RENEWABLE HEAT & POWER LIMITED

ABN 73 121 153 311

ANNUAL REPORT
For the year ended 30 June 2020

CONTENTS

CORPORATE INFORMATION

Directors

Mr Richard Allen
Mr Peter Balsarini
Mr Eric Robial

Company Secretary

Mr Matthew Owen

Registered Office

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Subiaco WA 6008

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Principal Office

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Subiaco WA 6008

Telephone: +61 8 6119 7961

Postal Address

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Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Bankers

ANZ Banking Group Limited
Level 6, 77 St Georges Terrace
Perth WA 6000

Share Registry

Unit 7, 186 Hay Street
Subiaco WA 6008

Telephone: +61 8 6118 4902

Legal Form of Entity

Public Company

Country of Incorporation and Domicile

Australia

DIRECTORS' REPORT

Your Directors present their report together with the consolidated financial statements of the Group consisting of Renewable Heat and Power Limited and the entities it controlled for the financial year ending 30 June 2020. To comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Experience, qualifications, special responsibilities, and other directorships
Richard Allen Executive Director Appointed: 9 August 2006 Interest in shares and performance rights: Shares: 11,177,732 Performance rights: 1,868,828	Mr Allen is a Civil Engineer and a Member of the Australian Institute of Company Directors. Richard has extensive national and international experience in the management of public and private companies. He has managed businesses in Australia, UK, the Middle East and Asia, with the bulk of his experience focussed around upstream oil and gas exploration, environmental services and the renewable energy sector. He is a founding director of the Company.
Peter Balsarini Non-executive Director Appointed: 28 November 2013 Interest in shares and performance rights: Shares: 4,040,627 Performance rights: 1,495,062	Mr Balsarini holds a Bachelor of Economics Degree, a Masters' Degree in Business Administration, and is a CPA. Peter has over 20 years' experience in the financial services industry having spent considerable time both as a public practising accountant and Chief Financial Officer of a major Funds Management business. Peter's experience spans project feasibility, investment case analysis, implementation of financial control systems, staff management, taxation, product development and distribution.
Eric Robial Non-executive Director Appointed: 21 July 2020	Mr Robial was appointed to the Board on 21 July 2020 as the nominee of GDF International SAS. Eric is the Head of Business Development and Commercial at GDF Suez prior to that he was the Chief Operating Officer at Energetica de Mexico. Eric has a Master of Science and Business Administration from EDHEC business school.

1. DIRECTORS (continued)

Name and independence status	Experience, qualifications, special responsibilities and other directorships
Hakyun Park Non-executive Director Appointed: 17 September 2019 Resigned: 21 July 2020	Mr Park was appointed to the Board on 17 September 2019 as the nominee of GDF International SAS. Hakyun brings over 10 years of experience in investment banking and management consulting in Asia Pacific region. He has been in the Business Development role at Engie. He was previously with Deutsche Bank and Goldman Sachs covering various products and asset classes including structured finance in Commodities. He has experience in structuring and executing alternative financing and risk management transactions in commodities space.
Maarten Gnoth Non-executive Director Appointed: 2 February 2017 Resigned: 17 September 2019	Mr Gnoth was appointed to the Board on 2 February 2018 as the nominee of GDF International SAS. Maarten has over 15 years' experience in international business development and consultancy in renewable energy, power generation and start-up of SME enterprises in emerging countries, specifically in Africa. Areas of expertise include power sector, renewable energy (wind onshore and offshore, biomass / bio-energy / biogas, PV) in a Dutch and international context, sustainable development / sustainability including sustainability of biomass value chains, biomass torrefaction development, emerging countries (focus on Africa) rural electrification, emission reduction, agriculture / horticulture business development in Africa, general management, development of Independent Power Producer (IPP) projects, decentralised power solutions and diesel power plants and Acquisition and Due Diligence projects. Experienced in both SME and multinational working environments and business development applications.

2. COMPANY SECRETARY and Chief Financial Officer

Mr Matthew Owen was appointed to the position of Company Secretary on 6 March 2020.

Matthew is a Chartered Accountant and holds a Bachelor of Business Science (Hons) Degree from the University of Cape Town, South Africa. Matthew has over 20 years' experience in senior finance positions across several industries including financial services, public practice, and manufacturing. He is a member of the Governance Institute of Australia.

3. DIRECTORS' MEETINGS

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

Director	Full meetings of Directors		Meetings of audit and risk management committee	
	Number of meetings attended	Number of meetings held whilst a director	Number of meetings attended	Number of meetings held whilst a director
Richard Allen	3	3	-	-
Peter Balsarini	3	3	1	1
Hakyun Park	3	3	-	-
Eric Robial	-	-	-	-
Maarten Gnoth	-	-	-	-

The small size of the Board means that Members of the Board meet informally on a very regular basis to discuss company operations, risks and strategies, and as required, formalise key actions through circular resolutions.

The audit and risk management, remuneration and nomination, finance and environmental functions are handled by the full board of the Company.

4. PRINCIPAL ACTIVITIES

During the financial year, the Group was focused on the recommissioning of the plant and re-establishment of the manufacture of densified biomass fuel pellets.

5. OPERATING AND FINANCIAL REVIEW

The Directors provide the following update.

Operational & Financial Review

The Company has made significant progress towards its objective of commercialising the production of industrial grade wood pellets.

