

**Delecta Limited**  
**ABN 92 009 147 924**

**ANNUAL FINANCIAL REPORT**

**for the year ended 30 June 2021**

**Delecta Limited – Annual Report**  
**General Information**

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**Directors**

Bryan Hughes - Non-Executive Chairman  
Malcolm Day - Managing Director  
Hans-Rudolf Moser - Non-Executive Director  
David Wheeler - Non-executive Director

**Company Secretary**

John Burness

**Registered Office**

Building 41  
9-45 Ashley Street  
Braybrook, Victoria, 3019

Telephone: (61 3) 9695 5858  
Facsimile: (61 3) 9686 0644

**Principal Business Office**

Building 41  
9-45 Ashley Street  
Braybrook, Victoria, 3019

Telephone: (61 3) 9695 5858  
Facsimile: (61 3) 9686 0644

**Share Register**

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands, Western Australia, 6009

PO Box 1156  
Nedlands, Western Australia, 6009

Telephone: (61 8) 9389 8033  
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**Quoted on: Australian Stock Exchange**  
**German Stock Exchanges**

Code: DLC  
WKN 873083

**Delecta Limited – Annual Report**  
**Contents Page**

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<b>Directors' Report</b>	<b>4</b>
<b>Auditor's Independence Declaration</b>	<b>17</b>
<b>Consolidated Statement of Comprehensive Income</b>	<b>18</b>
<b>Consolidated Statement of Financial Position</b>	<b>20</b>
<b>Consolidated Statement of Cash Flows</b>	<b>21</b>
<b>Consolidated Statement of Changes in Equity</b>	<b>22</b>
<b>Notes to the Financial Statements</b>	<b>23</b>
<b>Directors' Declaration</b>	<b>55</b>
<b>Independent Audit Report</b>	<b>56</b>
<b>Corporate Governance Statement</b>	<b>62</b>
<b>ASX Additional Information</b>	<b>67</b>

## **Delecta Limited – Annual Report**

### **Directors' Report**

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The directors of Delecta Limited ("the Company") submit their report for the year ended 30 June 2021.

#### **DIRECTORS**

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

Bryan Hughes  
Malcolm Day  
Hans-Rudolf Moser  
David Wheeler

#### **INFORMATION ON DIRECTORS**

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

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

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

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

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

Post university, Mr Day worked for 2 years in the Western Australian outback doing exploration and mining surveys. He then worked in the civil construction industry for approximately ten years, 6 of which were spent in senior management roles as a Licensed Surveyor and then later as a Civil Engineer.

Mr Day has been managing director of Delecta Ltd since 1999. Additionally, he's been a non-executive director of European Lithium Ltd since 2011.

He has been a director of Breast Cancer Care WA since 2004 and has been chairman since 2009.

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

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

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

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

## Delecta Limited – Annual Report

### Directors' Report

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

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

#### COMPANY SECRETARY

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

Mr Burness is the Group's Chief Financial Officer and was appointed Company Secretary in November 2004. He is a Chartered Accountant with over 30 years post qualification experience in public practice and commerce and industry. He has more than 20 years' experience acting as company secretary for publicly listed companies.

#### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

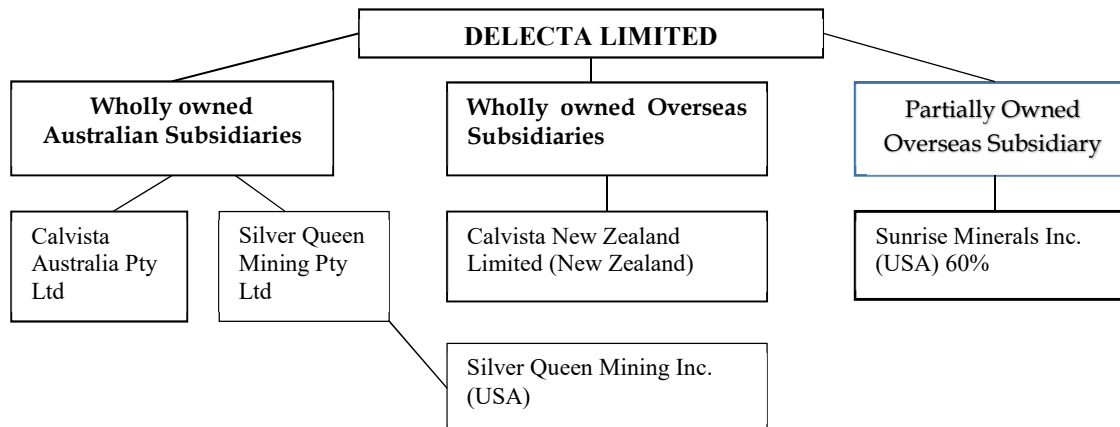
As at the date of this report, the interests of the directors in shares and options of the Company were:

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

#### CORPORATE INFORMATION

##### Corporate structure

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



## **Delecta Limited – Annual Report Directors' Report (continued)**

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### **Employees**

The consolidated entity employed 22 employees as at 30 June 2021 (2020: 22 employees).

### **Nature of operations and principal activities**

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

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

### **GROUP OVERVIEW**

#### **Wholesale**

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

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

#### **Mining Exploration and Evaluation**

In February 2019, the Company completed the acquisition of the Highline Copper Project, comprising 5 patented mining claims in the Goodsprings mining district in Southern Nevada. In July 2020, the company acquired a 60% interest in Sunrise Minerals Inc., an exploration company holding the REX Uranium-Vanadium Project in Colorado.

In January 2021, the Company's wholly owned subsidiary, Speedway Gold Inc., executed a mining lease and option to purchase agreement to acquire the Speedway Gold Project, located in Tooele County, Utah.

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

The consolidated entity recorded a net loss attributable to members of \$139,000 (2020: loss \$298,000) from operations.

The total loss per share for the year was 0.01 cents (2020: loss 0.04 cents).

The total group revenues decreased by 1% to \$16,543,000.

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

**Delecta Limited – Annual Report**  
**Directors' Report (continued)**

**Year ended 30 June 2021**

<b>Operating Segment</b>	<b>Sales and services revenues to external customers \$'000</b>	<b>Other income \$'000</b>	<b>Earnings before interest, tax, depreciation, amortisation and impairment \$'000</b>	<b>Depreciation and amortisation \$'000</b>	<b>Interest (paid)/received \$'000</b>	<b>Profit / (loss) before income tax \$'000</b>
Wholesale	16,543	213	2,251	(246)	(30)	1,975
Exploration & evaluation	-	-	(35)	(1,188)	-	(1,223)
Unallocated	-	-	(968)	-	2	(966)
Total	16,543	213	1,248	(1,434)	(28)	(214)
Income tax expense						(16)
Non-controlling interests						91
						(139)

**Year ended 30 June 2020**

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

**Wholesale**

Wholesale sales revenue for the year decreased slightly in comparison to the prior year. A positive increase in sales revenues in the first half of the financial year was reversed in the second half following the cessation of the Australian Federal Government stimulus packages.

However, the division's focus on providing premium products and a premium service to suppliers and customers, along with the improvement in the Australian / US Dollar exchange rate and cost savings, resulted in the increase in the profitability of the segment.

**Exploration & Evaluation**

In January 2021, the group entered into a mining lease and option to purchase agreement to acquire the Speedway Gold Project, located in Tooele County, Utah, USA

Geological mapping and rock chip sampling was completed over the project and the company's consultant geologist has produced a report with recommendations for drill testing of gold targets. An airborne magnetic survey and an orthophotographic survey have also been completed to provide base maps for ongoing work including drill testing.

