



**HYDROMET CORPORATION
LIMITED**

ABN 71 002 802 646

**SPECIAL PURPOSE
FINANCIAL REPORT
30 JUNE 2019**

For personal use only

HYDROMET CORPORATION PTY LIMITED

ABN 71 002 802 646

DIRECTORS' REPORT

The directors present their report together with the financial statements of Hydromet Corporation Pty Limited (the Company) for the financial year ended 30 June 2019.

The names of the directors and officers in office at any time during or since the end of the year are:

Mr Simon Henry	Director
Mr Jeremy Perera	Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The after-tax profit of the Company amounted to \$1,163,000 (2018: \$920,000 profit). Further discussion on the Company's operations follows.

Used Lead Acid Battery Processing and Smelter

- The plant processed used batteries during the year within the limits of the permitted EPA licence.
- Competition and price of used batteries increased during the period.

Liquid Waste Treatment

- The company is licenced to treat battery acid and liquid waste streams through its treatment plant.

Significant Changes in the State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the Company during the financial year were:

- processing of used lead acid batteries (motor vehicle and industrial batteries) to recover lead metal and oxide.
- treatment of waste solution residues.

Events subsequent to the End of Reporting Period

During the 2018 year the Company entered into a contract for the sale of the Tomago, NSW site. At the date of this report the contract had not settled as negotiations are still taking place. The prospective purchaser is occupying the site.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The Company's operations are subject to licence requirements issued under the *Protection of the Environment Operations Act 1997 (NSW)* ("POEO Act") in relation to its business of processing used lead acid battery and industrial residues and manufacturing chemical products including treatment processes, immobilisation of by-products, disposal of effluent streams and transportation of materials that are subject to specific approvals from and close scrutiny by the Commonwealth and State departments. The Company is committed to achieving a high standard of environmental performance.

From July 2013 onwards the NSW Environment Protection Authority (EPA) imposed a new requirement on all lead recycling companies in New South Wales which required an export permit to sell fractional Lead products to overseas markets. The Company have the required permits in place.

Dividends Paid or Recommended

No dividends were paid or declared for payment during the financial year.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of Officers

During the year, the Company paid a premium to insure officers of the Company. The officers of the Company covered by the insurance policy include all directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

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DIRECTORS' REPORT

Details of the amount of the premiums paid in respect of the insurance policies is not disclosed, as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

Proceedings on Behalf of Company

No person has applied for leave of the court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

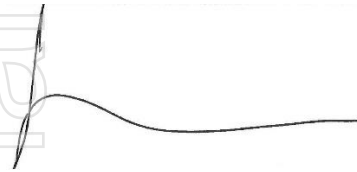
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out in page 3 and forms part of this Director's report.

Rounding of Amounts

Hydromet Corporation Pty Limited is a type of company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

This director report is signed in accordance with a resolution of the Board of Directors.



Simon Henry
Director

7 November 2019



**AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2019**

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Hydromet Corporation Pty Ltd:

I declare that, to the best of my knowledge and beliefs, during the year ended 30 June 2019 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the Audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'B. Fock', written over a faint, large watermark that says 'For personal use only'.

Ben Fock

Registered Company Auditor

8 November 2019, Wollongong

hlb.com.au

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HLB Mann Judd (Wollongong) Pty Ltd is a member of HLB International, the global advisory and accounting network.

HYDROMET CORPORATION PTY LIMITED

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$000	2018 \$0000
Revenue	2	64,306	63,823
Cost of sales		(54,641)	(55,577)
Gross profit		9,665	8,246
Other revenue		303	324
Distribution expenses		(2,968)	(2,512)
Marketing expenses		(15)	(1)
Selling expenses		(131)	(175)
Administration & general expenses		(4,414)	(3,632)
Finance costs		(752)	(724)
Other expenses		(27)	(211)
Change in fair value of investments		-	-
Profit/(loss) before income tax		1,661	1,315
Income tax revenue / (expense)	3	(498)	(395)
Profit/(loss) for the year		1,163	920
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings (net of tax)		-	896
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Fair value loss on available-for-sale financial assets, net of tax		-	-
Total other comprehensive income for the year		-	-
Profit/(loss) attributable to:			
Members of the company		1,163	1,816
Non- controlling interests		-	-
Total comprehensive income attributable to:		1,163	1,816
Members of the company		1,163	1,816

The accompanying notes form part of these financial statements.

HYDROMET CORPORATION PTY LIMITED

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$000	2018 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	107	95
Trade and other receivables	5	3,276	2,782
Inventories	6	2,571	3,707
Financial assets	7	230	230
Other current assets	8	2,163	2,019
TOTAL CURRENT ASSETS		<u>8,347</u>	<u>8,833</u>
NON-CURRENT ASSETS			
Intangible assets	9	663	663
Property, plant and equipment	10	34,511	32,096
Deferred tax assets	11	3,587	4,092
TOTAL NON-CURRENT ASSETS		<u>38,761</u>	<u>36,851</u>
TOTAL ASSETS		<u>47,108</u>	<u>45,684</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	5,349	5,059
Financial liabilities	13	9,794	9,551
Deferred income			64
Short-term provisions	14	987	1,236
TOTAL CURRENT LIABILITIES		<u>16,130</u>	<u>15,910</u>
NON-CURRENT LIABILITIES			
Financial liabilities	13	11,110	11,093
Long-term provisions	14	118	88
Deferred tax liabilities	11	712	720
TOTAL NON-CURRENT LIABILITIES		<u>11,940</u>	<u>11,901</u>
TOTAL LIABILITIES		<u>28,070</u>	<u>27,811</u>
NET ASSETS		<u>19,038</u>	<u>17,873</u>
EQUITY			
Issued capital	15	78,578	78,578
Reserves	22	933	933
Accumulated losses		(60,473)	(61,638)
TOTAL EQUITY		<u>19,038</u>	<u>17,873</u>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	Share Capital \$000	Accumulated losses \$000	Assets revaluation reserve \$000	Total \$000
Balance at 1 July 2017		78,578	(62,558)	37	16,057
Profit for the year		-	920		920
Other comprehensive income		-		896	896
Total comprehensive income for the year		<u>78,578</u>	<u>(61,638)</u>	<u>933</u>	<u>17,873</u>
Transactions with owners, in their capacity as owners, and other transfers					
Transfers reserves		-	-	-	
Total transactions with owners and other transfers		<u>-</u>	<u>-</u>	<u>-</u>	
Balance at 30 June 2018		<u>78,578</u>	<u>(61,638)</u>	<u>933</u>	<u>17,873</u>
Balance at 1 July 2018		78,578	(61,638)	933	17,873
Profit for the year		-	1,163	-	1,163
Other comprehensive income		-		-	
Total comprehensive income for the year		<u>78,578</u>	<u>60,475</u>	<u>933</u>	<u>19,038</u>
Transactions with owners, in their capacity as owners, and other transfers					
Transfers reserves		-	-	-	-
Total transactions with owners and other transfers		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2019		<u>78,578</u>	<u>60,475</u>	<u>933</u>	<u>19,038</u>

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 \$000	2018 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		64,114	63,648
Payment to suppliers and employees		(60,122)	(60,293)
Interest received		-	1
Finance costs		(752)	(168)
Net cash provided by/(used in) operating activities	20	<u>3,240</u>	<u>3,188</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,343)	(7,465)
Proceeds from sale of property, plant and equipment		-	-
Payment for investments		-	-
Loans to related parties – net amount collected/(granted)		(97)	3,069
Net cash provided by / (used in) investing activities		<u>(3,440)</u>	<u>(4,396)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(235)	(132)
Proceeds from/(repayment of) borrowings		97	2,142
Net cash provided by / (used in) financing activities		<u>(138)</u>	<u>2,010</u>
Net increase/(decrease) in cash held		(338)	802
Cash and cash equivalents at beginning of financial year		<u>(558)</u>	<u>(1,359)</u>
Cash and cash equivalents at end of financial year		<u>(896)</u>	<u>(557)</u>

The accompanying notes form part of these financial statements.

HYDROMET CORPORATION PTY LIMITED

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

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

The directors have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. Hydromet Corporation Pty Limited is a company limited by shares, incorporated and domiciled in Australia. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by Australian Accounting Standards and Interpretations and the disclosure requirements of:

- AASB 101: Presentation of Financial Statements
- AASB 107: Statement of Cash Flows
- AASB 108: Accounting Policies; Changes in Accounting Estimates and Errors
- AASB 1054: Australian Additional Disclosures

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

a. Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income). Current and deferred income tax expense/(income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities /(assets) are therefore measured at the amount expected to be paid to /(recovered from) the Australian Taxation Office (ATO).

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred Tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising from between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an assets or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on the tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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

Note 1: Summary of Significant Accounting Policies (cont'd)

b. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realised value represent the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land is recorded at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers.

Increases in the carrying amount arising on revaluation of land are credited to the asset revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against asset revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Buildings are recorded at cost less subsequent depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 for details of impairment).

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building	2.5%
Plant & equipment	12.5-25%
Office equipment	12.5-27%
Motor vehicles	15-25%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss when the item is derecognised. When a revalued asset is sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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

Note 1: Summary of Significant Accounting Policies (cont'd)

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price.

Classification and subsequent measurement

Financial liabilities

The Company's only financial liabilities are trade and other payables. They are recognised at the amount payable.

Financial asset

The Company's only financial assets are cash and cash equivalents and trade and other receivables. They are measured at the amount expected to be recovered.

Impairment of Trade Receivables

The Company does not recognise a loss allowance for expected credit losses on trade receivables as they believe the balance is recoverable. In the instance where an allowance was necessary, the Company would use the general approach to impairment as applicable under AASB 9.

General Approach

Under the general approach, at each reporting period, the entity would assess whether the financial instruments are credit impaired and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to 12-month expected credit losses.