- The plant recommenced production in June 2019 loading and exporting a first shipment of 10,101 tonnes of industrial grade wood pellets in December 2019. During the financial year three shipments totalling 38,305 tonnes were exported from the port of Albany.

- Logistics
    - Construction of an 11,000t storage shed adjacent the Down Road plant on a sale and lease back arrangement. Construction was completed in August 2020 with pellets first loaded into storage in September.
    - The company has designed and expects to complete the commissioning of a load spreading structure on Berth 2 at the Port of Albany to facilitate a significantly faster and more cost effective ship loading than has been achieved to date.

- Production
    - In addition to the 5-year fibre supply agreement secured in December 2018 with the Western Australian Forest Products Commission (FPC) for the supply of Pine forest residue the business has also secured supply of significant quantities of Eucalypt forest residue and thinnings through the FPC. Experimentation is underway to determine the optimal mix of Pine and Eucalypt to maximise throughput at the plant while ensuring adherence to Industrial Wood Pellet specifications.

- Sustainability
    - Plantation Energy maintains both Forest Standards Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) certifications. These certifications were subject to external audit during the year.
    - Plantation Energy has also applied for certification with the Sustainable Biomass Programme (SBP). SBP has developed a certification system to provide assurance that woody biomass is sourced from legal and sustainable sources allowing companies in the biomass sector to demonstrate compliance with regulatory requirements.

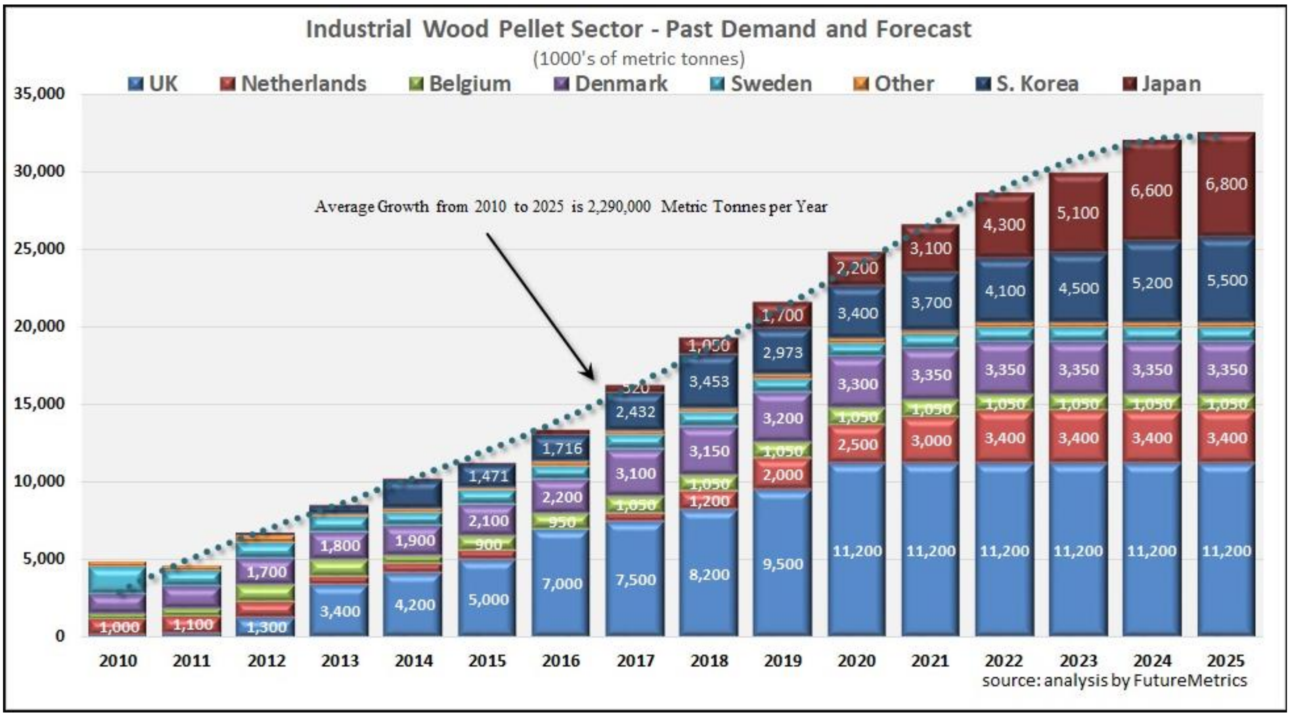
- COVID–19
    - The impact of COVID-19 led to the Company qualifying for job keeper in June.
    - The job keeper program was an important consideration in keeping the business operating given heightened risk and uncertainty of the early phases of the COVID-19 pandemic.
    - The full financial impact will be most notable in the following financial year where spot market has been impacted resulting in
        - Delays in sales resulting in uncertainty and higher logistics costs
        - Lower US dollar sale price
        - Lower net revenue received due to the Australian dollar strengthening against the US dollar.

5. OPERATING AND FINANCIAL REVIEW (continued)

Pellet Market Update

The wood pellet market is very established. Current European demand is in excess of 22 million tons per year, and Asian demand (mainly Japan and Korea destinations) is already exceeding 3 million tons per year, with expectations of sustained and rapid Asian demand growth.