The results of this work are currently being assessed by the Company with the objective of finalising the targets to be tested and the scope of a drill program.

## **Delecta Limited – Annual Report Directors' Report (continued)**

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The Group's investments in the Highline Cobalt-Copper project in Nevada, USA, and Sunrise Mineral's Rex Vanadium-Uranium project in Colorado, were written down during the year. No substantive expenditure or exploration and evaluation of mineral resources at the Highline project is currently planned.

Given the recent positive sentiment in relations to uranium and vanadium the Company is planning to conduct geological mapping and rock chip sampling at the Rex Vanadium-Uranium project.

### **Unallocated Expenditure**

Head office / corporate expenditure for the year decreased to \$966,000 from \$1,105,000 in the previous financial year, although the prior year included \$330,000 in costs relating to a withdrawn prospectus and a discontinued ASX re-compliance program.

## **REVIEW OF FINANCIAL CONDITION**

### **Capital Structure**

212,625,000 fully paid ordinary shares were issued during the year following approval by the Company's shareholders at a general meeting held on 2 September 2020.

139,412,500 ordinary shares have been issued on the conversion of options at \$0.008 per share between the year end and the date of this report.

### **Cash from Operations**

The Group recorded a net operating cash inflow of \$472,000 (2020: \$427,000) for the year.

### **Liquidity and Funding**

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

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

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

### **DIVIDENDS**

No dividends have been paid or recommended during or since the end of the current financial year (2020: Nil).

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly financially impacted the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

During the COVID-19 pandemic the Group changed operational aspects of the business such as moving to remote working, where possible to ensure the safety of employees.



## Delecta Limited – Annual Report

### Directors' Report (continued)

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

#### TAX CONSOLIDATION LEGISLATION

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

#### CORPORATE GOVERNANCE

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

The Company's corporate governance statement is set out on page 62 of this annual report.

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

#### DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors during the year ended 30 June 2021 and the number of meetings attended by each director.

	Maximum Possible	Number Attended
Mr B Hughes	12	12
Mr M Day	12	12
Mr H R Moser	12	-
Mr D Wheeler	12	12

#### Audit and Remuneration Committees

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

#### SHARE OPTIONS

##### Unissued shares

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

Number	Exercise Price	Exercise Periods / Expiry Dates
<i>Unlisted Options</i>		
96,900,000	\$0.008	On or before 3 September 2023
10,000,000	\$0.01	On or before 31 December 2023

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

## **Delecta Limited – Annual Report Directors' Report (continued)**

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

No shares were issued on the exercise of options during the current year. Between the year end and the date of this report 139,412,500 options were exercised.

### **ENVIRONMENTAL REGULATIONS**

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

### **INDEMNIFICATION OF AUDITORS**

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

### **ROUNDING**

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

### **AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

#### **Auditor Independence**

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Delecta Limited with an Independence Declaration in relation to the audit of the full year financial report. The Independence Declaration is attached to and forms part of this Directors' Report (see page 17).

#### **Non Audit Services**

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

### **REMUNERATION REPORT (AUDITED)**

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

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

## Delecta Limited – Annual Report

### Directors' Report (continued)

#### Details of Key Management Personnel

(i) *Directors*

B Hughes	Chairman (non-executive)
M R Day	Managing Director
H R Moser	Director (non-executive)
D Wheeler	Director (non-executive)

(ii) *Executives*

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

Except where stated above, there were no changes in directors or key executives during the financial year or after reporting date and before the date the financial report was authorised for issue.

#### Remuneration Policy

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

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

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

Year ended 30 June:	2021 \$'000	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Net (loss) / profit attributable to equity holders of the parent	(139)	(298)	(735)	(2,468)	790
Closing share price	\$0.006	\$0.009	\$0.006	\$0.006	\$0.004

#### Remuneration Committee

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

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

## **Delecta Limited – Annual Report**

### **Directors' Report (continued)**

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#### **Non-Executive Director Remuneration**

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

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

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

#### **Executive Remuneration**

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

Remuneration of executives consists of fixed remuneration and variable remuneration.

##### ***Variable Remuneration – Short Term Incentives***

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

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

The General Manager of Calvista is entitled to a cash bonus of 10% of net profit over budget.

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

##### ***Variable Remuneration – Long Term Incentives***

Options may be issued to Directors and Key Management Personnel from time to time following approval of shareholders in general meeting with the objective being to align this element of remuneration with the creation of shareholder wealth. There are no performance requirements attached to these options once issued as the exercise price of the options are set at a level in excess of the market value at date of issue.

#### **Remuneration of Key Management Personnel**

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

**Delecta Limited – Annual Report**  
**Directors' Report (continued)**

***Emoluments of Directors of Delecta Limited***

Name	Office during the year	Short-term		Post Employment	Share-based Payments	Total
		Dir. Fees \$	Consultancy Fees \$	Super-annuation \$	Options \$	
<b>30 June 2021</b>						
B Hughes	Non-Executive Chairman	60,000	-	5,700	20,400	86,100
M Day	Managing Director	80,000	180,000	7,600	20,400	288,000
H-R Moser	Non-Executive Director	22,000	-	-	-	22,000
D Wheeler	Non-Executive Director	40,000	-	-	13,600	53,600
		202,000	180,000	13,300	54,400	449,700

Name	Office during the year	Short-term		Post Employment	Share-based Payments	Total
		Dir. Fees \$	Consultancy Fees \$	Super-annuation \$	Options \$	
<b>30 June 2020</b>						
B Hughes	Non-Executive Chairman (appointed 5 November 2019)	39,534	-	3,756	-	43,290
M Day	Managing Director	80,000	180,000	7,600	-	267,600
H-R Moser	Non-Executive Director	22,000	-	-	-	22,000
D Wheeler	Non-Executive Director (appointed 24 June 2020)	-	-	-	-	-
B Moore	Non-Executive Chairman (resigned 2 November 2019)	13,589	21,000	1,291	-	35,880
		155,123	201,000	12,647	-	368,770

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

No emoluments paid or payable to directors in respect of the 2021 year (2020: nil) were performance related and no short term incentive scheme is or was in place for directors.

**Delecta Limited – Annual Report**  
**Directors' Report (continued)**

***Emoluments of other Key Management Personnel of the consolidated entity***

Name	Office during the year	Short-term		Post Employment	Long-term Benefits	Share based Payments	Total	% Performance related
		Salary / Fees	Cash Bonus	Super-annuation	Long Service Leave	Options		
		\$	\$	\$	\$	\$	\$	
<b>30 June 2021</b>								
R Sheldon-Collins	General Manager – Calvista Australia	211,419	124,751	20,085	-	-	356,255	35%
J Burness	CFO / Company Sec. (Delecta)/ Financial Controller (Calvista)	159,562	-	15,158	2,719	13,600	191,039	-
		370,981	124,751	35,243	2,719	13,600	547,294	

Name	Office during the year	Short-term		Post Employment	Long-term Benefits	Total	% Performance related
		Salary / Fees	Cash Bonus	Super-annuation	Long Service Leave		
		\$	\$	\$	\$	\$	
<b>30 June 2020</b>							
R Sheldon-Collins	General Manager – Calvista Australia	207,418	-	19,582	-	227,000	-
J Burness	CFO / Company Sec. (Delecta) / Financial Controller (Calvista)	155,263	-	14,750	2,719	172,732	-
		362,681	-	34,332	2,719	399,732	

## Delecta Limited – Annual Report

### Directors' Report (continued)

#### Shareholdings of Key Management Personnel

Shares held in Delecta Limited (number)

	Balance 1 July 2020	Net change	Balance 30 June 2021
<b>Directors</b>			
M Day	171,139,768	12,500,000	183,639,768
H Moser	53,794,943	12,500,000	66,294,943
Total	224,934,711	25,000,000	249,934,711

	Balance 1 July 2019	Net change	Balance 30 June 2020
<b>Directors</b>			
M Day	171,139,768	-	171,139,768
H Moser	53,794,943	-	53,794,943
Total	224,934,711	-	224,934,711

Messrs Hughes, Wheeler, Burness and Sheldon-Collins did not hold any shares in Delecta Limited during the period.