HYDROMET CORPORATION PTY LIMITED

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

Note 1: Summary of Significant Accounting Policies (cont'd)

f. Impairment of Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. The assessment will include considering external sources of information, and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment).

Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount if the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss through decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in the financial assets reserve in other comprehensive income.

g. Intangibles Other than Goodwill

Other intangible assets

The Company's hydrometallurgical processing technology (Hydroproc process), which has an indefinite useful life, was systematically tested for impairment as at 30 June 2019.

h. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

i. Employee Benefit

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

HYDROMET CORPORATION PTY LIMITED

ABN 71 002 802 646

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

Note 1: Statement of Significant Accounting Policies (cont'd)

i. Employee Benefit (cont'd)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

j. Provision

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimated of the amounts required to settle the obligation at the end of the reporting period.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

l. Revenue and Other Income

Revenue Recognition

The company has applied AASB 15: *Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: *Revenue* and AASB 111: *Constructions Contracts*. The details of accounting policies under AASB 118 and AASB 111 are disclosed separately since they are different from those under AASB 15. The changes in the Company's accounting policy had no impact on amounts reported in prior periods.

In the comparative period

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods. The revenue to be received on sale of goods is determined at an agreed market measure at an agreed future period, and depend on the assay quantity of materials delivered. For sale prior to balance date, revenue recognised is based on expected market measure and expected quantity delivered.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All dividends received are recognised as revenue when the right to receive the dividend has been established.

HYDROMET CORPORATION PTY LIMITED

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

Note 1: Statement of Significant Accounting Policies (cont'd)

l. Revenue and Other Income (cont'd)

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

In the current period

Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer. Revenue from these sales is based on the price stipulated in the purchase order or contract as negotiated by the sales team. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

A receivable will be recognised when the goods are delivered. The Company's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 60 days.

m. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

n. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o. Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Company has retrospectively applied an accounting policy, makes a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

HYDROMET CORPORATION PTY LIMITED

ABN 71 002 802 646

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

Note 1: Statement of Significant Accounting Policies (cont'd)

r. Rounding of Amounts

Hydromet Corporation Pty Limited is a type of company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

s. Critical Accounting Estimates and Judgements

When preparing the financial statements, management undertakes a number of judgement, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates and Judgements

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

All impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Long service leave

The liability for long service leave is recognised and measured at the present value of the estimated cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Fair Value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

t. New and amended standards adopted by the Company

The Company has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2018. None of the amendments have had a significant impact on the Company.

Initial application of AASB 9: financial Instruments

The company has adopted AASB 9: *Financial Instruments* with a date of initial application of 1 January 2018. As a result, the Company has changed its financial instruments accounting policies as detailed in the significant accounting policies note.

The changes in the Company's accounting policy had no impact on amounts reported in the prior periods.

HYDROMET CORPORATION PTY LIMITED

ABN 71 002 802 646

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

Note 1: Statement of Significant Accounting Policies (cont'd)

u. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

HYDROMET CORPORATION PTY LIMITED

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

Note 2: Profit for the year

	2019	2018
	\$000	\$000
a. Revenue and Other Income		
Revenue from sale of goods	62,807	63,283
Revenue from rendering of services	1,335	540
Other income	164	-
Net gain/(loss) on disposal of available-for-sale investments	-	-
	<u>64,306</u>	<u>63,823</u>
b. Expenses		
Cost of sales	54,641	55,577
Employee benefit expense		
- Contributions to defined contribution superannuation funds	420	381
Other expenses		
Impairment of non-current investments		
Foreign currency translation losses	-	-
Bad and doubtful debt	-	24
Rental expenses on operating leases	-	37
Research and development costs	-	-
c. Remuneration of auditor		
Auditing or reviewing the financial report	32	32
Taxation services	-	-

Remuneration of the auditor of the Company for auditing the financial statements is \$32,000 (2018: \$32,000). The auditor provides no other services to the Company.

Note 3: Income tax expense

(a) The components of tax expense comprise;

Current Tax	-	-
Deferred Tax	(498)	(395)
Total income tax (expense)/income recognised in the current year	<u>(498)</u>	<u>(395)</u>

(b) The prima facie tax on profit before income tax is reconciled to income taxes as follows:

Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2017: 30%)	498	395
Add:		
Tax effect of:		
- non-deductible expenses	604	616
Less:		
Tax effect of:		
- Other deductible expenses	(594)	(557)
- current year tax loss recognised as deferred tax asset	(508)	(454)
Capital loss carried forward		
Income tax expense/(benefit) attributable to the entity	<u>-</u>	<u>-</u>

(c) Tax effect relating to other comprehensive income

Current tax expenses (income)	-	-
Deferred tax expenses (income)	498	395

HYDROMET CORPORATION PTY LIMITED

ABN 71 002 802 646

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

Note 4: Cash and Cash Equivalents

	2019	2018
	\$000	\$000
Cash at bank	<u>107</u>	<u>95</u>
Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash at bank	107	95
Bank overdraft	<u>(1,003)</u>	<u>(652)</u>
	<u>(896)</u>	<u>(557)</u>

Note 5: Trade and Other Receivables

CURRENT

Trade receivables	2,944	2,335
Other receivables	332	447
Total current trade and other receivables	<u>3,276</u>	<u>2,782</u>

Note 6: Inventories

CURRENT

At cost:

Raw material and consumables	1,070	2,080
Work in progress	188	143
Finished goods	<u>1,313</u>	<u>1,484</u>
	2,571	3,707

At net realisable value:

Finished goods	-	-
	<u>2,571</u>	<u>3,707</u>

Note 7: Financial Assets

Current

Bank term deposit	<u>230</u>	<u>230</u>
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Note 8: Other Current Assets

Loan to intra-related companies	<u>2,163</u>	<u>2,019</u>
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Transactions between intra-related companies are on normal commercial terms and conditions and no more favourable than those available to other unless otherwise stated

Note 9: Intangible Assets

Hydroproc Process

Cost	2,217	2,217
Accumulated impairment	<u>(1,554)</u>	<u>(1,554)</u>
Net carrying value	<u>663</u>	<u>663</u>

Hydroproc process

The Hydroproc process is the technology applied by the Company in its used lead acid battery processing operation. The Hydroproc process is classified as an indefinite life asset as the Company's cash-generating units are applying the technology to process the industrial residue and produce chemicals therefrom. The Hydroproc process has been under continuous development to enhance its capability and efficiency.

The recoverable amount of the Hydroproc process is based on its value in use and was determined by the operating profit of the battery recycling operation for financial year ended 30 June 2019.

The recoverable amount of the unit was determined to be higher than its carrying amount and no additions and impairments were applicable for the financial year.

HYDROMET CORPORATION PTY LIMITED

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

Note 10: Property, Plant and Equipment

	2019	2018
	\$000	\$000
LAND AND BUILDINGS		
Freehold land at:		
- at directors' valuation 2018	10,620	10,620
- at cost		-
Total Land	10,620	10,620
Buildings at cost	6,520	6,240
Less accumulated depreciation	(2,444)	(2,295)
Total Buildings	4,076	3,945
Total Land and Buildings	14,696	14,565
PLANT AND EQUIPMENT		
Plant & equipment at cost	19,678	17,792
Accumulated depreciation	(7,775)	(7,024)
	11,903	10,768
Office equipment	452	435
Accumulated depreciation	(397)	(390)
	55	45
Plant under construction	7,806	6,655
Total Plant and Equipment	19,764	17,468
Motor vehicles	293	292
Accumulated depreciation	(242)	(229)
	51	63
Total Property, Plant and Equipment	34,511	32,096

At 30 June 2018, the directors have performed a directors' valuation on the freehold land. For the purpose of good governance, the land at Seven Hills and Unanderra valued by independent valuers during the year. The land at Laverton was valued by the directors using sale data and demand for the land in the area. Land at Tomago is under contract for sale as noted in the director's report and as a result the value remains unchanged from the 2013 value.

The valuations are based on their fair value. The critical assumption adopted in determining the valuation included the location of the land, the current demand for the land in the area and recent sales data for similar properties. The valuation resulted in a revaluation increment of \$896,914 being recognised in the revaluation surplus for the year ended 30 June 2018. The directors therefore believe the carrying amount of the land correctly reflects the fair value less cost to sell at 30 June 2019. Refer to Note 24 for detailed disclosures regarding the fair value measurement of the Company's freehold land.

HYDROMET CORPORATION PTY LIMITED

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

**Note 11: Tax
NON-CURRENT**

	Opening Balance	Charged to Income	Charged directly to Equity	Closing Balance
	\$000	\$000	\$000	\$000
Deferred Tax Assets				
Property, plant and equipment	127	-	-	127
Provisions	(309)	60	-	(249)
Accrued Expenses	24	127	-	151
Income received in advance	-	-	-	-
Other	570	-	-	570
Tax Losses	4,164	(671)	-	3,493
Balance at 30 June 2018	<u>4,576</u>	<u>(484)</u>	<u>-</u>	<u>4,092</u>
Property, plant and equipment	127	-	-	127
Provisions	(249)	(73)	-	(322)
Accrued Expenses	151	70	-	221
Income received in advance	-	-	-	-
Other	570	-	-	570
Tax Losses	3,493	(501)	-	2,992
Balance at 30 June 2019	<u>4,092</u>	<u>(504)</u>	<u>-</u>	<u>3,587</u>
Deferred Tax Liabilities				
Property, plant and equipment	245	384	-	630
Inventory	-	-	-	-
Accrued income	-	-	-	-
Other	178	(89)	-	89
Balance at 30 June 2018	<u>423</u>	<u>295</u>	<u>-</u>	<u>719</u>
Property, plant and equipment	630	-	-	630
Inventory	-	-	-	-
Accrued income	-	-	-	-
Other	89	(7)	-	82
Balance at 30 June 2019	<u>719</u>	<u>(7)</u>	<u>-</u>	<u>712</u>

HYDROMET CORPORATION PTY LIMITED

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

	2019	2018
	\$000	\$000
Note 12: Trade and Other Payables		
CURRENT		
Unsecured liabilities:		
Trade payables	4,578	4,506
Sundry payables and accrued expenses	771	553
	<u>5,349</u>	<u>5,059</u>

Note 13: Borrowings

CURRENT		
Bank overdraft	1,003	653
Bank loans secured	8,391	8,415
Loan from directors and intra-related companies	-	-
Lease liability	400	484
Total current borrowings	<u>9,794</u>	<u>9,551</u>
NON-CURRENT		
Bank loan secured	680	711
Loan from directors and intra-related companies	10,430	10,382
Lease liability	-	-
	<u>11,110</u>	<u>11,093</u>
Total current and non-current secured liabilities:		
Bank loans	10,074	9,779
Lease liability	400	484
Directors and intra-related company loans	10,430	10,382
	<u>20,904</u>	<u>20,644</u>

Collateral Provided

The bank loans are secured over registered second fixed and floating charges over all assets of Hydromet Corporation Pty Limited.