The table below illustrates current demand scenarios for **some selected countries:**



Given that the main demand expansion is in Asia and, given the power projects driving this demand need high quality and sustainably certified pellets, PEA production is assured of market access for the future. PEA has already shipped cargoes to Japan, Korea and Europe, and its pellets have already gained market acceptance.

The Company has a long-term agreement with its funding partner Engie Energy Management for the provision of pellets over a 15-year period. This offtake agreement provides certainty in relation to demand for product with the opportunity for PEA to further benefit from increased pricing of pellets in the major markets in the future.

5. OPERATING AND FINANCIAL REVIEW (continued)

Financial results and condition

For the year ended 30 June 2020, the Group incurred a loss of $912,988 (2019: loss of $3,634,906).

The net liability of the Group increased by $912,988 from $8,570,350 at 30 June 2019 to $9,483,338 at 30 June 2020.

Under the Australian Government's Research & Development (R&D) income tax credit regime, the Group is entitled to an R&D credit on eligible R&D expenditure incurred. The Group has estimated an R&D credit of $5,731,738 for the year ended 30 June 2020 (2019: $1,943,013) which is recorded as Other Income, after incurring R&D expenses in excess of $13 million.

Shareholder returns

Shareholder returns	2020	2019	2018	2017	2016	2015
Net (loss) / profit attributable to equity Holders ($ '000s)	(913)	(3,635)	(4,956)	(1,486)	(280)	1,993
Net tangible assets / (liabilities) (NTA) ($ '000s)	(9,483)	(8,571)	(4,836)	51	1,426	1,706
NTA Backing (cents)	(10.53)	(9.56)	(5.39)	0.06	1.59	1.86

Net Profit/(loss) amounts for 2015 to 2020 have been calculated in accordance with Australian Accounting Standards (AASBs).

Significant changes in the state of affairs

In the opinion of the directors there were no matters that significantly affected the state of affairs of the Group during the financial year, other than those matters referred to in the overview above.

6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2020 (2019: Nil).

7. LIKELY DEVELOPMENTS

The Group will continue to pursue its strategy to produce commercial densified biomass fuel pellets.

8. EVENTS SUBSEQUENT TO REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact on the consolidated entity up to 30 June 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.

Other than the matters disclosed in note 6.9 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

9. ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its activities. It aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has agreed to indemnify all Directors and Company Secretary against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums to insure each Director and Company Secretary against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The current premium is $14,762 (2019: $10,878) to insure the Directors and Company Secretary of the Company.

11. NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor (BDO) are outlined in note 6.7 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001.*

The Directors are of the opinion that the services do not compromise the auditor's independence as non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to the auditor independence as set out in Code of Conduct APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

12. SHARE OPTIONS

Options granted to directors of the Group

The Group has not granted options to directors over unissued ordinary shares in the Company during or since the end of the financial year.

Unissued shares under option

At the date of this report there were no unissued ordinary shares of the Company under option.

Shares issued on exercise of options

During or since the end of the financial year, no shares were issued as a result of the exercise of options.

13. PERFORMANCE SHARES AND PERFORMANCE RIGHTS

At the date of this report performance shares and performance rights granted over unissued ordinary shares of the Company are:

Issue date	Expiry date	Number of performance shares	Number of performance rights
1-Feb-17	1-Feb-24	3,738,503	12,916,811

Performance shares

As part of the Company's recapitalisation plan in 2016, repayment of $436,000 of the $1 million owed by the Company to related parties and advisers has been deferred.

In accordance with the terms of the GDF Convertible Note Deed and as approved by shareholders on 9 January 2017, the amount of $436,000 payable to other third parties has been rolled into convertible notes whereby the Company has granted 4,360 convertible notes with a face value of $100 each converting into 1,048 ordinary shares per note ("Third Party Notes"). If the note holders elect to convert the Third-Party Notes, a total of 4,569,280 ordinary shares will be issued to the noteholders.

For GDF to retain the same interest it may hold in RHP in the event the Third-Party Notes were converted to shares in RHP, GDF was issued 3,738,503 Noteholder performance shares which vest in the event of the conversion of the Third-Party Notes.

Performance rights

In 2013, RHP obtained shareholders' approval for the grant of 19,000,000 options to related party shareholders. Under the terms of the GDF Convertible Note Deed and as approved by shareholders on 9 January 2017, these options were cancelled, and 7,101,546 performance rights were issued to the same related party shareholders in their place. These performance rights vest in full on:

(i) conversion of all the GDF Convertible Notes;

(ii) The shareholders of RHP (excluding GDF) accepting a liquidity exit mechanism for their ordinary shares; and

(iii) the relevant third-party transferee or transferees for the purpose of the liquidity exit mechanism being acceptable to GDF.

For GDF to retain the same interest it may hold in RHP in the event the related party shareholders elect to vest the 7,101,546 performance rights, GDF was issued 5,815,265 Noteholder performance rights which vest upon the vesting of the 7,101,546 performance rights.

As disclosed in note 5.2 of the notes to the accounts, on 13 March 2018, the Company signed a Deed of Amendment to the Convertible Note Deed with GDF International SAS ("The Noteholder"), which if approved by shareholders would result in:

- The total number of performance rights held by the Noteholder will increase from 5,815,265 to 8,687,001;
- The total number of performance shares held by the Noteholder will increase from 3,738,503 to 5,584,676.

