	75,695,122	67,195,122	24,081	9,800
Issued for cash	–	7,500,000	–	15,200
Exercise of share options	–	1,000,000	–	3
Equity raising costs, net of tax	–	–	–	(922)
Issued at 30 June – fully paid	**75,695,122**	**75,695,122**	**24,081**	**24,081**

All ordinary shares rank equally with regard to the Company's residual assets and holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

There were no shares issued during the financial year (2020: 7,500,000 at an average share price of $2.00) and there were no share options exercised (2020: 1,000,000 at an average exercise price of $0.20).

NOTE 19: EQUITY – SHARE-BASED PAYMENT RESERVE

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Balance at 1 July	150	15
Share options granted in year (Note 26)	586	138
Share options vested and moved to ordinary shares	–	(3)
Balance at 30 June	**736**	**150**

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

NOTE 20: CAPITAL COMMITMENTS

Capital commitments for plant and equipment

At the end of the period there was $21,322,000 (2020 – $10,192,000) in capital commitments relating to Chrysos PhotonAssay™ units on order and under construction.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 21: FINANCIAL INSTRUMENTS

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	$'000's
Financial assets at amortised cost		
Cash and cash equivalents	5,768	13,496
Trade and other receivables	1,024	681
Financial liabilities at amortised cost		
Trade and other payables	1,450	290
Supplier extended payment terms	8,663	4,209
Lease liabilities	136	36
Other financial liabilities	3,005	2,813

Risk management is carried out by senior executives ("the Executive") 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. The Executive 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. Summary quantitative data amount the Company's exposure to currency risks is as follows:

	30 June 2021		30 June 2020	
	USD (restated) Note 4	CAD (restated) Note 4	USD (restated) Note 4	CAD (restated) Note 4
	$'000's	$'000's	$'000's	$'000's
Cash and cash equivalents	160	142	224	–
Trade receivables	–	–	–	150
Trade payables	(977)	–	(164)	–
Net statement of financial position exposure	**(817)**	**142**	**60**	**150**
Sensitivity at +10% in $000 AUD (strengthening)	103	(14)	(6)	(15)
Sensitivity at +10% in $000 AUD (weakening)	(126)	14	6	15

Price risk

The Company is not exposed to any significant price risk.

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk of financial loss in the instance a counterparty defaults on its contractual obligations to the Company. During the financial period, the company moved from a single customer risk, to a multi-customer risk with deployment for additional customers in Australia and the Company's exposure to credit risk is predominantly influenced by the characteristics of each customer who enters into a lease.

In contracting with new clients, management assess the creditworthiness of each potential client and where appropriate referred to the Audit and Finance Committee for further consideration.

All of the current lease customers of the Company are either listed on stock exchanges or their parent company is listed and are included in the ASX 300 (or global equivalent for international listings) or above. The Company had no amounts written off during the financial period, nor have any amounts been credit impaired at the reporting date.

Management have assessed the financial assets for impairment losses. This includes, but is not limited to reviews of audited financial statements, available press information about the lessee's and Chrysos PhotonAssay™ utilisation rates against industry assay data, which is determined to be predictive of the risk of loss and it has been determined there is currently no allowance required for impairment loss.

As at 30 June 2021 trade receivables were Australian origin and financial assets were all deployed within Australia.

Liquidity risk

Liquidity risk management requires the Company to maintain sufficient liquid assets to meet its obligations in maintaining its leased assets and 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 $47,583,000 raised subsequent to the end of the financial year.

Additionally the Company has available credit from the Commonwealth Bank of Australia of $7,500,000 ($4,900,000 was drawn subsequent to the end of the financial year) secured against the Company's assets.

The following are the contractual liabilities as at the reporting date.