Note 14: Provisions

	2019	2018
	\$000	\$000
CURRENT		
Employee benefits	680	658
Site restoration	63	560
Waste disposal	244	18
Repairs and Maintenance	-	-
	<u>987</u>	<u>1,236</u>
NON-CURRENT		
Provision for employee benefits	118	88
	<u>118</u>	<u>88</u>

Site restoration

The provision \$560,000 was made in previous financial years in respect of environmental clean-up costs of Tomago NSW site was written off in the 2019 year as this site is under contract for sale. The prospective purchaser currently occupies the site with the sale expected to be finalised in the next 12 months. Site restoration of 63,000 for 2019 year is for the remainder of waste to be transported to Unanderra for treatment in the 2020 fin year. The company does not expect to have any additional site restoration costs in respect to this parcel of land.

HYDROMET CORPORATION PTY LIMITED

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

Note 14: Provisions (cont'd)

Waste disposal

Hazardous by-products are produced during the manufacturing processes carried out by the company. The company has established strict procedures to ensure that all such hazardous by-products are disposed of safely.

Provisions have been made for the estimated costs of disposal of these by-products on hand. These provisions are sufficient to meet the disposal requirements of current environmental legislation. However, these operations are subject to rapidly changing environmental legislation in various jurisdictions and potential future obligations to meet changing environmental legislation. The directors are not aware of any impending changes to the disposal requirements or of any current breaches of legislation.

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(k).

Note 15: Issued Capital

	2019 No.	2018 No.	2019 \$000	2018 \$000
Fully paid ordinary shares	100	100	78,578	78,578
a. Ordinary Shares				
At the beginning of the reporting period	100	100	78,578	78,578
Shares issued during the year	-	-	-	-
At the end of the reporting period	100	100	78,578	78,578

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Note 16: Capital and Leasing Commitments

	2019 \$000	2018 \$000
a. Finance Lease Commitments		
Payable – minimum lease payments		
- not later than 12 months	154	181
- between 12 months and 5 years	246	303
Minimum lease payments	400	484
b. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
- Plant and equipment purchase	-	-
Payable not later than 12 months	-	-

HYDROMET CORPORATION PTY LIMITED

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

Note 17: Economic Dependence

The continuing production of lead product is dependent upon supply of ULAB's from national battery suppliers.

Note 18: Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets as at 30 June 2019.

Note 19: Events after the reporting date

During the 2018 year the Company entered into a contract for the sale of the Tomago, NSW site. At the date of this report the contract had not settled as negotiations are still taking place. The prospective purchaser is occupying the site

Note 20: Cash Flow Information

	2019	2018
	\$000	\$000
a. Reconciliation of Cash Flows from Operations with Profit after Income Tax		
Profit/(Loss) after income tax	1,163	920
Non-cash flows in profit:		
Depreciation	929	1,211
Asset retirement	-	197
Effect of exchange rate fluctuations on cash held	-	-
(Profit)/Loss on sale of property, plant and equipment	-	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(494)	(499)
(Increase)/decrease in inventories	1,136	1,450
(Increase)/decrease in deferred tax assets		
Increase/(decrease) in trade and other payables	227	(422)
Increase/(decrease) in deferred taxes liabilities	498	395
Increase/(decrease) in provisions	(219)	(64)
Cash flow from operations	<u>3,240</u>	<u>3,188</u>

Note 21: Key Management Personnel Compensation

The key management personnel compensation is as follows :

Short term employee benefits	590	474
Post-employment benefits	56	45
Other long-term benefits	63	145
Total	<u>709</u>	<u>664</u>

Key Management: is defined as those persons having authority and responsibility for planning, directing and control of the activities of the Company directly or indirectly, including any director (whether executive or otherwise) of that Company.

Note 22: Reserves

Asset Revaluation Reserve

The asset revaluation reserve records revaluation of non-current assets. Under certain circumstances dividends can be declared from this reserve.

Analysis of each class of reserve

Revaluation surplus

Opening balance as at 1 July	37	37
Net (of tax) gain on revaluation of land	896	896
Closing balance	<u>933</u>	<u>933</u>

HYDROMET CORPORATION PTY LIMITED

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

Note 23: Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

		2019 \$000	2018 \$000
Financial Assets			
Cash and cash equivalents	4	(896)	(557)
Receivables	5	3,276	2,782
Total Financial Assets		<u>2,380</u>	<u>2,225</u>
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	12	5,349	5,059
Total Financial Liabilities		<u>5,349</u>	<u>5,059</u>

Note 24: Fair Value Measurement

The Company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition.

The Company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	2019 \$000	2018 \$000
Recurring fair value measurements		
Property, plant and equipment		
Freehold land	10,620	10,620
	<u>10,620</u>	<u>10,620</u>

For freehold land and buildings, the fair values are based on a directors' valuation taking into account an external independent valuation performed in the previous year, which had used comparable market data for similar properties.

Note 25: Company Details

The registered office:

Hydromet Corporation Pty Limited
201 Five Island Road
Unanderra NSW 2526

Plants located at:

25 School Drive
Tomago NSW 2322

201 Five Island Road
Unanderra NSW 2526

19 Little Boundary Road
Laverton North VIC 3026

HYDROMET CORPORATION PTY LIMITED

ABN 71 002 802 646

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Hydromet Corporation Pty Limited, the directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

1. The directors of the company declare that:

- (a) the financial statements and notes set out on pages 4 to 24 are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Accounting Standards as described in Note 1 to the financial statements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements.
- (b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) The declaration is made in accordance to the resolution of the Board of Directors.



Simon Henry
Director

7 November 2019



**INDEPENDENT AUDITORS REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

To the Members of Hydromet Corporation Pty Limited:

Opinion

I have audited the financial report of Hydromet Corporation Pty Limited ("the Company") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.

Basis for Opinion

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

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the director's financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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



**INDEPENDENT AUDITORS REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

Auditor's Responsibilities for the Audit of the Financial Report

My 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 my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

I also provide the directors with a statement that I 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 my independence, and where applicable, related safeguards.

A handwritten signature in black ink, appearing to read 'B Fock', written over a faint, large watermark of the word 'AUDITORS'.

Ben Fock
Registered Company Auditor
8 November 2019, Wollongong

For personal use only



DGL ENVIRONMENTAL PTY LIMITED

ABN 71 002 802 646

SPECIAL PURPOSE
FINANCIAL REPORT
30 JUNE 2020

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION PTY LIMITED)
ABN 71 002 802 646

DIRECTORS' REPORT

The directors present their report together with the financial statements of DGL Environmental Pty Limited (the Company) for the financial year ended 30 June 2020.

The names of the directors and officers in office at any time during or since the end of the year are:

Mr Simon Henry Director
Mr Jeremy Perera Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The after-tax profit of the Company amounted to \$2,155,000 (2019: \$1,163,000 profit). Further discussion on the Company's operations follows.

Used Lead Acid Battery Processing and Smelter

- The plant processed used batteries during the year within the limits of the permitted EPA licence.

Liquid Waste Treatment

- The company is licenced to treat battery acid and liquid waste streams through its treatment plant.

Significant Changes in the State of Affairs

The Company changed its name from Hydromet Corporation Pty Ltd to DGL Environmental Pty Ltd on 1 July 2020.

Principal Activities

The principal activities of the Company during the financial year were:

- processing of used lead acid batteries (motor vehicle and industrial batteries) to recover lead metal and oxide.
- treatment of waste solution residues.

Events subsequent to the End of Reporting Period

During the 2018 year the Company entered into a contract for the sale of the Tomago, NSW site. At the date of this report, the contract had not settled due to site works undertaken as required by an EPA Prevention Notice. The prospective purchaser is occupying the site with an option to purchase once the Prevention Notice is lifted.

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 ("COVID-19") a pandemic. The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact. However, the COVID-19 situation is still evolving, and its full economic impact remains uncertain.

Although the COVID-19 situation has created economic uncertainty, the directors believe the Company will be able to continue as a going concern.

The Company implemented Government Guidelines across the business to protect staff and reduce risk of infection. Staffing levels were reviewed and staff redeployed to areas of highest demand and encouraged staff to take leave. The Company worked with customers and suppliers to understand their changed requirements and made the necessary changes to meet them. The Company has continued to follow Government guidelines and will do so until the pandemic is over.

For the year ended 30 June 2019, the company decommissioned the lead smelter located at Laverton, Victoria. Subsequent to year end the Company has performed a feasibility study and has decided to recommission the Smelter in later half of the financial year. At the date of the report, cost analysis and tender documents for the refurbishment are being prepared and the Company expects this to be approx. \$1,300,000 across 2 financial years.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Company, the results of those operations or the state of affairs in future financial years other than those disclosed.