#### Compensation options: Granted and vested during the year

30 June 2021	Granted		Terms & Conditions for each Grant					Vested	
	No	Grant Date	Fair Value per Option at Grant Date Cents	Exercise Price per Option # Cents	Expiry Date	First Exercise Date	Last Exercise Date	No	%
<b>Directors</b>									
B Hughes	6,000,000	8-Sep-20	0.34	0.8	3-Sep-23	8-Sep-20	3-Sep-23	6,000,000	100
M Day	6,000,000	8-Sep-20	0.34	0.8	3-Sep-23	8-Sep-20	3-Sep-23	6,000,000	100
D Wheeler	4,000,000	8-Sep-20	0.34	0.8	3-Sep-23	8-Sep-20	3-Sep-23	4,000,000	100
<b>Executives</b>									
J Burness	4,000,000	8-Sep-20	0.34	0.8	3-Sep-23	8-Sep-20	3-Sep-23	4,000,000	100

#### Value of Options granted to Key Management Personnel

30 June 2021	\$	% of Remuneration Consisting of Options
<b>Directors</b>		
B Hughes	20,400	24%
M Day	20,400	7%
D Wheeler	13,600	25%
<b>Executives</b>		
J Burness	13,600	7%
	68,000	

No compensation options were granted during the year ended 30 June 2020.

## **Delecta Limited – Annual Report Directors' Report (continued)**

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### **Other transactions with Key Management Personnel**

Consultancy fees of \$180,000 have been paid to Managing Director M Day in relation services performed as part of his executive roles in the Company.

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

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

**End of audited Remuneration report.**

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Signed in accordance with a resolution of the directors.



M R Day  
Director  
Perth, Western Australia  
28 September 2021

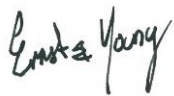


## Auditor's independence declaration to the directors of Delecta Limited

As lead auditor for the audit of the financial report of Delecta Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Russell Curtin  
Partner  
28 September 2021

**Delecta Limited – Annual Report**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 30 June 2021**

	Note	2021 \$'000	2020 \$'000
<b>Continuing operations</b>			
<b>Revenue</b>	4(a)	16,543	16,652
Cost of sales		(11,226)	(12,452)
<b>Gross profit</b>		5,317	4,200
Other income	4(b)	128	365
Distribution expenses		(132)	(184)
Marketing expenses		(84)	(119)
Administrative expenses		(3,215)	(3,482)
Occupancy expenses		(297)	(425)
Write off of exploration expenditure		(1,223)	-
Other expenses		(678)	(633)
Finance costs		(30)	(29)
<b>Loss from continuing operations before income tax</b>		(214)	(307)
Income tax (expense) / credit	5	(16)	9
<b>Total net loss for the year</b>		(230)	(298)
<b>Attributable to:</b>			
Equity holders of the parent		(139)	(298)
Non-controlling interests		(91)	-
		(230)	(298)
<b>Other comprehensive income / (loss)</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign currency translation		1	9
<i>Items that are not reclassified subsequently to profit and loss</i>			
Fair value gain/(loss) on assets at fair value through other comprehensive income		33	(407)
<b>Other comprehensive income / (loss) for the year, net of tax</b>		34	(398)
<b>Attributable to:</b>			
Equity holders of the parent		34	(398)
Non-controlling interests		-	-
		34	(398)
<b>Total comprehensive loss for the year</b>		(196)	(696)
<b>Attributable to:</b>			
Equity holders of the parent		(105)	(696)
Non-controlling interests		(91)	-
		(196)	(696)

**Delecta Limited – Annual Report**  
**Consolidated Statement of Comprehensive Income (continued)**  
**as at 30 June 2021**

	<b>Note</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Loss per share attributable to ordinary equity holders of the company:</b>			
Basic loss per share	<b>6</b>	<b>(0.01) cents</b>	(0.04) cents
Diluted loss per share	<b>6</b>	<b>(0.01) cents</b>	(0.04) cents
<b>Loss per share from continuing operations attributable to ordinary equity holders of the company:</b>			
Loss per share	<b>6</b>	<b>(0.01) cents</b>	(0.04) cents
Diluted loss per share	<b>6</b>	<b>(0.01) cents</b>	(0.04) cents

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

**Delecta Limited – Annual Report**  
**Consolidated Statement of Financial Position**  
**as at 30 June 2021**

	Note	2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	1,845	1,722
Trade and other receivables	8	1,827	2,329
Inventories	9	3,202	2,100
Financial assets at fair value through Other Comprehensive Income	10	572	539
Prepayments and deposits		1,028	938
<b>Total Current Assets</b>		<b>8,474</b>	<b>7,628</b>
<b>Non-current Assets</b>			
Property, plant and equipment	11	258	184
Right of use asset	12	647	798
Exploration and evaluation	13	336	908
Deferred tax asset		18	15
<b>Total Non-Current Assets</b>		<b>1,259</b>	<b>1,905</b>
<b>TOTAL ASSETS</b>		<b>9,733</b>	<b>9,533</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	792	990
Share placement funds received in advance		-	440
Current tax liabilities		14	6
Lease liabilities	12	156	121
Provisions	15	223	182
<b>Total Current Liabilities</b>		<b>1,185</b>	<b>1,739</b>
<b>Non-current Liabilities</b>			
Lease liabilities	12	549	704
Provisions	15	117	116
<b>Total Non-Current Liabilities</b>		<b>666</b>	<b>820</b>
<b>TOTAL LIABILITIES</b>		<b>1,851</b>	<b>2,559</b>
<b>NET ASSETS</b>		<b>7,882</b>	<b>6,974</b>
<b>EQUITY</b>			
Contributed equity	16(a)	71,229	70,497
Accumulated losses	16(c)	(63,805)	(63,666)
Reserves	16(d)	449	143
<b>Equity attributable to equity holders of the Parent</b>		<b>7,873</b>	<b>6,974</b>
Non-controlling interests		9	-
<b>TOTAL EQUITY</b>		<b>7,882</b>	<b>6,974</b>

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

**Delecta Limited – Annual Report**  
**Consolidated Statement of Cash Flows**  
**for the year ended 30 June 2021**

	<b>Note</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>Cash flows used in operating activities</b>			
Receipts from customers		19,264	18,586
Payments to suppliers		(16,469)	(15,742)
Payments to employees		(2,296)	(2,389)
Interest received		1	1
Interest paid		(28)	(29)
<b>Net cash flows from in operating activities</b>	<b>7</b>	<b>472</b>	<b>427</b>
<b>Cash flows used in investing activities</b>			
Payment for the purchase of property, plant and equipment		(158)	(47)
Exploration and evaluation expenditure		(486)	-
Security deposit refunded		50	-
<b>Net cash used in investing activities</b>		<b>(594)</b>	<b>(47)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		411	400
Share placement funds received in advance		-	440
Transaction costs on issue of shares		(44)	(21)
Principal repayment of lease liability		(120)	(109)
<b>Net cash from financing activities</b>		<b>247</b>	<b>709</b>
<b>Net increase in cash and cash equivalents</b>		<b>125</b>	<b>1,089</b>
Net foreign exchange differences		(2)	(4)
Cash and cash equivalents at beginning of year		1,722	637
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>1,845</b>	<b>1,722</b>