A further Deed of Amendment to the convertible note deed was signed on 13th August 2020 which, if approved by shareholders, would extend the repayment date from 30 June 2020 to 30 June 2021 and amend the conversion notice period to four months.

14. PROCEEDINGS ON BEHALF OF THE COMPANY

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

15. AUDITOR INDEPDENDENCE

Section 307C of the *Corporations Act 2001* requires our auditors, BDO Audit (WA) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 12 and forms part of this Directors' Report for the year ended 30 June 2020.

This report is made in accordance with a resolution of the Directors.

RICHARD ALLEN

Director

Dated this 17th day of September 2020.

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF RENEWABLE HEAT AND POWER LIMITED

As lead auditor of Renewable Heat and Power Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Renewable Heat and Power Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 17 September 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	4.1	239,015	13,654
Trade and other receivables	4.2	625,859	43,768
Inventory	2.2	1,184,974	174,263
Prepayments		35,127	19,394
Current tax assets	2.6	5,731,738	1,943,013
Total current assets		7,816,713	2,194,092
Property, plant and equipment	3.1	2,948,166	2,884,816
Right of Use Assets	3.2	1,127,936	-
Intangible assets		234	234
Non-current deposits and bonds		362,926	340,126
Total non-current assets		4,439,262	3,225,176
Total assets		12,255,975	5,419,268
Liabilities			
Trade and other payables	4.3	3,757,940	1,905,335
Loans and borrowings	5.2	15,873,743	11,996,812
Lease Liabilities	4.4	233,099	-
Employee benefits	2.5	165,829	74,591
Contract Liability	2.2	767,234	-
Total current liabilities		20,797,845	13,976,738
Loans and borrowings	5.2	27,203	12,880
Lease Liabilities	4.4	914,265	-
Total non-current liabilities		941,468	12,880
Total liabilities		21,739,313	13,989,618
Net liabilities		(9,483,338)	(8,570,350)
Equity			
Share capital	5.1	5,083,042	5,083,042
Reserves		81,195	81,195
Accumulated losses		(14,647,575)	(13,734,587)
Total deficiency attributable to equity holders of the Company		(9,483,338)	(8,570,350)

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

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

	Note	2020 $	2019 $
Net research expenses	2.2	(3,875,766)	(3,147,500)
Other income	2.3	7,211,638	1,042,270
Marketing and business development		(38,305)	(10,267)
General and administration		(270,689)	(141,033)
Professional fees		(172,346)	(154,230)
Personnel expenses	2.5	(379,539)	(289,790)
Depreciation	3.1	(354,206)	(246,980)
Amortisation of Right of Use Assets		(212,540)	-
Gain on loss of control transactions	1.6	-	1,076,896
Deed of Company Arrangement expenses	1.6	(214,000)	(156,000)
Gain / (loss) on foreign exchange		(197,756)	5,927
Results from operating activities		1,496,491	(2,020,707)
Finance income		2,000	28,202
Finance costs	2.4	(2,411,479)	(1,642,401)
Net finance costs		(2,409,479)	(1,614,199)
Loss before income tax		(912,988)	(3,634,906)
Income tax benefit		-	-
Loss for the year		(912,988)	(3,634,906)
Total comprehensive loss for the year		(912,988)	(3,634,906)
Loss attributable to owners of the Company		(912,988)	(3,634,906)
Total comprehensive loss attributable to owners of the Company		(912,988)	(3,634,906)

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

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

		Attributable to equity holders of the Company				
	Note	**Share capital** **$**	**Equity component of convertible notes** **$**	**Share-based payments reserve** **$**	**Accumulated losses** **$**	**Total** **$**
Balance at 1 July 2019		5,083,042	81,195	-	(13,734,587)	(8,570,350)
Total comprehensive income for the year						
Loss for the year		-	-	-	(912,988)	(912,988)
Total other comprehensive loss for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(912,988)	(912,988)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Adjustment to fair value of convertible notes		-		-	-	-
Share-based payment transactions	6.1	-	-		-	-
Total contributions by and distributions to owners		-			-	-
Total transactions with owners		-			-	-
Balance at 30 June 2020		5,083,042	81,195	-	(14,647,575)	(9,483,338)

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

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

		Attributable to equity holders of the Company				
		Share capital	**Equity component of convertible notes**	**Share-based payments reserve**	**Accumulated losses**	**Total**
	Note	**$**	**$**	**$**	**$**	**$**
Balance at 1 July 2018		5,083,042	80,122	100,537	(10,099,681)	(4,835,980)
Total comprehensive income for the year						
Loss for the year		-	-	-	(3,634,906)	(3,634,906)
Total other comprehensive loss for the year		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(3,634,906)	(3,634,906)
Transactions with owners, recorded directly in equity:						
Contributions by and distributions to owners						
Adjustment to fair value of convertible notes		-	1,073	-	-	1,073
Share-based payment transactions	6.1	-	-	(100,537)	-	(100,537)
Total contributions by and distributions to owners		-	1,073	(100,537)	-	(99,464)
Total transactions with owners		-	1,073	(100,537)	-	(99,464)
Balance at 30 June 2019		5,083,042	81,195	-	(13,734,587)	(8,570,350)