DIRECTORS' REPORT

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The Company's operations are subject to licence requirements issued under the Protection of the Environment Operations Act 1997 (NSW) ("POEO Act") in relation to its business of processing used lead acid battery and industrial residues and manufacturing chemical products including treatment processes, immobilisation of by-products, disposal of effluent streams and transportation of materials that are subject to specific approvals from and close scrutiny by the Commonwealth and State departments. The Company is committed to achieving a high standard of environmental performance.

From July 2013 onwards the NSW Environment Protection Authority (EPA) imposed a new requirement on all lead recycling companies in New South Wales which required an export permit to sell fractional Lead products to overseas markets. The Company have the required permits in place.

Dividends Paid or Recommended

No dividends were paid or declared for payment during the financial year.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification of Officers

During the year, the Company paid a premium to insure officers of the Company. The officers of the Company covered by the insurance policy include all directors. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

Details of the amount of the premiums paid in respect of the insurance policies is not disclosed, as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

Proceedings on Behalf of Company

No person has applied for leave of the court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out in page 5 and forms part of this Director's report.

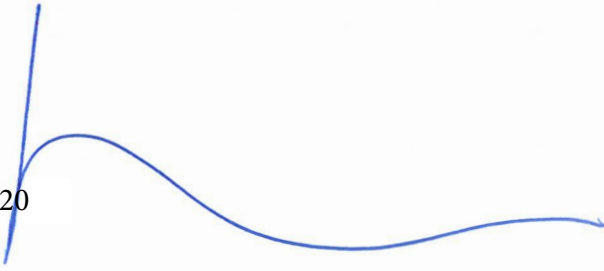
DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION PTY LIMITED)
ABN 71 002 802 646

Rounding of Amounts

DGL Environmental Pty Limited is a type of company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

This director report is signed in accordance with a resolution of the Board of Directors.

Simon Henry
Director
Date: 13/11/20



DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646



AUDITOR'S INDEPENDENCE DECLARATION
FOR THE YEAR ENDED 30 JUNE 2020

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of DGL Environmental Pty Ltd:

I declare that, to the best of my knowledge and beliefs, during the year ended 30 June 2020 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the Audit;
and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Ben Fock', written over a horizontal line.

Ben Fock

Registered Company Auditor

Wollongong: Dated 13 November 2020

hlb.com.au

HLB Mann Judd (Wollongong) Pty Ltd ABN 20 073 798 615
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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (Wollongong) Pty Ltd is a member of HLB International, the global advisory and accounting network.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$000	2019 \$000
Revenue	2	61,936	64,306
Cost of sales		(49,345)	(54,641)
Gross profit		12,591	9,665
Other revenue		108	303
Distribution expenses		(3,851)	(2,968)
Marketing expenses		(2)	(15)
Selling expenses		(57)	(131)
Administration & general expenses		(4,430)	(4,414)
Finance costs		(996)	(752)
Other expenses		(284)	(27)
Profit/(loss) before income tax		<u>3,079</u>	<u>1,661</u>
Income tax revenue / (expense)	3	(924)	(498)
Profit/(loss) for the year		<u>2,155</u>	<u>1,163</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings (net of tax)		-	-
Items that will be reclassified subsequently to profit or loss			
Fair value loss on available-for-sale financial assets, net of tax		-	-
Total other comprehensive income for the year		<u>-</u>	<u>-</u>
Profit/(loss) attributable to Members of the company		<u>2,155</u>	<u>1,163</u>
Total comprehensive income attributable to Members of the company		<u>2,155</u>	<u>1,163</u>

The accompanying notes form part of these financial statements.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$000	2019 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,144	107
Trade and other receivables	5	3,844	3,276
Inventories	6	2,739	2,571
Financial assets	7	230	230
Other current assets	8	-	2,163
TOTAL CURRENT ASSETS		7,957	8,347
NON-CURRENT ASSETS			
Intangible assets	9	663	663
Right of use asset	10	407	-
Property, plant and equipment	11	53,889	34,511
Deferred tax assets	13	2,647	3,587
TOTAL NON-CURRENT ASSETS		57,606	38,761
TOTAL ASSETS		65,563	47,108
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	5,002	5,349
Borrowings	14	18,585	9,794
Provisions	15	1,163	987
TOTAL CURRENT LIABILITIES		24,750	16,130
NON-CURRENT LIABILITIES			
Borrowings	14	18,755	11,110
Provisions	15	169	118
Deferred tax liabilities	13	696	712
TOTAL NON-CURRENT LIABILITIES		19,620	11,940
TOTAL LIABILITIES		44,370	28,070
NET ASSETS		21,193	19,038
EQUITY			
Issued capital	16	78,578	78,578
Reserves	23	933	933
Accumulated losses		(58,318)	(60,473)
TOTAL EQUITY		21,193	19,038

The accompanying notes form part of these financial statements.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Share Capital \$000	Accumulated losses \$000	Assets revaluation reserve \$000	Total \$000
Balance at 1 July 2018		78,578	(61,638)	933	17,873
Profit for the year		-	1,163	-	1,163
Other comprehensive income		-	-	-	-
Total comprehensive income for the year					
Balance at 30 June 2019		<u>78,578</u>	<u>(60,475)</u>	933	<u>19,038</u>
Balance at 1 July 2019		78,578	(60,475)	933	19,038
Profit for the year		-	2,155	-	2,155
Other comprehensive income					
Total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2020		<u>78,578</u>	<u>(58,320)</u>	933	<u>21,193</u>

The accompanying notes form part of these financial statements.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$000	2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		61,472	64,114
Payment to suppliers and employees		(56,896)	(60,122)
Interest received		5	-
Finance costs		(996)	(752)
Net cash provided by/(used in) operating activities	21	<u>3,585</u>	<u>3,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(21,146)	(3,343)
Proceeds from sale of property, plant and equipment		-	-
Payment for investments		-	-
Loans from related parties – net amount collected/(granted)		10,297	(97)
Net cash provided by / (used in) investing activities		<u>(10,849)</u>	<u>(3,440)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities		(736)	(235)
Proceeds from/(repayment of) borrowings		10,040	97
Net cash provided by / (used in) financing activities		<u>9,304</u>	<u>(138)</u>
Net increase/(decrease) in cash held		2,040	(338)
Cash and cash equivalents at beginning of financial year		<u>(896)</u>	<u>(558)</u>
Cash and cash equivalents at end of financial year	4a	<u><u>1,144</u></u>	<u><u>(896)</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

The directors have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. DGL Environmental Pty Limited is a company limited by shares, incorporated and domiciled in Australia. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by Australian Accounting Standards and Interpretations and the disclosure requirements of:

- AASB 101: Presentation of Financial Statements
- AASB 107: Statement of Cash Flows
- AASB 108: Accounting Policies; Changes in Accounting Estimates and Errors
- AASB 1054: Australian Additional Disclosures

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

a. Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where:

- (i) a legally enforceable right of set-off exists; and
- (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Summary of Significant Accounting Policies (cont'd)

b. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads.

Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land is recorded at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers.

Increases in the carrying amount arising on revaluation of land are credited to the asset revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against asset revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Buildings are recorded at cost less subsequent depreciation.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Building	2.5%
Plant & equipment	12.5-25%
Office equipment	12.5-27%
Motor vehicles	15-25%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Summary of Significant Accounting Policies (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss when the item is derecognised. When a revalued asset is sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. Leases (the Company as lessee)

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use assets is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the cost less accumulated depreciation (and impairment if applicable).

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price as they contain no significant financing component.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Summary of Significant Accounting Policies (cont'd)

Classification and subsequent measurement

Financial liabilities

The Company's financial liabilities are trade and other payables, leases and borrowings. They are recognised at the amount payable.

Financial asset

The Company's financial assets are cash and cash equivalents and trade and other receivables. They are measured at the amount expected to be recovered.

Impairment of Trade Receivables

The Company does not recognise a loss allowance for expected credit losses on trade receivables as they believe the balance is recoverable. In the instance where an allowance was necessary, the Company would use the general approach to impairment as applicable under AASB 9.

General Approach

Under the general approach, at each reporting period, the entity would assess whether the financial instruments are credit impaired and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the entity measures the loss allowance of the financial instrument at an amount equal to 12-month expected credit losses.

f. Impairment of Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. The assessment will include considering external sources of information, and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. Impairment losses are recognised in the statement of profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (cont'd)

g. Intangibles Other than Goodwill

Other intangible assets

The Company's hydro-metallurgical processing technology (Hydroproc process), which has an indefinite useful life, was systematically tested for impairment as at 30 June 2020.

h. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

i. Employee Benefit

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

j. Provision

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimated of the amounts required to settle the obligation at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (cont'd)

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

l. Revenue and Other Income

Revenue Recognition

The Company has two revenue streams, being the processing of used lead acid batteries (motor vehicle and industrial batteries) to recover lead metal and oxide and the treatment of waste solution residues.

The core principal of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods and services.

Revenue is recognised by applying a five-step model as follows:

- 1 Identify the contract with the customer.
- 2 Identify the performance obligations.
- 3 Determine a transaction price. Quotes are based on scope of work and the estimated time required to complete the project. For projects that require travel, this cost is included in the quote.
- 4 Allocate the transaction price to the performance obligations.
- 5 Recognise revenue as and when control of the performance obligations is transferred.

Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customer or the port as directed by the customer and as stated in the contract. Revenue from these sales is based on the price stipulated in the purchase order or contract as negotiated by the sales team. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

A receivable will be recognised when the goods are delivered. The Company's right to consideration is deemed unconditional at this time as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales are made within a credit term of 30 to 60 days.