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

**Delecta Limited – Annual Report**  
**Consolidated Statement of Changes in Equity**  
**for the year ended 30 June 2021**

	Attributable to equity holders of the Company				
	Issued capital	Accum- ulated losses	Other reserves	Non- controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>					
<b>At 30 June 2019</b>	70,118	(63,368)	541	-	7,291
Other comprehensive income					
- Foreign currency translation	-	-	9	-	9
- Fair value loss on assets at fair value through other comprehensive income	-	-	(407)	-	(407)
Loss for the year	-	(298)	-	-	(298)
Total comprehensive loss for the year	-	(298)	(398)	-	(696)
Issue of share capital	400	-	-	-	400
Transaction costs on issue of shares	(21)				(21)
<b>At 30 June 2020</b>	<b>70,497</b>	<b>(63,666)</b>	<b>143</b>	<b>-</b>	<b>6,974</b>
Other comprehensive income					
- Foreign currency translation	-	-	1		1
- Fair value gain on assets at fair value through other comprehensive income	-	-	33		33
Loss for the year	-	(139)	-	(91)	(230)
Total comprehensive loss for the year	-	(139)	34	(91)	(196)
Issue of share capital	732	-	-		732
Issue of share options	-	-	272		272
Equity attributable to non-controlling interest	-	-	-	100	100
<b>At 30 June 2021</b>	<b>71,229</b>	<b>(63,805)</b>	<b>449</b>	<b>9</b>	<b>7,882</b>

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

# **Delecta Limited – Annual Report**

## **Notes to the Financial Statements**

### **for the year ended 30 June 2021**

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#### **1. CORPORATE INFORMATION**

The financial report of Delecta Limited (the Company) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 28 September 2021. Delecta Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian and German securities exchanges.

The nature of the operations and principal activities of the Group are described at page 6.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of preparation**

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

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

##### **(b) Statement of compliance**

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

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

Since 1 July 2020, the Group has adopted all the Standards and Interpretations mandatory for annual reporting periods beginning on or after 1 July 2020.

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

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

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by Delecta Limited for the annual reporting period ending 30 June 2021.

The standards that are effective from 1 July 2021 for the Consolidated Entity are not expected to materially impact the Consolidated Entity.

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(d) Basis of consolidation**

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**(e) Business combinations**

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

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

**(f) Operating segments**

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



**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(f) Operating segments (continued)**

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

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

**(g) Foreign currency translation**

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

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

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

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

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

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

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

**(h) Cash and cash equivalents**

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

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

**(i) Trade and other receivables**

*Trade receivables*

Trade receivables generally have terms of up to 30 days. They are recognised initially in accordance with the Group's revenue policy and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is limited to debts outstanding greater than three months.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(i) Trade and other receivables (continued)**

*Other receivables*

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

*Impairment of trade receivables and other debtors*

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

**(j) Inventories**

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

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

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

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

**(k) Investments and other financial assets**

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

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

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

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

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(k) Investments and other financial assets (continued)**

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

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

Other financial assets consist of investments in debt and equity securities and short-term investments with a maturity date of over 90 days and are classified as either “fair value through other comprehensive income” or “fair value through profit and loss”. Financial assets held at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed.

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

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

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

**(l) Property, plant and equipment**

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

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

Plant and equipment – 4 to 10 years

Leasehold improvements – over the lease term

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

**(i) Impairment**

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

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

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

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(l) Property, plant and equipment (continued)**

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

**(ii) Derecognition and disposal**

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

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

**(m) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

*ii) Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(m) Leases (continued)**

*iii) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**(n) Trade and other payables**

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

**(o) Provisions**

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

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

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

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

**(p) Employee leave benefits**

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

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

**(ii) Long service leave**

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(q) Contributed equity**

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

**(r) Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

**(i) Sale of goods**

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

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

**(ii) Interest income**

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

**(s) Income tax**

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

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

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

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

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(s) Income tax (continued)**

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

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

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

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

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

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

**(t) Other taxes**

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

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

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

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(u) Earnings per share**

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

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

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

**(v) Exploration and evaluation expenditure**

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

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

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

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

*Impairment*

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

**(w) Share-based payment transactions**

The Group provides benefits to its employees in the form of share-based payments through an Incentive Option Scheme and a Performance Rights Plan, whereby, at the discretion of the Board, employees are from time to time issued with share purchase options as part of their total remuneration package and/or render services in exchange for rights over shares.



**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**(w) Share-based payment transactions (continued)**

The cost of these share-based payments is measured by reference to the fair value of the equity instruments at the date at which they are granted using a Black-Scholes pricing model. The equity instruments are generally subject to performance and/or service vesting conditions and their fair value is recognised as an expense, together with a corresponding increase in other reserve equity over the vesting period, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). No expense is recognised for equity instruments that do not ultimately vest because of non-market performance or service conditions have not been met. Any market vesting conditions are considered as part of the fair value.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**(x) Significant accounting estimates and judgements**

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

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

*Provision for expected credit losses of trade receivables*

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

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

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

*Provision for inventory obsolescence*

The Group's judgement is applied in determining the inventory provision for shrinkage, obsolescence and mark-down. Estimates of shrinkage trends based on historical observations have been applied against inventory held at year end and where the estimated selling price of inventory is lower than the cost to sell, the difference is recognised in the provision.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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

*Exploration and Evaluation Assets*

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

*Make good provisions*

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

**3. OPERATING SEGMENTS**

**Identification of Reportable Segments**

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

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

**Types of Products and Services**

*Wholesale*

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

*Exploration and evaluation*

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

**Accounting Policies and Inter-segment Transactions**

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

*Corporate Charges*

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

These non-segment charges include:

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**3. OPERATING SEGMENTS (continued)**

**Operating segments**

The following tables present revenue and profit and loss information, and certain asset and liability information regarding operating segments for the years ended 30 June 2021 and 30 June 2020:

<b>Year ended 30 June 2021</b>	<b>Wholesale \$'000</b>	<b>Exploration &amp; Evaluation \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers	16,543	-	16,543
Total segment revenue	16,543	-	16,543
Unallocated finance income			2
Total consolidated revenue			16,545
<b>Result</b>			
Segment results	1,975	(1,223)	752
Unallocated income / (expenses)			
- Corporate expenses			(968)
- Interest income			2
- Income tax expense			(16)
- Non-controlling interests			91
Net loss for year			(139)

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

<b>At 30 June 2021</b>	<b>Wholesale \$'000</b>	<b>Exploration &amp; Evaluation \$'000</b>	<b>Total \$'000</b>
<b>Assets and liabilities</b>			
Segment assets	6,830	336	7,166
Unallocated assets			
- Cash and cash equivalents			1,845
- Financial assets at fair value through OCI			572
- Other			150
Total assets			9,733
Segment liabilities	1,765	-	1,765
Unallocated liabilities			86
Total liabilities			1,851
<b>Other segment information</b>			
Capital expenditure	159	-	159
Depreciation & amortisation of fixed assets	84	-	84
Depreciation of right of use asset	162	-	162

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**3. OPERATING SEGMENTS (continued)**

<b>Year ended 30 June 2020</b>	<b>Wholesale \$'000</b>	<b>Exploration &amp; Evaluation \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers	16,652	-	16,652
Total segment revenue	16,652	-	16,652
Unallocated finance income			1
Total consolidated revenue			16,653
<b>Result</b>			
Segment results	827	(29)	798
Unallocated income / (expenses)			
- Corporate expenses			(1,106)
- Net finance Income			1
- Income tax credit			9
Net loss for year			(298)

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

<b>At 30 June 2020</b>	<b>Wholesale \$'000</b>	<b>Exploration &amp; Evaluation \$'000</b>	<b>Total \$'000</b>
<b>Assets and liabilities</b>			
Segment assets	6,233	908	7,141
Unallocated assets			
- Cash and cash equivalents			1,722
- Financial assets at fair value through OCI			539
- Other			142
Total assets			9,544
Segment liabilities	2,064	-	2,064
Unallocated liabilities			507
Total liabilities			2,571
<b>Other segment information</b>			
Capital expenditure	47	-	47
Depreciation & amortisation	82	-	82

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**3. OPERATING SEGMENTS (continued)**

**Geographical areas**

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

The following tables present revenue, expenditure and certain asset information regarding geographical areas for 2021 and 2020.