Non-derivative financial liabilities

	Carrying Amount (restated) Note 4	Total (restated) Note 4	2 Months or less (restated) Note 4	2-12 months (restated) Note 4	1-2 years (restated) Note 4	2-5 years (restated) Note 4
30 June 2021	**$'000's**	**$'000's**	**$'000's**	**$'000's**	**$'000's**	**$'000's**
Supplier extended payment terms	8,663	8,935	4,396	1,970	1,926	643
Trade payables	1,450	1,450	1,450	–	–	–
Lease liabilities	136	151	16	135	–	–
Other financial liabilities	3,005	3,280	61	411	1,513	1,295
	13,254	**13,816**	**5,923**	**2,516**	**3,439**	**1,938**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying Amount (restated) Note 4	Total (restated) Note 4	2 Months or less (restated) Note 4	2-12 months (restated) Note 4	1-2 years (restated) Note 4	2-5 years (restated) Note 4
30 June 2020	**$'000's**	**$'000's**	**$'000's**	**$'000's**	**$'000's**	**$'000's**
Supplier extended payment terms	4,209	4,562	–	1,970	1,306	1,286
Trade payables	290	290	290	–	–	–
Lease liabilities	36	36	36	–	–	–
Other financial liabilities	2,813	3,227	48	287	472	2,420
	7,348	**8,115**	**374**	**2,257**	**1,778**	**3,706**

NOTE 22: REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by firms who acted as auditor of the Company:

Remuneration of auditors

	30 June 2021	30 June 2020
	$'000's	**$'000's**
KPMG		
Audit of the financial statements	55	–
Non-audit services	–	–
	55	**–**
Deloitte Touche Tomatsu		
Audit of the financial statements	–	48
Non-audit services	39	43
	39	**91**

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Short-term employee benefits	767	552
Post-employee benefits	63	49
Long-term benefits	6	10
Share-based payments	267	143
	1,103	**754**

NOTE 24: RELATED PARTY TRANSACTIONS

Parent entity

Chrysos Corporation Limited has no subsidiaries.

Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

Related party transactions

	30 June 2021	30 June 2020
	$'000's	**$'000's**
Payments for other expenses – director related entities:		
RFC Ambrian Limited	–	814
CSIRO	84	43

CSIRO held 26.43% of the ordinary share capital of the Company as at 30 June 2021.

Perenti International Pty Ltd held 9.41% of the ordinary share capital of the Company as at 30 June 2021 and also directly, or through a related company, leased Photon Assay machines from the Company under operating leases during the year. The operating lease income comprised 86% of the total operating lease income of the Company (2020: 100%).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 25: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	30 June 2021 (restated) Note 4	30 June 2020 (restated) Note 4
	$'000's	**$'000's**
Loss after income tax benefit for the year	(3,842)	(2,814)
Adjustments for:		
Depreciation and amortisation	2,343	1,905
Finance income	(67)	(52)
Other non-cash items	586	138
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(343)	1,436
Decrease/(increase) in current tax asset	653	(697)
Increase in other assets	(25)	(18)
Increase in trade and other payables	(189)	86
Increase in other liabilities	192	1,374
Increase in employee benefits	443	64
Increase in provisions	800	548
Net cash used in operating activities	**551**	**1,970**

NOTE 26: 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' 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 2021 is $586,000* (2020: $138,000*) *Restated – Note 4. The key terms and conditions related to the grants under these programmes are as follows and all options are to be settled by the physical delivery of shares.

NOTE 26: SHARE-BASED PAYMENTS (CONTINUED)

Grant date/employees entitled	Number of instruments in thousands	Vesting Conditions	Exercise Price	Contractual Life of Options
Options granted to key management personnel and directors and remaining on issue at year end				
On 7 December 2016	4,055	3 years service from grant date	$0.20	5 years
On 8 May 2017	500	3 years service from grant date	$0.20	5 years
On 24 February 2018	700	3 years service from grant date	$0.20	5 years
On 15 February 2019	700	3 years service from grant date	$1.00	5 years
On 1 May 2020	540	3 years service from grant date	$2.00	5 years
On 1 July 2020	420	3 years service from grant date	$2.00	5 years
Options granted to employees				
On 24 February 2018	135	3 years service from grant date	$0.20	5 years
On 15 February 2019	180	3 years service from grant date	$1.00	5 years
On 1 May2020	358	3 years service from grant date	$2.00	5 years
On 1 July 2020*	240	3 years service from grant date	$2.00	5 years
On 16 December 2020	60	Annually based on achievement of sales targets and deployment schedules	$2.00	5 years
Total share options	**7,888**			

* 270,000 originally issued, 30,000 forfeited prior to 30 June 2021.