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

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

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		7,750,090	1,375,985
Cash paid to suppliers and employees		(12,079,254)	(3,731,786)
Interest paid		(650,684)	(166,572)
Interest received		2,001	30,912
Federal government COVID-19 cash boost		63,252	-
Payments to creditors trust		(214,000)	-
Research and development grant received		3,332,090	5,304,831
Net cash from / (used in) operating activities	4.1(b)	(1,796,505)	2,813,370
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		27,570	-
Payments for property, plant and equipment		(425,245)	(246,587)
Payments for formation of a subsidiary		-	(293)
Net cash used in investing activities		(397,675)	(246,880)
Cash flows from financing activities			
Proceeds from borrowings		6,528,914	1,694,697
Proceeds from related party loans		-	435,180
Repayments of borrowings		(3,868,724)	(213,366)
Repayment of loans from related parties		-	(435,180)
Repayment of lease liabilities		(240,650)	-
Payment of transaction costs related to borrowings		-	(60)
Net cash from financing activities		2,419,540	1,481,271
Net increase in cash and cash equivalents		225,361	4,047,761
Cash and cash equivalents at 1 July		13,654	(4,034,107)
Cash and cash equivalents at 30 June	4.1(a)	239,015	13,654

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

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

SECTION 1 BASIS OF PREPARATION

Renewable Heat & Power Limited presents its financial statements in a format and style that is relevant and clear to shareholders and other users. In preparing the 2020 financial statements, we have grouped notes into sections under six key categories:

1. Basis of preparation
2. Results for the year
3. Assets and liabilities
4. Working capital disclosures
5. Equity and funding
6. Other disclosures

Significant accounting policies specific to one note are included within that note and where possible, wording has been simplified to provide clearer commentary on the financial report of the Group. Accounting policies determined non-significant are not included in the financial statements. There have been no changes to the Group's accounting policies that are no longer disclosed in the financial statements.

1.1 GENERAL INFORMATION

The Company is a for-profit, unlisted public company domiciled in Australia. The Company's registered office is located at Unit 7, 186 Hay Street, Subiaco, WA, 6008.

The Group is primarily involved in the manufacture of densified biomass fuel pellets in Australia.

The consolidated financial statements of the Group as at and for the year ended 30 June 2020 that comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities") were authorised for issue by the Board of Directors on 17 September 2020. The financial statements are general purpose financial statements which:

- have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board;
- have been prepared on a historical cost basis, except for share-based payments which are measured at fair value. The basis of measurement is discussed further in the individual notes;
- are presented in Australian Dollars, being the Company's functional currency;
- adopts all new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020. Refer to note 6.10 for further details; and
- does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but not yet effective. Refer to note 6.11 for further details.

1.2 GOING CONCERN

Notwithstanding the fact that the Group had an operating loss of $912,988 for the year ended 30 June 2020, has a working capital deficit of $12,981,132, and a net cash outflow from operating activities amounting to $1,582,505, the Directors are of the opinion that the Company is a going concern for the following reasons:

The ability for the entity to continue as a going concern is dependent on utilising existing facilities and commercialising its operations to continue funding its operational activities.

- On 10 November 2016, the Company signed a conditional Convertible Note Deed with GDF International SAS (GDF), an affiliate of Engie Energy Management SCRL (EEM) to raise up to $7,000,000 via the issue of up to 70 Convertible Notes to GDF, each with a face value of $100,000. The Company has drawn down the full note facility, and the proceeds have been used exclusively for the purpose of restarting the Plantation Energy Australia Pty Ltd (PEA) business and recommissioning PEA's 120kt per annum wood pellet facility in Albany in accordance with the Company's Business Plan. On the 13 August 2020 an amendment to The Convertible Note facility (see note 5.2) was signed extending the maturity date to 30 June 2021 and amending the schedule of interest payments. In addition, the funder has the option to convert the debt to equity in the Company (shareholder approved) and if such action was taken, this would significantly reduce the debt of the Company.

- In December 2019, the Company signed a deed of variation to the loan agreement with Innovation Technology Funding Pty Ltd increasing the facility from $2 million to $3.2 million, repayable within seven days of receipt of the R&D tax refund.

- On 13 August 2020, a line of credit facility for up to US$2.7 million was signed with GDF.

The Company's business plan is to continue to develop and manufacture pellets and sustain a positive cashflow operation over the forthcoming 12 months.

For the above reasons, management believe there are enough funds to meet the entity's working capital requirements as at the date of this report.

As disclosed in the Operations Review, research and development (R&D) continues to be a significant investment for the Group at $13,176,409 for the year (2019: $4,466,696). During the year the Company received from the ATO a payment of $2,584,521 in relation to R&D expenditure incurred in the 30 June 2019 and $730,587 in respect of an amended lodgement for the 2018 financial year which incorporated amounts that had previously been denied by the ATO. The estimated research and development refund for the year to 30 June 2020 is $5,731,738. The Company expects to generate eligible research and development expenditure that would result in a refund from the ATO in respect of the financial year to 30 June 2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and has had a significant negative impact on group turnover in May and June of approximately $1,429,400 due to a reduced selling price and a delayed shipment due to softness in the spot pellet market as a result of the impact of the pandemic on electricity demand in Europe. The shipment has been delayed until October and the company expects to incur additional warehousing costs over the period along with a reduced selling price. A prepayment of a significant proportion of the selling price has been negotiated with the customer and as a result management has determined that the actions taken are sufficient to mitigate the uncertainty and has therefore prepared the financial reports on a going concern basis.