<b>2021</b>	<b>Australia \$'000</b>	<b>New Zealand \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers <sup>1</sup>	15,383	1,160	16,543
Finance income	2	-	2
Total segment revenue	15,385	1,160	16,545
<b>Other segment information</b>			
Segment non-current assets	1,241	-	1,241
<b>2020</b>	<b>Australia \$'000</b>	<b>New Zealand \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>			
Sales to external customers <sup>1</sup>	15,374	1,278	16,652
Finance income	1	-	1
Total segment revenue	15,375	1,278	16,653
<b>Other segment information</b>			
Segment non-current assets	1,136	-	1,136

Sales are made to numerous customers. However, revenue from one customer amounted to 13% (2020: 16%) of total revenue recorded in the current period.

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

**4. REVENUE AND EXPENSES**

<i>Revenue and expenses from continuing operations</i>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<b>(a) Revenue</b>		
Revenue from contracts with customers	16,543	16,652
	16,543	16,652
<b>(b) Other Income</b>		
Finance revenue	2	1
Foreign exchange gain	-	-
Sundry income	126	364
	128	365

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**4. REVENUE AND EXPENSES (continued)**

*Revenue and expenses from continuing operations (continued)*

	2021 \$'000	2020 \$'000
<b>(c) Depreciation, impairment, and amortisation of fixed assets included in income statement:</b>		
Depreciation (note 11)	66	82
<b>(d) Lease and other expenses included in income statement</b>		
Included in occupancy expenses:		
Short term lease expense	21	149
Depreciation of right of use asset (note 12)	151	136
Other occupancy expenses	36	57
<b>(e) Employee benefit expense</b>		
Included in administration expenses:		
Wages and salaries	2,035	2,185
Workers compensation costs	20	25
Superannuation expense	181	204
Movement in provision for annual and long service leave	48	20
	2,284	2,434
<b>(f) Other</b>		
Impairment charge for doubtful debts	11	22
Provision for inventory obsolescence	40	(21)
Foreign exchange loss	87	102

**5. INCOME TAX**

	2021 \$'000	2020 \$'000
<b>(a) Income tax expense / (benefit)</b>		
The major components of income tax expense are:		
Current income tax expense / (benefit)	19	(35)
Deferred tax (credit) / expense arising from origination and reversal of temporary differences	(3)	(54)
Tax loss utilised	-	(6)
Deferred tax assets not brought to account	-	101
Amount of benefit arising from previously unrecognised temporary difference	-	(20)
Current year movement in deferred tax	-	5
	16	(9)

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**5. INCOME TAX (continued)**

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

Accounting profit / (loss) before tax from continuing operations	(214)	(307)
Total accounting loss before tax	(214)	(307)
At the Group's statutory income tax rate of 26% (2020: 27.5%)	(56)	(84)
Other non-deductible items	343	1
Amount of benefit arising from previously unrecognised temporary difference	-	(20)
Tax losses utilised	(271)	
Current year movement in deferred tax	-	5
Net deferred tax assets not booked	-	89
	16	(9)

The Group has tax losses arising in Australia of \$16,606,000 (2020: \$17,777,000) that are available for offset against future taxable profits.

Potential deferred tax assets attributable to tax losses carried forward in Australia have not been brought to account at 30 June 2021 because directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable. These benefits will only be obtained if:

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

	Statement of Financial Position		Statement of Comprehensive Income	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>(b) Deferred Income tax</b>				
Deferred income tax at 30 June relates to:				
<b>Deferred tax assets</b>				
Employee entitlements	75	63	12	6
Financial assets at fair value through Other Comprehensive Income	372	402	-	-
Allowance for inventory obsolescence	141	138	3	(29)
Trade and other receivables	68	70	(2)	6
Right of use asset	7	5	2	5
Provisions / leasehold improvements	55	36	19	(11)
Carried forward tax losses	4,317	4,889	(572)	30
Tax only assets	77	77	-	77
	5,112	5,680	(538)	(84)
Net unrecognised deferred tax assets	(5,094)	(5,665)	541	69
Net deferred tax asset	18	15		
Deferred tax income expense			3	15

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**5. INCOME TAX (continued)**

**Tax Consolidation Legislation**

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

Members of the tax consolidation group have entered into a tax funding arrangement. Tax balances are allocated to members of the tax consolidation group using the group allocation method. No amounts have been recognised during the period (2020: nil) as tax consolidation contributions by, or distributions to, equity participants.

**6. LOSS PER SHARE**

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

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

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

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Net loss attributable to ordinary equity holders of the Parent from continuing operations	<b>(139)</b>	(307)
Net loss attributable to ordinary equity holders of the Parent	<b>(139)</b>	(307)
	<b>2021</b>	2020
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares for basic loss per share	<b>967,843,808</b>	695,996,205

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



**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**7. CASH AND CASH EQUIVALENTS**

	2021 \$'000	2020 \$'000
Cash at bank and in hand	1,293	1,716
Deposits on call	552	6
	<b>1,845</b>	<b>1,722</b>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Deposits on call are made for varying periods depending on the immediate cash requirements of the Group, are available as and when required, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is \$1,845,000 (2020: \$1,722,000).

<b>Reconciliation of net loss after tax to net cash flows used in operations</b>	2021 \$'000	2020 \$'000
Net loss	(139)	(298)
<i>Adjustments for:</i>		
Depreciation and amortisation	84	82
Right of use asset depreciation	163	136
Foreign exchange conversion loss	1	9
Impairment of trade debtors	10	22
Option expense	136	-
Movement in provisions	87	34
Write off of exploration & evaluation asset	1,126	8
<i>Changes in assets and liabilities</i>		
Increase / decrease in inventories	(1,142)	1,373
(Increase) / decrease in trade and other receivables	489	(290)
Increase in prepayments	(141)	(236)
Increase / (decrease) in trade and other payables	(202)	(422)
Net cash used in operating activities	<b>472</b>	<b>427</b>

**8. TRADE AND OTHER RECEIVABLES**

	2021 \$'000	2020 \$'000
<b>Current</b>		
Trade receivables (i) (ii)	2,092	2,525
Allowance for credit losses	(277)	(266)
	<b>1,815</b>	<b>2,259</b>
Other debtors (ii) (iii)	12	70
	<b>1,827</b>	<b>2,329</b>

(i) Receivables are non-interest bearing and are generally on 30-60 day terms. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**8. TRADE AND OTHER RECEIVABLES (continued)**

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

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 17.