Equity-settled share option plan

Set out below are summaries of options granted:

	Number of instruments	Weighted average exercise price	Number of instrument	Weighted average exercise price
	2021	**2021**	**2020**	**2020**
Outstanding at 1 July	7,167,378	$0.52	7,269,878	$0.30
Granted	750,000	$2.00	897,500	$2.00
Exercised	–	$0.00	(1,000,000)	($0.20)
Forfeited	(30,000)	($2.00)	–	$0.00
Outstanding at 30 June	**7,887,378**	**$0.67**	**7,167,378**	**$0.52**

The options outstanding at 30 June 2021 had a weighted average exercise price of $0.66 (2020: $0.52), and a weighted average remaining contractual life of 1.36 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 26: SHARE-BASED PAYMENTS (CONTINUED)

The Company last granted performance rights on 13 November 2019 at which time 250,000 rights were issued to Key Management Personnel and are subject to a range of expansion, growth and liquidity-based milestones for the period up to the vesting date of 30 June 2022. These performance rights expire on 31 December 2022 and have $Nil exercise price. The fair value of $2.00 for these rights on grant date was determined using a Black-Scholes model, based on a $2.00 share price at grant date, volatility of 50%, a risk-free rate of 0.82% and 0% dividend yield (Also refer Note 4).

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

	Share option programmes			
	Key management personnel and directors		**Employees**	
Weighted average	**2021**	**2020**	**2021**	**2020**
Fair value at grant date	$ 1.06	$ 0.40	$ 1.06	$ 0.40
Share price at grant date	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Exercise price	$ 2.00	$ 2.00	$ 2.00	$ 2.00
Expected volatility	55%	50%	55%	50%
Expected life	5 years	5 years	5 years	5 years
Expected dividends	$ –	$ –	$ –	$ –
Risk-free interest rate (based on government bonds)	0.40%	2.39%	0.39%	2.39%

NOTE 27: LOSS PER SHARE

	2021	**2020**
	$'000's (restated) Note 4	**$'000's (restated) Note 4**
Loss attributable to equity holders of the company in the calculation of basic and diluted earnings per share	(3,842)	(2,814)
Weighted average number of ordinary shares for the purposes of basic loss per share	75,695,122	72,099,232
Weighted average number of ordinary shares for the purposes of diluted loss per share	75,695,122	72,099,232
From continuing operations		
Basic loss per share (cents per share)	(5.1)	(3.9)
Diluted loss per share (cents per share)	(5.1)	(3.9)

NOTE 28: SUBSIDIARIES

The Company has no subsidiaries.

NOTE 29: ECONOMIC DEPENDENCY

The Company is reliant on several third-party manufacturers and suppliers. While the Company has worked with a number of these parties for several years and has strong existing relationships, including key manufacturer Nuctech, there is a risk that the Company will be unable to continue working with these parties, or to do so on the same or similar terms to current. Moreover, given the advanced technical nature of some of the componentry, it can be difficult to procure alternative suppliers. This could ultimately disrupt the unit deployment schedule and adversely impact financial performance.

The Company's key third party manufacturing parties are based in international jurisdictions and are subject to geopolitical, transportation and raw material risks. Further, there is no guarantee that they are able to meet cost, quality and volume requirements for the Company to remain competitive and meet its contractual obligations with customers.

The Company leases to three different customers as at 30 June 2021, of which one represents comprised 86% of the total operating lease income of the Company, as set out in Note 24. This dependency is expected to materially reduce during future periods with the deployment of units across these and additional clients.