However, 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.

Should the Group be unsuccessful in commercialising its operations, there is a material uncertainty that may cast significant doubt as to whether the Group will be able to realise its assets and extinguish its liabilities in the normal course of business.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability, to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1.4 FOREIGN CURRENCIES

Both the functional and presentation currency of Renewable Heat & Power Limited and its subsidiaries are Australian dollars.

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

All exchange differences in the consolidated financial report are taken to profit or loss.

1.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment are included in the following notes:

Inventories

Management estimates the net realisable values of inventories, considering the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices. Refer note 2.2.

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. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment. Refer note 3.1.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in note 6.1.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits. Refer note 2.6.

1.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 assumption 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. Refer note 6.2.

Loss of control

When a parent loses control of a subsidiary, regardless of the reason, it stops consolidating the subsidiary by derecognising the assets and liabilities of the subsidiary and recognising the fair value of any consideration received, if any, resulting from the loss of control. The difference is recognised as either a gain or loss in profit or loss. Refer note 1.6.

Asset acquisition

Differentiating a business combination from an asset acquisition is key to applying the appropriate accounting treatment involving significant judgement and a detailed analysis of the inputs and processes acquired. When an asset acquisition does not constitute a business combination under AASB 3, the assets and liabilities are assigned a carrying value amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transactions costs of the acquisition will be included in the capitalised cost of the asset.

Fair value of non-financial assets

At each reporting date, the Group reviews the carrying amount of its non-financial assets, other than deferred tax assets (DTAs), to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cost generating unit (CGU).

An impairment loss is recognised if the carrying amount of an asset exceeds it recoverable amount. Impairment losses are recognised in profit or loss.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates.

1.6 DEED OF COMPANY ARRANGEMENT

On 22 February 2019, the Group signed a Deed of Company Arrangement (DOCA) to provide for the business, property and affairs of its 100% owned subsidiary, PEA, to be administered in a way that maximises the chances of PEA continuing in business. At a second meeting of Creditors on 1 February 2019, the Creditors of PEA resolved that the Company should execute this deed.

The main terms and conditions of the DOCA are as follows:

Terms and Conditions	
Within 30 days of execution of the Deed, Administrators' Costs totalling $100,000 must be paid to the Deed Administrator's Ferrier Hodgson in satisfaction of the Administrators' remuneration, costs and expenses, and the legal fees incurred by the Administrator's in drafting the Deed and the Trust Deed.	Paid 15 March 2019
Within 30 days of execution of the Deed, the Initial Contribution Payment of $56,000 must be paid to the Deed Administrators.	Paid 21 March 2019
Within five business days of satisfaction of all the Restart Conditions Precedent, the Restart Payment of $214,000 must be paid to the Trustees.	Paid 16 January 2020
Upon satisfaction of the Restart Conditions Precedent, PEA will contribute free cash flow payments (FCF Payments) to the Creditor's Trust until the earlier of Pool A Creditors having been paid in full and 31 March 2021: 1) the first payment, being: a) 100% of the net excess of: i) Any R&D Adjustment Refund received by the Company; and ii) Less fees and costs incurred by the Company in seeking the R&D Adjustment Refund; and b) Payable by the Company to the Trustee 30 days after receipt of the R&D Adjustment Refund by the Company, provided that all post-DOCA funding or credit support provided by the Senior Secured Creditor (Engie) has been repaid, or released, in full.	

1.6 VOLUNTARY ADMINISTRATION (continued)

Deed of Company Arrangement (continued)

Terms and Conditions

2) the second payment, being:

   a) 50% of the excess of:

      i) Cash EBITDA for the calendar year ended 31 December 2019;
      ii) Plus, the CY19 R&D Grant Receipt for the period 1 July 2018 to 30 June 2019;
      iii) Less, any interest costs and other financial costs incurred in connection with any new funding after January 2019 pursuant to the restart of the Albany plant;
      iv) Less, capital expenditure for the calendar year ended 31 December 2019; and
      v) Less, any Initial Contribution Payment, Restart Payment or Administrators' Costs made under the Deed or the Trust Deed; and

   b) Payable by the Company to the Trustees on or before 28 February 2020,

   provided that all post-DOCA funding or credit support provided by the Senior Secured Creditor (Engie) has been repaid, or released, in full.

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3) the third payment, being:

   a) 50% of the excess of:

      i) Cash EBITDA for the calendar year ended 31 December 2020;
      ii) Plus, the CY20 R&D Grant Receipt for the period 1 July 2019 to 30 June 2020;
      iii) Less, any interest costs and other financial costs incurred in connection with any new funding after January 2019 pursuant to the restart of the Albany plant;
      iv) Less, capital expenditure for the calendar year ended 31 December 2020; and
      v) Less, any Initial Contribution Payment, Restart Payment or Administrators' Costs made under the Deed or the Trust Deed; and

   b) Payable by the Company to the Trustees on or before 28 February 2021,

   provided that all post-DOCA funding or credit support provided by the Senior Secured Creditor (Engie) has been repaid, or released, in full.

The second and third payments detailed above must be calculated based on the financial accounts of PEA being reviewed and signed-off by the Company's registered auditor.