Generally the timing of the payment for rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

All revenue is stated net of the amount of goods and services tax (GST).

m. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (cont'd)

n. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

When the Company has retrospectively applied an accounting policy, makes a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

o. Rounding of Amounts

DGL Environmental Pty Limited is a type of company referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

p. Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

q. Critical Accounting Estimates and Judgements

When preparing the financial statements, management undertakes a number of judgement, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates and Judgements

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (cont'd)

All impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustments to market risk and the appropriate adjustment to asset-specific risk factors.

Useful lives of depreciable assets.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Employee benefits

For the purpose of measurement, AASB 119 : Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the Company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the following 12-month period, obligations for annual leave entitlements are classified under AASB 119 as other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

Fair Value of financial instruments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument.

Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Performance obligations under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature/ type, cost/ value, quantity and the period of transfer related to the goods or services promised.

r. New and amended standards adopted by the Company

The Company has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Company's financial statements for the annual period beginning 1 July 2019. None of the amendments have had a significant impact on the Company.

Initial application of AASB 16

The Company has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16. The comparatives for the 2019 reporting period have not been restated.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: Leases where the Company is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 1: Statement of Significant Accounting Policies (cont'd)

The right of use assets for manufacturing equipment was measured at its carrying amount as if AASB 16 : Leases had been applied since the commencement date, but discounted using the Company's incremental borrowing rate per lease term as at 1 July 2019.

The right of use assets for the remaining leases were measured and recognised in the statement of financial position as at 1 July 2019 by taking into consideration the lease liability, prepaid and accrued lease payments previously recognised as at 1 July 2019 (that are related to the lease).

The following practical expedients have been used by the Company in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same as short-term leases;
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate;
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application; and
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The following summary indicates the reclassification of Property Plant and Equipment to Right of Use asset on 1 July 2019 due to implementation of AASB 16:

	Carrying amount under AASB 117	Reclassify	Carrying amount under AASB 16
Reclassified from:			
Property Plant and Equipment – Leased plant and Equipment	341	(341)	-
Reclassified to:			
Right of Use Asset	-	341	(341)

s. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The directors have decided not to early adopt any of the new and amended pronouncements. Although the directors anticipate that the adoption of the new accounting standards will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 2: Profit for the year

	2020	2019
	\$000	\$000
The Company has recognised the following amounts relating to revenue in the statement of profit or loss:		
Timing of revenue recognition of products and services transferred to customers is at a point in time		
a. Revenue and Other Income		
Revenue from sale of goods	57,458	62,807
Revenue from rendering of services	3,297	1,335
Other income	1,181	164
Net gain/(loss) on disposal of available-for-sale investments	-	-
	61,936	64,306
b. Expenses		
Cost of sales	49,345	54,641
Employee benefit expense		
- Contributions to superannuation funds	381	420
Other expenses		
Depreciation	1,361	929
Foreign currency translation losses	54	-
Bad and doubtful debt	-	-
Short-term lease expense	-	-
low value asset lease expense	-	-
c. Remuneration of auditor		
Mr B Fock		
Auditing or reviewing the financial report	32	32

Remuneration of the auditor of the Company for auditing the financial statements is \$32,000 (2019: \$32,000). The auditor provides no other services to the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$000	\$000
Note 3: Income tax expense		
(a) The components of tax expense comprise;		
Current Tax	-	-
Deferred Tax	(924)	(498)
Total income tax (expense)/income recognised in the current year	(924)	(498)
(b) The prima facie tax on profit before income tax is reconciled to income taxes as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2019: 30%)	899	498
Add:		
Tax effect of:		
- non-deductible expenses	557	604
Less:		
Tax effect of:		
- other deductible expenses	(582)	(594)
- current year tax loss recognised as deferred tax asset	(874)	(508)
Capital loss carried forward		
Income tax expense/(benefit) attributable to the entity	-	-
(c) Tax effect relating to other comprehensive income		
Current tax expenses (income)	-	-
Deferred tax expenses (income)	924	498

Note 4: Cash and Cash Equivalents

CURRENT

Cash at bank	1,144	107
--------------	-------	-----

The effective interest rate on short-term bank deposits was 1.75% (2019: 2%); these deposits have an average maturity of 180 days. Refer to Note 7.

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 14 for further details.

a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash at bank	1,144	107
Bank overdraft	-	(1,003)
	1,114	(896)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$000	\$000
Note 5: Trade and Other Receivables		
CURRENT		
Trade receivables	3,492	2,944
Other receivables	352	332
Total current trade and other receivables	3,844	3,276

Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or Company of counterparties other than those receivables specifically provided for and mentioned within Note 5. The main source of credit risk to the Company is considered to relate to the class of assets described as "trade and other receivables".

The following table details the Company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

		>30 days past due	>60 days past due	>90 days past due	
2020	Current				Total
Expected loss rate	-	-	-	-	-
Gross carrying amount	2,583	898	11		3,492
Loss allowing provision	-	-	-		-
2019	Current				Total
Expected loss rate	-	-	-	-	-
Gross carrying amount	2,806	127	11		2,944
Loss allowing provision	-	-	-		-

Note 6: Inventories
CURRENT

At cost:		
Raw material and consumables	1,559	1,070
Work in progress	33	188
Finished goods	1,147	1,313
	2,739	2,571
At net realisable value:		
Finished goods	-	-
	2,739	2,571

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$000	\$000
Note 7 Financial Assets		
CURRENT		
Bank term deposit	230	230
	<hr/>	<hr/>
Note 8: Other Current Assets		
Loan to intra-related companies	-	2,163
	<hr/>	<hr/>
Transactions between intra-related companies are on normal commercial terms and conditions are no more favourable than those available to other unless otherwise stated. Refer to Note 14 & Note 24		
Note 9: Intangible Assets		
NON- CURRENT		
Hydroproc Process		
Cost	2,217	2,217
Accumulated impairment	(1,554)	(1,554)
Net carrying value	663	663
	<hr/>	<hr/>
Hydroproc process		
The Hydroproc process is the technology applied by the Company in its used lead acid battery processing operation. The Hydroproc process is classified as an indefinite life asset as the Company's cash-generating units are applying the technology to process the industrial residue and produce chemicals therefrom. The Hydroproc process has been under continuous development to enhance its capability and efficiency.		
The recoverable amount of the Hydroproc process is based on its value in use and was determined by the operating profit of the battery recycling operation for financial year ended 30 June 2020.		
The recoverable amount of the unit was determined to be higher than its carrying amount and no additions and impairments were applicable for the financial year.		
Note 10: Right of Use Asset		
The Company's lease portfolio is for plant and equipment. These leases have an average of 5 years as their lease term. There were no extension options for equipment leases		
AASB 16 related amounts recognised in the balance sheet		
Leased plant & equipment	476	-
Accumulated impairment	(69)	-
	<hr/>	<hr/>
	407	-
Movement in carrying amounts		
Opening balance	-	-
Recognised on initial application of AASB 16 (previously classified as operating leases under AASB 117)	341	-
Addition to right-of-use asset	103	-
Depreciation expense	(37)	-
Net Carrying Amount	407	-
	<hr/>	<hr/>
AASB 16 related amounts recognised in the statement of profit or loss		
Depreciation charge related to right-of-use assets	37	-
Interest expense on lease liabilities	12	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$000	\$000
Note 11: Property Plant & Equipment		
LAND AND BUILDINGS		
Freehold land at:		
- at directors' valuation 2018	10,620	10,620
- at cost	13,513	-
Total Land	24,133	10,620
Buildings at cost	12,495	6,520
Less accumulated depreciation	(2,681)	(2,444)
Total Buildings	9,814	4,076
Total Land and Buildings	33,947	14,696
PLANT AND EQUIPMENT		
Plant & equipment at cost	20,565	19,678
Accumulated depreciation	(8,768)	(7,775)
	<u>11,797</u>	<u>11,903</u>
Office equipment	462	452
Accumulated depreciation	(421)	(397)
	<u>41</u>	<u>55</u>
Plant under construction	<u>8,038</u>	<u>7,806</u>
Total Plant and Equipment	19,876	19,764
Motor vehicles	310	293
Accumulated depreciation	(244)	(242)
	<u>66</u>	<u>51</u>
Total Property, Plant and Equipment	53,889	34,511

At 30 June 2018, the directors have performed a directors' valuation on the freehold land. For the purpose of good governance, the land at Seven Hills and Unanderra valued by independent valuers during the year. The land at Laverton was valued by the directors using sale data and demand for the land in the area. Land at Tomago is under contract for sale as noted in the director's report and as a result the value remains unchanged from the 2018 value. Refer to Note 20.