NOTE 30: EVENTS AFTER THE REPORTING PERIOD

During September, Chrysos completed a capital raising of $50,000,000 issuing 11,111,112 new ordinary shares ranking equally with existing shares. Concurrent to the capital raise, Chrysos employees exercised 744,444 vested options, with new equally ranking ordinary shares issued for these options.

The Company remains on track to deliver five Chrysos PhotonAssay™ units during the upcoming financial year, having handed over the company's seventh PhotonAssay unit, located on Barrick's Bulyanhulu mine in Tanzania.

The Company has added new PhotonAssay customers, with the addition of both Ravenswood Gold Mine and SGS Australia as direct Customers. Existing customers also continue to be a source of strong demand. Accordingly, the Company has secured additional PhotonAssay lease agreements across its customer base, bringing the Company's total number of units under committed lease agreements to 33.

The Company has continued to see increased demand for PhotonAssay leasing services, with all units now regularly operating in excess of minimum committed capacity.

Chrysos issued 550,000 options recognising both employee and director efforts. These grants are on the usual terms of the employee share program. The company also extended the expiry date of 4,054,878 options issued to Founder and Chief Technology Officer, James Tickner for and additional 2 years. The 250,000 performance rights on issue, were exercised by Chief Executive Officer, Dirk Treasure on 4 February 2022 and converted to ordinary shares.

The Company has facilities of $7.5m of which $4.9m was drawn down in September 2021. Due to the restatement and reissuance of the financial statements for the year ended 30 June 2021, in which the Group changed its accounting for leases of its PhotonAssay machines as lessor from finance lease accounting to operating lease accounting, the Group would not have satisfied the covenant test at 31 December 2021 under the new accounting treatment, therefore the bank confirmed subsequent to year end that it was accepting of the Company's compliance with the covenant for the quarter ended 31 December 2021 under the previous accounting treatment. The Company does not expect to satisfy the existing covenants in future testing periods. As such, the Group has received a waiver from lenders relating to the 31 March 2022 testing date and is working with its bankers to amend the facility to accommodate the change in accounting treatment.

After drawing these funds, the Company has repaid $1,100,000 of higher interest customer prepayment funding.

Subsequent to reporting period end, the company incorporated the following wholly-owned subsidiaries:

Company	Country of Incorporation	Date of Incorporation
Chrysos International Holdings Pty Ltd	Australia	27 October 2021
Chrysos CA Operations Limited	Canada	21 November 2021
Chrysos CA Holdings Limited	Canada	21 November 2021
Chrysos Operations Limited	Tanzania	23 February 2022

The formation of these entities is primarily for the Group to execute and continue its stated overseas expansion plans and operations.

No other matter or circumstance has arisen since 30 June 2021 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.

DIRECTORS DECLARATION

In the directors opinion:

> the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- complying with Australian Accounting Standards, and the *Corporations Regulations 2001*;

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

The directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Dirk Moore Treasure
Director

18 March 2022

Robert Henry Richard Adamson
Director

18 March 2022

Independent Auditor's Report

To the shareholders of Chrysos Corporation Limited

Opinion

We have audited the ***Financial Report*** of Chrysos Corporation Limited (the Company).

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

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *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 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 Chrysos Corporation Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Emphasis of matter – Restatement of comparative balances

We draw attention to Note 4 to the financial report, which describes the previous incorrect accounting treatment for leases as lessor, share based payments, payroll tax liability, R&D tax offset and discount on extended supplier payables, and disclosed as comparatives in this financial report. Our opinion is not modified in respect of this matter.

The financial report of Chrysos Corporation Limited for the year ended 30 June 2020 was audited by another auditor who issued an unmodified opinion on that financial report on 28 October 2020.

Emphasis of matter – Reissuance of Auditor's Report

We draw attention to Note 4 of the Reissued Financial Report which describes the reissuance of the Financials Report. As a consequence, this Independent Audit Report supersedes our previous Audit Report dated 4 November 2021. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Chrysos Corporation Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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. They 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 the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Adrian Nathanielsz

Partner

Melbourne

18 March 2022

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