The companies registered auditor conducted agreed upon procedures and determined that the free cashflow for the 12 months to December 2019 was negative and that no payments in respect of 1) and 2) above could be made to the Creditors Trust.

SECTION 2 RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group, with disclosures including segmental information, components of the operating profit, taxation and earnings per share.

2.1 OPERATING SEGMENTS

Accounting Policy

Operating segments are reported in a manner consistent with the internal reporting provided by the Chief Operating Decision Maker.

The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Renewable Heat & Power Limited.

AASB 8 *Operating Segments* requires operating segments to be identified based on internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Group's operations and allocation of working capital.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being the manufacture of densified biomass fuel pellets in Australia.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income and the assets and liabilities of the Group as a whole are set out in the consolidated statement of financial position.

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 30 June 2019.

2.2 NET RESEARCH EXPENSES

Accounting Policy

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

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and
Finished goods and work in progress – cost of direct materials and labour.

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

The production process is in its trial phase as it tests fibre quality and other specifications to meet customer requirements.

2.2 NET RESEARCH EXPENSES (continued)

	2020 $	2019 $
Net research expenses		
Trial sales	8,211,496	2,882,731
Trial research expenses	(12,087,262)	(6,030,231)
	(3,875,766)	(3,147,500)
Inventory		
Raw materials – at net realisable value	345,641	95,928
Finished goods – at net realisable value	839,333	78,335
	1,184,974	174,263
Contract liabilities		
Receipts in advance	767,234	-

2.3 OTHER INCOME

Accounting Policy

Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with the attached conditions.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

	2020 $	2019 $
R&D tax incentive (1)	7,120,815	1,041,679
Covid 19 federal cash boost	63,252	-
Profit on sale of plant and equipment	27,571	-
Debt forgiveness	-	591
	7,211,638	1,042,270

(1) Under the Australian Government's Research & Development (R&D) income tax regime, the Group is entitled to an R&D credit on eligible R&D expenditure incurred including the decline in value of depreciating assets used in eligible R&D activities. $901,344 of the 2018 estimate was denied by the ATO in 2019 but of this $730,587 has subsequently been received after lodging an amended tax return in 2020. $2,584,521 was received in respect of the 2019 financial year and a $5,731,738 refund is expected in relation to the 2020 financial year.

2.4 NET FINANCE COSTS

Accounting Policy

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Finance costs

Finance costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised where the finance cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

	Note	2020 $	2019 $
Interest income on deposits		(2,000)	(28,202)
Interest expense on financial liabilities measured at amortised cost			
Interest expense on loans received from related parties	5.2	82,567	82,642
Interest expense on premium funding	5.2	8,678	5,503
Interest expense on other borrowings	5.2	508,519	54,863
Interest expense on convertible loan notes - GDF	5.2	1,538,945	1,339,758
Interest expense on convertible loan notes – third party	5.2	79,163	66,547
Interest expense on overdraft facility	5.2	-	81,394
Interest expense – Lease liabilities		54,493	
R&D loan arrangement fees		59,816	
Income in advance fees		79,298	
Other finance charges		-	11,694
Finance costs		**2,411,479**	**1,642,401**
Net finance costs		**2,409,479**	**1,614,199**

2.5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

Accounting Policy

Employee leave benefits

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of the future benefit that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

The table below sets out personnel costs expensed during the year.

	Note	2020 $	2019 $
Directors remuneration	6.4	240,000	250,878
Wages and salaries (including contract labour)		2,097,398	1,162,475
Employee contributions to defined contribution plans		161,161	60,933
Increase in liability for annual leave		61,632	20,805
Other associated personnel expenses		106,289	51,869
		2,666,480	1,546,960
Expensed in net research expenses		2,286,941	1,257,170
Expensed in personnel expenses		379,539	289,790
		2,666,480	1,546,960

The table below sets out employee benefits at the reporting date.

	2020 $	2019 $
Current		
Salary accrual	30,959	23,701
Statutory superannuation contributions	43,157	20,808
Liability for annual leave	91,712	30,082
	165,828	74,591

2.6 INCOME TAX EXPENSE

Accounting Policy

Income tax expense or benefit comprises current and deferred tax. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities. Current tax is based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used for calculating taxable profits. Deferred tax balances are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probably that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on substantively enacted rates at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Tax consolidation legislation
Renewable Heat & Power Limited (‘RHP’) and its 100% owned subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

RHP recognises its own current and deferred tax amounts and those current tax assets, current tax liabilities and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

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

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payable in the statement of financial position.

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

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

2.6 INCOME TAX EXPENSE (continued)

(a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax benefit		
Current period	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total income tax benefit	-	-

(b) Reconciliation of effective tax rate

Loss for the period	(912,988)	(3,634,906)
Total income tax benefit / (expense)	-	-
Profit / (Loss) excluding income tax	(912,988	(3,634,906)
Income tax using the Group's domestic tax rate of 26% (2019: 27.5%)	(251,072)	(999,599)
R&D expenditure	4,122,201	1,492,592
(Non-assessable income) / non-deductible expenses	(16,349)	(143,136)
R&D benefit	(1,957,008)	(286,462)
Tax losses utilised not previously brought to account	(2,172,733)	(141,706)
Movement on temporary differences not previously brought to account	274,961	78,311
Income tax benefit	-	-

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of up to $3,748,359 (2019: $6,382,597) attributed to tax losses have not been brought to account.