The valuations are based on their fair value. The critical assumption adopted in determining the valuation included the location of the land, the current demand for the land in the area and recent sales data for similar properties. The valuation resulted in a revaluation increment of \$896,914 being recognised in the revaluation surplus for the year ended 30 June 2018. The directors therefore believe the carrying amount of the land correctly reflects the fair value less cost to sell at 30 June 2020. Refer to Note 27 for detailed disclosures regarding the fair value measurement of the Company's freehold land.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2020
\$000

2019
\$000

a. Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Freehold Land	Buildings	Plant and Equipment	Motor Vehicles	Office Equipment	Plant Under Construction	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 July 2018	10,620	3,944	10,767	64	46	6,655	32,096
Additions	-	280	1,886	9	17	1,151	3,343
Revaluation increments	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Depreciation expense	-	(148)	(750)	(22)	(8)	-	(928)
Balance at 30 June 2019	<u>10,620</u>	<u>4,076</u>	<u>11,903</u>	<u>51</u>	<u>55</u>	<u>7,806</u>	<u>34,511</u>
Additions	13,513	5,975	1,399	17	10	232	21,146
Transferred	-	-	(407)	-	-	-	(407)
Disposals	-	-	-	-	-	-	-
Depreciation expense	-	(237)	(1,098)	(2)	(24)	-	(1,361)
Balance at 30 June 2020	<u>24,133</u>	<u>9,814</u>	<u>11,797</u>	<u>66</u>	<u>41</u>	<u>8,038</u>	<u>53,889</u>

Note 12: Trade and Other Payables

CURRENT

Unsecured liabilities:

Trade payables

Sundry payables and accrued expenses

4,390	4,578
612	771
<u>5,002</u>	<u>5,349</u>

Financial liabilities at amortised cost classified as trade and other payables

Total current

Total non-current

5,002	5,349
-	-
<u>5,002</u>	<u>5,349</u>

The average credit period on trade and other payables (excluding GST payable) is two months. No interest is payable on outstanding payables during this period.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 13: Tax
NON-CURRENT

	Opening Balance	Charged to Income	Charged directly to Equity	Closing Balance
	\$000	\$000	\$000	\$000
Deferred Tax Assets				
Property, plant and equipment	127	-	-	127
Provisions	(249)	(73)	-	(322)
Accrued Expenses	151	70	-	221
Income received in advance	-	-	-	-
Other	570	-	-	570
Tax Losses	3,493	(501)	-	2,992
Balance at 30 June 2019	<u>4,092</u>	<u>(504)</u>	<u>-</u>	<u>3,587</u>
Property, plant and equipment	127	-	-	127
Provisions	(322)	15	-	(307)
Accrued Expenses	221	(48)	-	173
Income received in advance	-	-	-	-
Other	570	-	-	570
Tax Losses	2,992	(907)	-	2,085
Balance at 30 June 2020	<u>3,587</u>	<u>(940)</u>	<u>-</u>	<u>2,647</u>
Deferred Tax Liabilities				
Property, plant and equipment	630	-	-	630
Inventory	-	-	-	-
Accrued income	-	-	-	-
Other	89	(7)	-	82
Balance at 30 June 2019	<u>719</u>	<u>(7)</u>	<u>-</u>	<u>712</u>
Property, plant and equipment	630	-	-	630
Inventory	-	-	-	-
Accrued income	-	-	-	-
Other	82	(16)	-	66
Balance at 30 June 2020	<u>712</u>	<u>(16)</u>	<u>-</u>	<u>696</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$000	2019 \$000
Note 14: Borrowings		
CURRENT		
Bank overdraft	-	1,003
Bank loans secured	18,431	8,391
Loan from directors and intra-related companies	-	-
Lease liability	154	400
Total current borrowings	18,585	9,794
NON-CURRENT		
Bank loan secured	-	680
Loan from directors and intra-related companies	18,564	10,430
Lease liability	191	-
	18,755	11,110
Total current and non-current secured liabilities:		
Bank loans	18,431	10,074
Lease liability	345	400
Directors and intra-related company loans	18,564	10,430
	37,340	20,904

The weighted average effective interest rate on the bank loans is 3.87% per annum (2019: 4.72% per annum).

Collateral Provided

The bank loans are secured over registered second fixed and floating charges over all assets of DGL Environmental Pty Limited.

Note 15: Provisions

	2020 \$000	2019 \$000
CURRENT		
Employee benefits	659	680
Site restoration	22	63
Waste disposal	482	244
	1,163	987
NON-CURRENT		
Employee benefits	169	118
	169	118

Site restoration

A provision was made in previous financial years in respect of environmental clean-up costs of Tomago NSW site. The property is currently leased with an option to purchase by the tenant conditional upon the EPA Prevention Notice being lifted. The company is progressing site work in consultation with EPA appoint site auditor and DGL's consultant. Once the works have been completed, validated by the auditor and the Prevention Notice lifted by the EPA, the company can proceed with the option to purchase with the tenant.

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Waste disposal

Hazardous by-products are produced during the manufacturing processes carried out by the company. The company has established strict procedures to ensure that all such hazardous by-products are disposed of safely.

Provisions have been made for the estimated costs of disposal of these by-products on hand. These provisions are sufficient to meet the disposal requirements of current environmental legislation. However, these operations are subject to rapidly changing environmental legislation in various jurisdictions and potential future obligations to meet changing environmental legislation. The directors are not aware of any impending changes to the disposal requirements or of any current breaches of legislation.

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(k).

	Site restoration \$000	Waste disposal \$000	Employee Entitlement \$000	Total \$000
Opening balance at 1 July 2019	63	244	798	1,105
Amounts used	(41)	-	-	(41)
Additional provision	-	238	30	268
Balance at 30 June 2020	<u>22</u>	<u>482</u>	<u>828</u>	<u>1,332</u>

Note 16: Issued Capital

	2020 No.	2019 No.	2020 \$000	2019 \$000
Fully paid ordinary shares	<u>100</u>	<u>100</u>	<u>78,578</u>	<u>78,578</u>
a. Ordinary Shares				
At the beginning of the reporting period	100	100	78,578	78,578
Shares issued during the year	-	-	-	-
At the end of the reporting period	<u>100</u>	<u>100</u>	<u>78,578</u>	<u>78,578</u>

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

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NOTES TO THE FINANCIAL STATEMENTS
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	2020	2019
	\$000	\$000
Note 17: Capital and Leasing Commitments		
a. Finance Lease Commitments under AASB 117		
Payable – minimum lease payments		
- not later than 12 months	-	154
- between 12 months and 5 years	-	246
Minimum lease payments	400	400
b. The maturity analysis of lease liabilities based on contractual undiscounted cash flows		
Payable – minimum lease payments		
- not later than 12 months	154	-
- between 12 months and 5 years	191	-
Total undiscounted lease liability	345	-
c. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
- Plant and equipment purchase	-	-
Payable not later than 12 months	-	-

Note 18: Economic Dependence

The continuing production of lead product is dependent upon supply of ULAB's from national battery suppliers.

Note 19: Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets as at 30 June 2020.

Note 20: Events after the reporting date

During the 2018 year the Company entered into a contract for the sale of the Tomago, NSW site. At the date of this report, the contract had not settled due to site works undertaken as required by an EPA Prevention Notice. The prospective purchaser is occupying the site with an option to purchase once the Prevention Notice is lifted. Refer to Note 15.

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 ("COVID-19") a pandemic. The pandemic has adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact. However, the COVID-19 situation is still evolving, and its full economic impact remains uncertain.

Although the COVID-19 situation has created economic uncertainty, the directors believe the Company will be able to continue as a going concern.

The Company implemented Government Guidelines across the business to protect staff and reduce risk of infection. Staffing levels were reviewed and staff redeployed to areas of highest demand and encouraged staff to take leave. The Company worked with customers and suppliers to understand their changed requirements and made the necessary changes to meet them. The Company has continued to follow Government guidelines and will do so until the pandemic is over.

For the year ended 30 June 2019, the company decommissioned the lead smelter located at Laverton, Victoria. Subsequent to year end the Company has performed a feasibility study and has decided to recommission the Smelter in later half of the financial year. At the date of the report, cost analysis and tender documents for the refurbishment are being prepared and the Company expects this to be approx. \$1,300,000 across two financial years.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years other than those disclosed.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 21: Cash Flow Information

	2020	2019
	\$000	\$000
a. Reconciliation of Cash Flows from Operations with Profit after Income Tax		
Profit/(Loss) after income tax	2,155	1,163
Non-cash flows in profit:		
Depreciation	1,361	929
Asset retirement	-	-
Effect of exchange rate fluctuations on cash held	-	-
(Profit)/Loss on sale of property, plant and equipment	-	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(568)	(494)
(Increase)/decrease in inventories	(168)	1,136
(Increase)/decrease in deferred tax assets	940	
Increase/(decrease) in trade and other payables	(347)	227
Increase/(decrease) in deferred taxes liabilities	(16)	498
Increase/(decrease) in provisions	228	(219)
Cash flow from operations	3,585	3,240

Note 22: Key Management Personnel Compensation

The key management personnel compensation is as follows:

Short term employee benefits	667	590
Post-employment benefits	61	56
Other long-term benefits	28	63
Total	756	709

Key Management: is defined as those persons having authority and responsibility for planning, directing and control of the activities of the Company directly or indirectly, including any director (whether executive or otherwise) of that Company. Also see Note 24

Note 23: Reserves

Asset Revaluation Reserve

The asset revaluation reserve records revaluation of non-current assets. Under certain circumstances dividends can be declared from this reserve.

Analysis of each class of reserve

Revaluation surplus

Opening balance as at 1 July	933	933
Net (of tax) gain on revaluation of land	-	-
Closing balance 30 June	933	933

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$000	\$000

Note 24: Related Party Transactions

Related Parties

The Company's main related parties are as follows:

Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, is considered key management personnel. For details of disclosures relating to key management personnel, refer to Note 22.

Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties

Purchase of goods and services

Companies controlled by Simon Henry, Director

DGL Manufacturing	-	-
DGL Warehousing & Distribution	1,100	53
Total	1,100	53

The Company has provided loans to directors and other related parties

Loans from other related parties

DGL Manufacturing	191	-
DGL Warehousing & Distribution	5,722	-
DGL New Zealand	9,092	6,769
Director	3,559	3,661
Total	18,564	10,430

Loans from DGL Manufacturing and DGL Warehousing & Distribution are non-interest bearing. Loans from Director and DGL New Zealand are interest bearing at an interest rate of 2.5% p.a. The loans have no terms and no repayment schedule. There are no plans from each related party to demand repayment in the following 18 months for such loans. Refer to Note 14.

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Note 25: Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets			
Cash and cash equivalents	4	1,144	(896)
Receivables	5	3,844	3,276
Total Financial Assets		4,988	2,380
Financial Liabilities			
Trade and other payables	12	5,002	5,349
Borrowings	14	37,340	20,904
Total Financial Liabilities		42,342	26,253

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The Company does not have any derivative instruments at 30 June 2020.