Set out below is information on the credit risk exposure of the Group's trade receivables using a provision matrix:

<b>Days past due</b>	<b>Estimated total gross carrying amount at default \$m</b>	<b>Expected credit loss rate</b>	<b>Lifetime expected credit loss \$m</b>
Current	1,205	4.2%	(50)
Under one month	556	4.2%	(23)
One to two months	89	8.1%	(8)
Two to three months	53	28.5%	(16)
Over three months	189	95.0%	(180)
<b>Total</b>	<b>2,092</b>		<b>(277)</b>

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance 1 July	266	244
Increase in provision	10	22
Closing balance 30 June	277	266

**9. INVENTORIES**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Finished goods	3,202	2,100

Inventory write-downs recognised as an expense totalled \$70,000 (2020: \$8,000) for the Group. This expense is included in the cost of sales.

**10. FINANCIAL ASSETS**

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Listed</b>		
<b>11,000,000 ordinary shares in European Lithium Limited</b>		
Fair value at beginning of the year	539	946
Fair value income /(loss) for the period	33	(407)
	572	539

At 30 June 2021 the asset was re-valued to market value with the movement being recorded in other comprehensive income. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature. This is a level 1 measurement basis on the fair value hierarchy.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**11. PROPERTY, PLANT AND EQUIPMENT**

	2021 \$'000	2020 \$'000
<b>Plant and Equipment</b>		
At beginning of the year net of accumulated depreciation and impairment	184	219
Additions	158	47
Disposals and writedowns	-	-
Depreciation charge for the year	(84)	(82)
At end of the year net of accumulated depreciation and impairment	258	184
Gross carrying amount - at cost	970	840
Accumulated depreciation and impairment	(712)	(656)
Net carrying amount	258	184

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

	2021 \$'000	2020 \$'000
<b>Right of use asset: Land &amp; buildings</b>		
Right of use asset	934	794
Additions	-	140
Closing balance at 30 June	934	934

**Accumulated depreciation**

Opening Accumulated depreciation	(136)	-
Depreciation expense	(151)	(136)
Closing balance at 30 June	(287)	(136)
Net carrying amount	647	798

	2021 \$'000	2020 \$'000
<b>Lease liabilities</b>		
Opening	825	-
Balance at transition	-	794
Remeasurement of lease liability	-	140
Accretion of interest	30	29
Payments	(150)	(138)
Closing balance at 30 June	705	825

Current lease liability	156	121
Non-current lease liability	549	704
Closing balance at 30 June	705	825

**Lease liability maturity analysis**

Less than 3 months	40	8
3 – 12 months	116	113
1 – 5 years	549	704
Net carrying amount	705	825

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**13. EXPLORATION AND EVALUATION ASSETS**

	2021 \$'000	2020 \$'000
<b>Areas of Interest</b>		
Goodsprings mining district	-	908
Speedway Gold	336	-
Carrying amount at end of year	336	908

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

	2021 \$'000	2020 \$'000
Carrying amount at beginning	908	917
Acquired during the period	616	
Written off during the period	(1,188)	(9)
Carrying amount at end of year	336	908

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

**14. TRADE AND OTHER PAYABLES**

	2021 \$'000	2020 \$'000
<b>Current</b>		
Trade payables (i)	393	605
Goods and services tax	81	123
Other creditors and accruals	321	262
	795	990

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

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

**15. PROVISIONS**

	Employee entitlements \$'000	Make good provisions \$'000	Total \$'000
Current 2021	223	-	223
Non-current 2021	67	50	117
	290	50	340
Current 2020	182	-	182
Non-current 2020	60	56	116
	242	56	298

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**15. PROVISIONS (continued)**

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

<b>Make good provisions</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
At 1 July	56	50
Utilised	(6)	(50)
Additions	-	56
At 30 June	<b>50</b>	<b>56</b>

**Nature and timing of provisions**

**Make good provision**

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

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

**16. CONTRIBUTED EQUITY AND RESERVES**

<b>(a) Ordinary shares</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Ordinary shares - issued and fully paid	<b>71,229</b>	70,497
	<b>Number</b>	<b>\$'000</b>
At 1 July 2019	695,996,205	70,118
Movements during the year	100,000,000	379
At 30 June 2020	<b>795,996,205</b>	<b>70,497</b>
Movements during the year	212,625,000	732
At 30 June 2021	<b>1,008,621,205</b>	<b>71,229</b>

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

**(b) Options**

	<b>2021 Number</b>	<b>2020 Number</b>
<i>Movement in options on issue</i>		
At 1 July	-	40,000,000
Unlisted option expired during the year	-	(40,000,000)
Unlisted options issued during the year – September 2020 (i)	<b>236,312,500</b>	-
- January 2021 (ii)	<b>10,000,000</b>	-
At 30 June	<b>246,312,500</b>	-

(i) Unlisted options exercisable at \$0.008 at any time from date of issue and expire on 3 September 2023.

(ii) Unlisted options exercisable at \$0.01 at any time from date of issue and expire on 31 December 2023.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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

<b>(c) Accumulated losses</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Movements in accumulated losses were as follows:		
Balance 1 July	<b>(63,666)</b>	(63,368)
Net loss for the year	<b>(139)</b>	(298)
Balance 30 June	<b>(63,805)</b>	(63,666)

<b>(d) Reserves</b>	<b>Option premium reserve \$'000</b>	<b>Foreign currency translation \$'000</b>	<b>Fair value gains/ (losses) \$'000</b>	<b>Share based payments \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2019</b>	115	(246)	462	210	541
Currency translation differences for continuing operations	-	9	-	-	9
Fair value gains and losses	-	-	(407)	-	(407)
<b>At 30 June 2020</b>	<b>115</b>	<b>(237)</b>	<b>55</b>	<b>210</b>	<b>143</b>
Currency translation differences for continuing operations	-	1	-	-	1
Fair value gains and losses	-	-	33	-	33
Issue of options	272				272
<b>At 30 June 2021</b>	<b>387</b>	<b>(236)</b>	<b>88</b>	<b>210</b>	<b>449</b>

*Option premium reserve*

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

*Foreign currency translation reserve*

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

*Share based payments reserve*

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

*Fair value gains and losses*

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

**e) Capital management**

Capital managed by the board includes shareholder equity, which is \$7,882,000 at 30 June 2021 (2020: \$6,974,000). The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future operations of the business. There were no external borrowings (2020: nil) at balance date. There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise receivables, payables, financial assets held at fair value through other comprehensive income, cash and short-term deposits.

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

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

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

**Risk Exposures and Responses**

*Interest rate risk*

The Group's exposure to market interest rates relates primarily to the Group's cash and cash deposits.

At balance date, the Group had the following financial assets exposed to Australian variable interest rate risks:

	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<i>Financial assets</i>		
Cash	<b>1,845</b>	1,722
Security deposits	<b>188</b>	238

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

*At 30 June 2021/2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax results and equity would have been affected as follows:*

Judgements of reasonable possible movements:	<b>Post Tax Profit /Equity</b>	
	<b>Higher / (Lower)</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
+1% (100 basis points)	<b>18</b>	17
-0.5% (50 basis points)	<b>(9)</b>	(9)

The movements in results are due to higher interest income from variable rate cash and deposit balances. The sensitivity is higher in 2021 than in 2020 because of an increase in cash balances.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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

**Risk Exposures and Responses (continued)**

*Foreign currency risk*

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

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

*At 30 June 2021, the Group had the following exposure to foreign currencies:*

	USD	GBP	2021 \$'000 Total	USD	GBP	2020 \$'000 Total
<i>Financial Assets</i>						
Cash and cash equivalents	2	-	2	3	-	3
	2	-	2	3	-	3
<i>Financial Liabilities</i>						
Trade and other payables	(195)	(2)	(197)	(177)	(4)	(181)
Net exposure	(193)	(2)	(195)	(174)	(4)	(178)

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

*At 30 June 2021, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:*

Judgements of reasonable possible movements:	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
AUD/USD +10%	19	31	19	31
AUD/USD -10%	(19)	(31)	(19)	(31)

The movements in results in 2021 are less sensitive than in 2020 due to the lower level of foreign currency exposure at the current year balance date.