The main risks the Company is exposed to through its financial instruments are credit risk.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company. Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness, which includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Company, credit terms are generally 14–30 days from the date of invoice.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 5.

Note 26: Fair Value Measurement

The Company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The Company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

Fair Value Hierarchy

AASB 13 : *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
ABN 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

	2020	2019
Level 2	\$000	\$000
Recurring fair value measurements		
Property, plant and equipment		
Freehold land	10,620	10,620
	10,620	10,620

Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

For freehold land and buildings, the fair values are based on a directors' valuation taking into account an external independent valuation performed in the previous year, which had used comparable market data for similar properties.

Note 25: Company Details

The registered office:
DGL Environmental Pty Limited
201 Five Island Road
Unanderra NSW 2526

Plants located at:		
25 School Drive	201 Five Island Road	19 Little Boundary Road
Tomago NSW 2322	Unanderra NSW 2526	Laverton North VIC 3026

DGL ENVIRONMENTAL PTY LIMITED (FORMERLY HYDROMET CORPORATION LIMITED)
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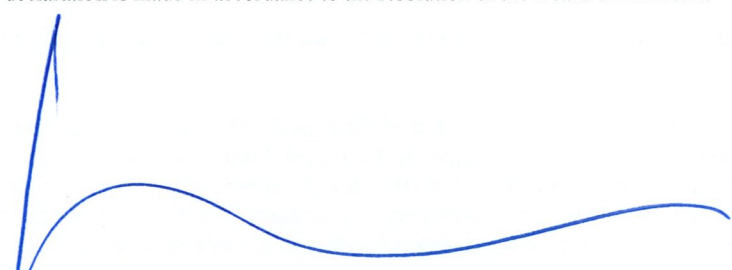
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of DGL Environmental Pty Limited, the directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

1. The directors of the company declare that:

- (a) the financial statements and notes set out on pages 7 to 32 are in accordance with the *Corporations Act 2001* and:
 - (i) comply with Accounting Standards as described in Note 1 to the financial statements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the Company in accordance with the accounting policies described in Note 1 to the financial statements.
- (b) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) The declaration is made in accordance to the resolution of the Board of Directors.

Simon Henry
Director
Dated: 13/11/2020





**INDEPENDENT AUDITORS REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

To the Members of DGL Environmental Pty Ltd,

Opinion

I have audited the financial report of DGL Environmental Pty Ltd (“the Company”) which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

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

- a) giving a true and fair view of the Company’s financial position as at 30 June 2020 and of its financial performance and cash flows for the year then ended; and
- b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

Basis for Opinion

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

I confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the director’s financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Emphasis of Matter – Current Uncertainties Arising From Coronavirus Disease 2019 (“COVID-19”)

I draw attention to Note 20 of the financial report, which describes the current uncertainties arising from the on-going situation associated with COVID-19. My opinion is not modified in respect of this matter.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The director’s responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibilities for the Audit of the Financial Report

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I also provide the directors with a statement that I 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 my independence, and where applicable, related safeguards.

I 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 I identify during my audit.


Ben Fock
Registered Company Auditor

Wollongong, 13 November 2020

DGL ENVIRONMENTAL PTY LIMITED

ABN: 71 002 802 646

**Financial Report For The Half-Year Ended
31 December 2020**

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DGL ENVIRONMENTAL PTY LIMITED

ABN: 71 002 802 646

Financial Report For The Half-Year Ended 31 December 2020

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DGL ENVIRONMENTAL PTY LIMITED

ABN: 71 002 802 646

DIRECTORS' REPORT

Your directors present their report on the Company for the half-year ended 31 December 2020.

Directors

The names of the directors in office at any time during the whole of the financial half-year and up to the date of this report, unless otherwise stated are:

Mr Simon Henry
Director
Appointed 22 May 2012

Mr Jeremy Perera
Director
Appointed 23 August 2012

Mr Issac Gatt
Director
Appointed 15 February 2021

Review of Operations

The profit for the Company for the six month period after providing for income tax amounted to \$1,337,000. (Six month ending 31 December 2019: \$2,145,000)

E-waste Recycling

- The LME lead price in AUD denominated currency remained stable over the period.
- End-of-life lead acid battery receivals were 13% down compared to 1H forecast. This could be a consequence of the COVID pandemic and the associated changes in travel behaviour e.g. people electing to work from home and avoiding the daily commute to work, border closures and lock downs, specifically in Victoria, results in less interstate/intrastate travel.
- The NSW facility experienced a major equipment failure resulting in the Battery Recycling Plant shutting down in October 2020 to undergo repairs. Recycling operations resumed in November 2020.
- The Victoria facility is continuing to show improvement in plant reliability with 78% average plant uptime against an 80% uptime target.

Liquid Waste Treatment

- Record waste receivals in 1H exceeding forecast by 32% supported by higher than average rainfall.

Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the Company during the financial year were:

- processing of used lead acid batteries (motor vehicle and industrial batteries) to recover lead metal and oxide.
- treatment of waste solution residues.

Events Subsequent to the End of the Reporting Period

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 ("COVID-19") a pandemic. The pandemic adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world announced monetary and fiscal stimulus packages to minimise the adverse economic impact.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the 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.

On 1 January 2021, the company purchased 100% of the shares in Chem Pack Pty Ltd (Chem Pack). Chem Pack operates a contract formulation and packing business based in Victoria. It has the facilities required to manufacture, fill and/or blend liquid products used in the agriculture industry. It can manage many product ranges and provide all forms and pack sizes of chemical liquids including aerosol cans. Existing management and operation teams have been retained, they will continue to manage and trade the business as it integrates with the DGL Group.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

DGL ENVIRONMENTAL PTY LIMITED
ABN: 71 002 802 646
DIRECTORS' REPORT

Environmental Regulation

The Company's operations are subject to licence requirements issued under the Protection of the Environment Operations Act 1997 (NSW) ("POEO Act") in relation to its business of processing used lead acid battery and industrial residues and manufacturing chemical products including treatment processes, immobilisation of by-products, disposal of effluent streams and transportation of materials that are subject to specific approvals from and close scrutiny by the Commonwealth and State departments. The Company is committed to achieving a high standard of environmental performance.

From July 2013 onwards, the NSW Environment Protection Authority (EPA) imposed a new requirement on all lead recycling companies in New South Wales which required an export permit to sell fractional Lead products to overseas markets. The Company have the required permits in place.

Rounding of amounts

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

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

This directors' report is signed in accordance with a resolution of the Directors.

Director

Mr Simon Henry

Dated this

11th day of March 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of DGL Environmental Pty Ltd for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.



Ben Fock
Registered Company Auditor
Wollongong 12 March 2021

hlb.com.au

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DGL ENVIRONMENTAL PTY LIMITED

ABN: 71 002 802 646

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$000	31 December 2019 \$000
Note		
Sales revenue	28,198	34,494
Cost of sales	<u>(20,418)</u>	<u>(26,862)</u>
	<u>7,780</u>	<u>7,632</u>
Other Income	98	7
Employee benefits expense	(3,116)	(2,637)
Administration and general expenses	(1,099)	(777)
Legal and professional fees	(430)	(203)
Occupancy expense	(701)	(709)
Depreciation and amortisation expense	(135)	(760)
Finance costs	<u>(487)</u>	<u>(408)</u>
Profit before income tax expense	1,910	2,145
Income tax expense	<u>(573)</u>	<u>-</u>
Profit after income tax expense for the half-year	<u>1,337</u>	<u>2,145</u>
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation gain on land and buildings, net of tax	9,406	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Fair value loss on available-for-sale financial assets, net of tax	<u>-</u>	<u>-</u>
Total other comprehensive income for the half-year	<u>9,406</u>	<u>-</u>
Total comprehensive income for the half-year	<u>10,743</u>	<u>2,145</u>

The accompanying notes form part of these financial statements.

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DGL ENVIRONMENTAL PTY LIMITED

ABN: 71 002 802 646

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		31 December 2020 \$000	30 June 2020 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		854	1,144
Trade and other receivables		3,251	3,805
Inventories		2,854	2,739
Other financial assets		362	230
Other assets	6	<u>5,057</u>	<u>39</u>
TOTAL CURRENT ASSETS		<u>12,378</u>	<u>7,957</u>
NON-CURRENT ASSETS			
Property, plant and equipment	5	67,374	53,889
Deferred tax assets		2,042	2,647
Intangible assets		663	663
Right-of-use assets		<u>475</u>	<u>407</u>
TOTAL NON-CURRENT ASSETS		<u>70,554</u>	<u>57,606</u>
TOTAL ASSETS		<u>82,932</u>	<u>65,563</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		4,992	5,002
Borrowings	7	18,300	18,585
Provisions		<u>777</u>	<u>1,163</u>
TOTAL CURRENT LIABILITIES		<u>24,069</u>	<u>24,750</u>
NON-CURRENT LIABILITIES			
Borrowings	7	6,278	3,941
Other financial liabilities		15,844	14,814
Deferred tax liabilities		4,694	696
Provisions		<u>111</u>	<u>169</u>
TOTAL NON-CURRENT LIABILITIES		<u>26,927</u>	<u>19,620</u>
TOTAL LIABILITIES		<u>50,996</u>	<u>44,370</u>
NET ASSETS		<u>31,936</u>	<u>21,193</u>
EQUITY			
Issued capital	10	34,523	78,578
Reserves		10,339	933
Retained earnings		<u>(12,926)</u>	<u>(58,318)</u>
TOTAL EQUITY		<u>31,936</u>	<u>21,193</u>

The accompanying notes form part of these financial statements.

DGL ENVIRONMENTAL PTY LIMITED
 ABN: 71 002 802 646
 STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note	Share Capital	Accumulated Losses	Asset Realisation Reserve	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2019	78,578	(60,475)	933	19,036
Comprehensive Income				
Profit after income tax for the half-year	-	2,145	-	2,145
Total comprehensive income for the half-year	-	2,145	-	2,145
Balance at 31 December 2019	78,578	(58,330)	933	21,181
Balance at 1 July 2020	78,578	(58,318)	933	21,193
Comprehensive Income				
Profit after income tax for the half-year	-	1,337	-	1,337
Other comprehensive income for the half-year	-	-	9,406	9,406
Total comprehensive income for the half-year	-	1,337	9,406	10,743
Transactions with owners in their capacity as owners:				
S258F Capital Adjustment	(44,055)	44,055	-	-
	(44,055)	44,055	-	-
Balance at 31 December 2020	34,523	(12,928)	10,339	31,936

The accompanying notes form part of those financial statements.

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DGL ENVIRONMENTAL PTY LIMITED
ABN: 71 002 802 646
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$000	31 December 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	28,765	34,746
Payments to suppliers and employees	(25,684)	(33,122)
Interest received/other income	7	7
Finance costs	(487)	(408)
Net cash generated by operating activities	<u>2,601</u>	<u>1,223</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(791)	(20,441)
Deposit paid for subsidiary	(5,050)	-
Loans from related parties - net amount collected/(granted)	3,211	10,390
Purchase of investment property	-	-
Net cash (used in)/generated by investing activities	<u>(2,630)</u>	<u>(10,051)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease liabilities	-	-
Proceeds from/(repayment of) borrowings	(261)	9,872
Net cash provided by/(used in) financing activities	<u>(261)</u>	<u>9,872</u>
Net increase/(decrease) in cash held	(290)	1,044
Cash and cash equivalents at beginning of financial period	1,144	(1,050)
Cash and cash equivalents at end of financial period	<u><u>854</u></u>	<u><u>(6)</u></u>

The accompanying notes form part of these financial statements.

DGL ENVIRONMENTAL PTY LIMITED

ABN: 71 002 802 646

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

These financial statements and notes represent DGL Environmental Pty Limited. DGL Environmental Pty Limited is a Company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on [insert date] by the directors of the company.

The registered address of the Company is 201 Five Island Road, Unanderra NSW 2526.

Note 1 Summary of Significant Accounting Policies

Statement of compliance

These general purpose financial statements for the interim half-year reporting period 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020.

Basis of Preparation

The directors have prepared the financial statements on the basis that the Company is a reporting entity as there would be users dependent on general purpose financial statements.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Note 2 Revenue and Other Income

The Company has recognised the following amounts relating to revenue in the statement of profit or loss.

	Note	31 December 2020 \$000	31 December 2019 \$000
Continued operations			
Revenue from contracts with customers	2a	26,994	34,145
Other sources of revenue		1,204	349
		<u>28,198</u>	<u>34,494</u>
Other income			
- interest received		4	5
- other income		3	2
- admin/finance costs on-charge		91	-
Total other income		<u>98</u>	<u>7</u>
(a) Revenue disaggregation			
The revenue is disaggregated by product lines			
- processing of used lead acid batteries		25,178	32,797
- treatment fees		1,816	1,348
		<u>26,994</u>	<u>34,145</u>

Timing of income recognition of products and services transferred to customers is at a point of time.

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Note 3 Profit for the Year

Profit before income tax from continuing operations includes the following specific expenses:

	31 December 2020 \$'000	31 December 2019 \$'000
(a) Expenses		
Cost of sales	20,418	26,862
Foreign exchange (gain)/loss	744	126
Employee benefits expense		
— defined contribution superannuation expense	206	189
Other expenses		
— depreciation	135	760

Note 4 Operating Segments

The directors have considered the requirements of AASB 8: Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Directors) in allocating resources and have concluded at this time that there are no separately identifiable segments. The Company operates solely in a single geographical location being in Australia.

Note 5 Property, Plant and Equipment

	31 December 2020 \$'000	30 June 2020 \$'000
LAND AND BUILDINGS		
Freehold land at:		
— independent valuation 2020	31,259	10,620
— at cost	-	13,513
Total land	<u>31,259</u>	<u>24,133</u>
Buildings at:		
— independent valuation 2020	15,982	12,495
Accumulated depreciation	-	(2,681)
Total buildings	<u>15,982</u>	<u>9,814</u>
Total land and buildings	<u>47,241</u>	<u>33,947</u>
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	21,455	20,565
Accumulated depreciation	(9,257)	(8,768)
	<u>12,198</u>	<u>11,797</u>
Office equipment		
At cost	472	462
Accumulated depreciation	(439)	(421)
	<u>33</u>	<u>41</u>
Plant under construction		
At cost	7,882	8,038
	<u>7,882</u>	<u>8,038</u>
Motor vehicles		
At cost	268	310
Accumulated depreciation	(248)	(244)
	<u>20</u>	<u>66</u>
Total plant and equipment	<u>20,133</u>	<u>19,942</u>
Total property, plant and equipment	<u>67,374</u>	<u>53,889</u>
Asset revaluations		
Buildings		

At the end of the reporting period, the buildings held by the Group were valued by an independent valuer. The fair value of the buildings was determined to be \$15,982,000. The fair value of the buildings increased by \$6,265,000.

An amount of \$4,385,500 (related tax effect of \$1,879,500) was credited directly to the revaluation surplus to recognise the increment for this asset.

Freehold land

At the end of the reporting period, the freehold land held by the Group were valued by an independent valuer. The fair value of the buildings was determined to be \$31,259,000. The fair value of the buildings increased by \$7,170,115.

An amount of \$5,019,000 (related tax effect of \$2,151,000) was credited directly to the revaluation surplus to recognise the increment for this asset.

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Note 6 Other Assets

	31 December 2020 \$'000	30 June 2020 \$'000
CURRENT		
Prepayments	8	39
Deposit paid*	5,049	-
	<u>5,057</u>	<u>39</u>

*On 31 December 2020, the Company paid \$5,049,570 for the acquisition of 100% of Chem Pack Pty Ltd. Settlement date for the acquisition is 1 January 2021. Refer to Note 8: Events After the Reporting Period for more information.

Note 7 Borrowings

	31 December 2020 \$'000	30 June 2020 \$'000
CURRENT		
Bank loans secured	18,124	18,431
Lease liability	176	154
Total current borrowings	<u>18,300</u>	<u>18,585</u>
NON-CURRENT		
Lease liability	214	191
Related party loans	6,064	3,750
Total non-current borrowings	<u>6,278</u>	<u>3,941</u>
Total borrowings	<u>24,578</u>	<u>22,526</u>

The weighted average effective interest rate on the bank loans is 3.87% per annum. (30 June 2020: 3.87% per annum).

Collateral Provided

The bank loans are secured over registered second fixed and floating charges over all assets of DGL Environmental Pty Limited.

Note 8 Events After the Reporting Period

On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 ("COVID-19") a pandemic. The pandemic adversely affected the global economy, including an increase in unemployment, decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world announced monetary and fiscal stimulus packages to minimise the adverse economic impact.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the 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.

On 1 January 2021, the company purchased 100% of the shares in Chem Pack Pty Ltd (Chem Pack). Chem Pack operates a contract formulation and packing business based in Victoria. It has the facilities required to manufacture, fill and/or blend liquid products used in the agriculture industry. It can manage many product ranges and provide all forms and pack sizes of chemical liquids including aerosol cans. Existing management and operation teams have been retained, they will continue to manage and trade the business as it integrates with the DGL Group.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 9 Fair Value Measurements

The company measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- financial assets held for trading;
- financial assets at fair value through other comprehensive income;
- freehold land and buildings; and
- investment properties.

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Company are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

	31 December 2020			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Recurring fair value measurements				
Non-financial assets				
Freehold land	-	31,259	-	31,259
Buildings	-	15,982	-	15,982
Total non-financial assets recognised at fair value on a recurring basis	-	47,241	-	47,241
	31 December 2019			
Description	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Non-financial assets				
Freehold land	-	10,620	-	10,620
Total non-financial assets recognised at fair value on a recurring basis	-	10,620	-	10,620

Valuation techniques

The Company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

For freehold land and buildings, the fair values are based on an external independent valuation performed.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Note 10 **Issued Capital**

Issued capital at 30 June 2020 amounted to \$78,578,000 (100 fully paid ordinary shares). In December 2020, the Board of Directors resolved to reduce the share capital of the Company by \$44,055,000 in accordance with section 258F of the Corporations Act 2001. The capital reduction had the effect of reducing the share capital account and accumulated losses in the financial statements and did not impact the net assets, financial results, cashflow, funding of the consolidated group or the number of shares on issue. As at 31 December 2020, prior to the reduction, the Company had accumulated losses of approximately \$58,318,000.

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DGL ENVIRONMENTAL PTY LIMITED
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DIRECTORS' DECLARATION

In the directors' opinion:

1. the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
2. the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

Director

Mr Simon Henry

Dated this

11th day of March 2021

Independent Auditor's Review Report to the Members of DGL Environmental Pty Ltd

Report on the Half-Year Financial Report

I have reviewed the accompanying half-year financial report of DGL Environmental Pty Ltd which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Conclusion

Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of DGL Environmental Pty Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of DGL Environmental Pty Ltd financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of DGL Environmental Pty Ltd are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express a conclusion on the half-year financial report based on our review. I conducted my review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, I have become aware of any matter that makes me believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the DGL Environmental Pty Ltd's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the DGL Environmental Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Independence

In conducting my review, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of DGL Environmental Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.



Ben Fock
Registered Company Auditor
Wollongong 12 March 2021

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