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



**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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

**Risk Exposures and Responses (continued)**

*Credit risk*

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

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

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

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

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

*Liquidity risk*

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

The table below reflects the undiscounted cash flows for the respective upcoming fiscal years for all contractually fixed pay-offs and repayments and interest resulting from recognised financial liabilities. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

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

	<b>Lease Liabilities \$'000</b>	<b>Trade &amp; Other Payables \$'000</b>	<b>Total \$'000</b>
<b>30 June 2021</b>			
6 months or less	77	807	884
6 – 12 months	79	-	79
1 -5 years	549	-	549
	<b>705</b>	<b>807</b>	<b>1,512</b>
	<b>Lease Liabilities \$'000</b>	<b>Trade &amp; Other Payables \$'000</b>	<b>Total \$'000</b>
<b>30 June 2020</b>			
6 months or less	60	1,007	1,067
6 – 12 months	91	-	91
1 -5 years	760	-	760
	<b>911</b>	<b>1,007</b>	<b>1,918</b>

*Equity price risk and fair value*

The Group's listed equity securities are susceptible to market price risk. The methods for estimating fair value are outlined in the relevant notes to the financial statements. At the reporting date, the exposure to the listed equity securities at fair value was \$572,000 (2020: \$539,000). A decrease of 10% of the value would have an impact of approximately \$57,000 before tax on other comprehensive income attributable to the Group.

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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**18. COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

At the reporting date the Group had no capital commitments contracted for but not recognised as liabilities (2020: nil).

**Contingent liabilities and contingent assets**

No known contingent liabilities or contingent assets which have not been provided for exist at year end nor have any arisen between the year end and the date of this report (2020: nil).

**Guarantees**

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

Cross guarantees given by Delecta Limited, Today's Success Pty Ltd, Calvista Australia Pty Ltd and Stell Bay Pty Ltd are described in note 19.

**19. RELATED PARTY DISCLOSURE**

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

Name	Country of incorporation	% Equity interest	
		2021	2020
Calvista Australia Pty Ltd	Australia	100	100
Calvista New Zealand Limited	New Zealand	100	100
Canadian River Inc. (1)	United States	100	100
Stell Bay Pty Ltd (1)	Australia	100	100
Today's Success Pty Ltd (1)	Australia	100	100
Silver Queen Mining Pty Ltd	Australia	100	100
Silver Queen Mining Inc.	United States	100	100
Sunrise Minerals Inc.	United States	60	-
Speedway Gold Inc.	United States	100	-

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

(1) Dormant companies

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**19. RELATED PARTY DISCLOSURE (Continued)**

**Entities subject to class order**

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

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

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

	<b>CLOSED GROUP</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Consolidated Statement of Comprehensive Income</i>		
Profit / (loss) from continuing operations before income tax	<b>326</b>	(328)
Income tax expense	-	-
Profit / (loss) for the period	<b>326</b>	(328)
<i>Reconciliation of accumulated losses</i>		
Accumulated loss at the beginning of the period	<b>(63,569)</b>	(63,241)
Loss for the period	<b>(193)</b>	(328)
Accumulated loss at the end of the period	<b>(63,762)</b>	(63,569)

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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

*Consolidated Statement of Financial Position*

	<b>CLOSED GROUP</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,787	1,699
Trade and other receivables	1,694	2,122
Inventories	3,202	2,100
Financial assets	572	539
Prepayments and deposits	1,029	932
<b>Total Current Assets</b>	<b>8,284</b>	<b>7,392</b>
<b>Non-current Assets</b>		
Other financial assets	453	566
Property, plant and equipment	258	184
Right of use asset	647	798
Exploration & evaluation	336	908
<b>Total Non-current assets</b>	<b>1,694</b>	<b>2,456</b>
<b>TOTAL ASSETS</b>	<b>9,978</b>	<b>9,848</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	781	977
Share placement funds received in advance	-	440
Lease liabilities	156	121
Provisions	223	182
<b>Total Current Liabilities</b>	<b>1,160</b>	<b>1,720</b>
<b>Non-current Liabilities</b>		
Lease liabilities	549	704
Provisions	117	116
<b>Total non-current Liabilities</b>	<b>666</b>	<b>820</b>
<b>TOTAL LIABILITIES</b>	<b>1,826</b>	<b>2,540</b>
<b>NET ASSETS</b>	<b>8,152</b>	<b>7,308</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Parent</b>		
Issued capital	71,229	70,497
Accumulated Losses	(63,762)	(63,569)
Other reserves	685	380
<b>TOTAL EQUITY</b>	<b>8,152</b>	<b>7,308</b>

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

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

*Key management personnel:*

**Details of Key Management Personnel**

*(i) Directors*

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

*(ii) Executives*

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

Except as otherwise stated, there were no changes in directors or key executives during the financial year or after reporting date and before the date the financial report was authorised for issue.

	2021 \$	2020 \$
<b>Compensation by Category: Key management personnel</b>		
Short-term employee benefits	877,732	718,804
Post-employment benefits	48,543	46,979
Long-term benefits (including share-based payments)	70,719	2,719
	<b>996,994</b>	<b>768,502</b>

**Other transactions with Key Management Personnel**

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

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

**19. PARENT ENTITY INFORMATION**

**Information relating to Delecta Limited:**

	2021 \$'000	2020 \$'000
Current assets	1,378	1,566
Non-current assets	3,337	4,721
Total assets	4,714	6,287
Current liabilities	(86)	(507)
Total Liabilities	(86)	(507)
Net Assets	4,628	5,780

**Delecta Limited – Annual Report**  
**Notes to the Financial Statements (continued)**  
**for the year ended 30 June 2021**

**20. PARENT ENTITY INFORMATION (continued)**

Information relating to Delecta Limited (continued)	2021 \$'000	2020 \$'000
Issued capital	71,229	70,497
Reserves	685	380
Accumulated losses	(67,286)	(65,097)
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>4,628</b>	<b>5,780</b>
Loss after tax of the Parent Entity	(2,189)	(1,032)
Other comprehensive income /(loss) of the Parent Entity	33	(407)
Total comprehensive loss of the Parent Entity	(2,156)	(1,439)

**21. EVENTS AFTER THE REPORTING PERIOD**

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

**22. AUDITORS' REMUNERATION**

The auditor of Delecta Limited is Ernst & Young.

	2021 \$	2020 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the entity and any other entity in the consolidated group	96,000	96,000
	<b>96,000</b>	<b>96,000</b>

## **Delecta Limited – Annual Report**

### **Directors' Declaration**

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in note 2(b).
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2021.
- (e) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 18 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee

On behalf of the Board



M R Day  
Director  
Perth, Western Australia  
28 September 2021

## Independent auditor's report to the members of Delecta Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Delecta Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

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

#### Basis for opinion

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

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

#### Key audit matters

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

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



## 1. Inventory valuation

### Why significant

As at 30 June 2021, the Group held \$3.2 million in inventories.

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

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

Due to the level of judgement involved in assessing inventory provisions, this was considered a key audit matter.

### How our audit addressed the key audit matter

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

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

## 2. Recoverability of receivables

### Why significant

As disclosed in Note 8 of the financial report, the Group held trade and other receivables amounting to \$1.8 million as at 30 June 2021.

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

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

### How our audit addressed the key audit matter

Our audit procedures included an assessment of the Group's evaluation of recoverability of the receivables, including consideration of the contractual agreements, the past collection history and consideration of the credit-worthiness of counterparties, payments received subsequent to year end, and future expected credit losses.

We considered the adequacy of the financial report disclosure relating to receivables, including those relating to past due but not impaired receivables at 30 June 2021.

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

Why significant	How our audit addressed the key audit matter
<p>As disclosed in Note 13, as at 30 June 2021, the Group held capitalised exploration and evaluation expenditure assets of \$0.3 million.</p> <p>The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the carrying value of exploration and evaluation expenditure assets may exceed their recoverable amount.</p> <p>The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, intends to perform ongoing exploration and evaluation activity and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable.</p> <p>During the year, the Group recognised an impairment charge of \$1.2 million in relation to certain areas of interest. For all other areas of interest, the Group determined that there were no indicators of impairment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Considered the Group's right to explore in the relevant areas of interest, which included obtaining and assessing supporting documentation such as exploration licenses</li> <li>▶ Considered the Group's intention to carry out significant exploration and evaluation activity in the relevant areas of interest, which included assessment of the Group's cash-flow forecast models, discussions with senior management and Directors as to the intentions and strategy of the Group</li> <li>▶ Assessed recent exploration and evaluation activity in the relevant licence area to determine whether there were any negative indicators that would suggest a potential impairment of the asset</li> <li>▶ Considered whether the exploration activities within each area of interest had reached a stage where the commercially viable resource estimates could be made</li> <li>▶ Assessed the adequacy of the disclosure included in the financial report.</li> </ul>

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

## **Report on the audit of the Remuneration Report**

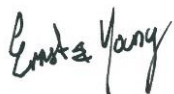
### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Delecta Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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



Ernst & Young



Russell Curtin  
Partner  
Perth  
28 September 2021

## Delecta Limited – Annual Report

### Corporate Governance Statement

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

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

Delecta Limited's corporate governance practices were in place throughout the financial year ended 30 June 2020 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1.	Lay a solid foundation for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Instil a culture of acting lawfully, ethically and responsibly
Principle 4.	Safeguard the integrity of corporate reports
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

#### Structure and Composition of the Board

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

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

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

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

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

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

## Delecta Limited – Annual Report

### Corporate Governance Statement (continued)

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

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

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

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

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

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

<i>Name</i>	<i>Term in Office</i>
M Day	23 years
H R Moser	23 years
B Hughes	1 year
D Wheeler	1 year

#### Responsibilities of the Board

The Board is responsible for:

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

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

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

The principles of the Code of Conduct are:

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

## **Delecta Limited – Annual Report**

### **Corporate Governance Statement (continued)**

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

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

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

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

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

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

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

#### **Audit Committee**

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

#### **Continuous Disclosure and Communication with Shareholders**

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

All financial reports are prepared or reviewed by the Company's Chief Financial Officer, a Chartered Accountant, and approved by the board. Non-financial reports (generally relating to exploration and evaluation activities) are prepared by suitably qualified external consultants and reviewed and approved by the board.

Communication with shareholders is conducted through the following mechanisms:

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



## **Delecta Limited – Annual Report**

### **Corporate Governance Statement (continued)**

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

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

#### **Diversity**

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

The Board does not currently believe that the adoption of a formal gender diversity policy would be of benefit to the Company, its shareholders or employees, given the current small number of directors (4) and senior executives (2) employed by the group.

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

The consolidated entity currently has 18 full time employees of which 8 are women. None of the 4 board members and 2 senior executives are women and 1 of the 3 employees in the next level of management is a woman.

#### **Remuneration**

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

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

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

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

There were no loans made to directors or executives during the period and there are no amounts owing by directors and executives at the year end.

The performance of senior executives is reviewed annually, including in the current year.

#### **Risk Management**

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

## **Delecta Limited – Annual Report**

### **Corporate Governance Statement (continued)**

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

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

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

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

## Delecta Limited – Annual Report

### ASX Additional Information

The shareholder information set out below was applicable as at 22 September 2021.

#### FULLY PAID ORDINARY SHARES

##### 1. Distribution of shareholders

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

Category of Holding	Number
1 - 1,000 shares	619
1,001 - 5,000 shares	643
5,001 - 10,000 shares	296
10,001 - 100,000 shares	869
100,001 shares and over	628
	<u>3,055</u>

(b) There were 1,932 shareholders with less than a marketable parcel of ordinary shares.

##### 2. Twenty Largest Shareholders

The names of the twenty largest shareholders are:

	Name	Number of Shares Held	% of Fully Paid Shares Held
1	Goldshore Investments Pty Ltd <MR Day Superfund A/A>	171,139,768	14.91
2	HSBC Custody Nominees (Australia) Limited	104,564,637	9.11
3	BNP Paribas Nominees Pty Ltd ACF Clearstream	81,042,725	7.06
4	Surfit Capital Pty Ltd	49,089,450	4.28
5	Perishing Australia Nominees Pty Ltd (Accum A/C>	41,125,000	3.59
6	Mr Andrew William Spencer + Mrs Benedicte Marie Francoise Spencer	27,410,528	2.39
7	BNP Paribas Nominees Pty Ltd <DRP>	18,724,111	1.63
8	Ms Chunyan Niu	15,628,624	1.36
9	Mr Bradley Moore & Ms Tanya Endicott <Tanbrad Super A/C>	15,397,513	1.34
10	Mr Bradley Moore & Ms Tanya Endicott <Tanbrad Superannuation A/C>	15,000,000	1.31
11	Comsec Nominees Pty Ltd	12,754,009	1.11
12	Mr Gregory Lowell Smith	12,500,000	1.09
13	Mr Danny Pavlovich <The Pavlovich Family Trust>	12,500,000	1.09
14	Hans-Rudolf Moser	12,500,000	1.09
15	Hollywood Marketing (WA) Pty Ltd	12,500,000	1.09
16	PJ & SL Moylan Pty Ltd <The Moylan Family S/F A/C>	12,000,000	1.04
17	Celtic Capital Pty Ltd	10,000,000	0.88
18	Coral Brook Pty Ltd	10,000,000	0.88
19	Mr Paul Bleasdale	9,300,000	0.92
20	Mr Avdo Tabakovic	8,000,000	0.70
		<u>651,176,365</u>	<u>56.72</u>
	Total Shares on Issue	<u>1,148,033,705</u>	

## Delecta Limited – Annual Report

### ASX Additional Information (continued)

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#### 3. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

#### 4. Substantial Shareholders

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

Name	Shares Entitlement
Malcolm Raymond Day, Goldshore Investments Pty Ltd and Hollywood Marketing (WA) Pty Ltd	183,639,768

#### UNQUOTED OPTIONS

There are a total of 236,312,500 unquoted options over unissued ordinary shares as follows:

Refer Note	# of Options	Exercise Price	Exercise Periods / Expiry Dates	# of Holders
1	96,900,000	\$0.008	4 September 2020 to 3 September 2023	38
2	10,000,000	\$0.01	27 January 2021 to 31 December 2023	1

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

Note 2:	Name	Number of Options Held	% of Options Held
	Needmore Investments Pty Ltd ATF the Amicus Family Trust	10,000,000	100%