The benefit of these tax losses will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) the conditions for deductibility imposed by tax legalisation continue to be complied with;

iii) no changes in tax legislation adversely affect the Group in realising the benefit; and

iv) satisfaction of either the continuity of ownership or the same business test.

2.6 INCOME TAX EXPENSE (continued)

(c) Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following items:

	2020 $	2019 $
Deferred tax assets		
Black hole deductible costs – s40-880	26,479	41,505
Borrowing costs – s25-25	9,294	49,497
Property, plant and equipment	5,051	-
Trade and other payables	5,460	7,101
Employee benefits	234,547	13,995
Carry forward tax losses – Group	-	258,161
Carry forward tax losses – Transferred	3,748,359	6,382,597
	4,029,190	6,752,856
Deferred tax liabilities		
Prepaid expenditure	(891)	(5,333)
Trade and other receivables	-	(3,553)
Property, plant and equipment	(600,040)	(727,926)
Unrealised FX	(15,071)	-
	(616,001)	(736,812)
Net Unrecognised Deferred Tax Assets	3,413,189	6,016,044

The Group does not recognise deferred tax.

(d) Current tax assets

Reconciliation of the movement in current tax assets is set out below:

	Note	2020 $	2019 $
Opening balance		1,943,013	6,206,165
R&D refund from ATO in respect of 2018		(747,916)	(5,304,831)
R&D refund from ATO in respect of 2019	2.3	(2,584,521)	1,041,679
Estimate for R&D tax benefit	2.3	5,731,738	901,334
Under accrual of R&D benefit in prior years		1,389,424	-
Closing balance		5,731,738	1,943,013

2.7 GENERAL AND ADMINISTRATION EXPENSES

	2020 $	2019 $
Insurance	48,219	-
Consulting fees – Accountancy and bookkeeping	98,711	58,146
Bank fees	58,701	47,433
Other administration expenses	65,058	35,454
	270,689	141,033

SECTION 3 ASSETS AND LIABILITIES

This section focuses on the assets and liabilities which form the core of the ongoing business as well as capital and other commitments existing at the year end.

3.1 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

Property, plant and equipment (‘PPE’) is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the PPE as replacement only if it is eligible for capitalisation.

Depreciation is calculated on a diminishing balance basis over the estimated useful life of the assets as follows:

The estimated useful lives of the assets are as follows:

Plant and equipment	10 – 20 years
Mobile equipment and motor vehicles	5 - 8 years
Communications and computer equipment	3 - 4 years

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

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

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

Intangible assets acquired separately
Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Impairment of tangible and intangible assets
The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimated of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for, an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset’s value in use cannot be estimated to be lose to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

3.1 PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant & Equipment	Furniture & office equipment	Comms & computer equipment	Mobile equipment & motor vehicles	Software	Construction in progress	Total
	$	$	$	$	$	$	$
Gross carrying amount							
Balance at 1 July 2018	3,827,951	-	4,134	33,100	7,263	-	3,872,448
Reclassified to intangible assets	-	-	-	-	(7,263)		(7,263)
Additions	1,100	-	2,198	135,767	-	107,522	246,587
Balance at 30 June 2019	3,829,051	-	6,332	168,867	-	107,522	4,111,772
Transfers from CIP	406,610	-	3,673	-	-	(410,283)	-
Additions	16,301	1,760	4,921	32,569	-	362,005	417,556
Balance at 30 June 2020	4,251,962	1,760	14,926	201,436	-	59,244	4,529,328
Depreciation							
Balance at 1 July 2018	46,191	-	1,145	3,401	-	-	50,737
Reclassified to intangible assets	-	-	-	-	(7,263)	-	-
Depreciation for the year	840,449	-	2,989	7,425	7,263	-	858,126
Balance at 30 June 2019	1,180,988	-	4,315	41,653	-	-	1,226,956
Depreciation for the year	306,329	215	3,807	43,855	-	-	354,206
Reclassified to intangible assets	-	-	-	-	-	-	-
Balance at 30 June 2020	1,487,317	215	8,122	85,508	-	-	1,581,162
Carrying amounts							
Balance at 30 June 2019	2,648,063	-	2,017	127,214	-	107,522	2,884,816
Balance at 30 June 2020	2,764,645	1,545	6,804	115,928	-	59,242	2,948,166

3.2 RIGHT-OF-USE-ASSETS

Accounting Policy

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

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

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

	2020	**2019**
	$	**$**
Land and buildings - right-of-use	1,340,476	-
Less: Accumulated depreciation	(212,540)	-
	1,127,936	-

Additions to the right-of-use assets during the year were $865,052.

SECTION 4 WORKING CAPITAL DISCLOSURES

This section focuses on the cash funding available to the Group and working capital position at year end.

4.1 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash comprises cash at bank and in hand.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(a) Reconciliation of cash recorded in Statement of Financial Position to Statement of Cash Flows

	2020	2019
	$	$
Cash at bank and in hand	239,015	13,654
Balance as per Statement of Cash Flows	239,015	13,654

4.1 CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of cash flows from operating activities

	2020 $	2019 $
Cash flows from operating activities		
Loss for the period	(912,988)	(3,634,906)
Adjustments for:		
Finance expense	1,760,796	553,719
Depreciation and amortisation	566,746	246,980
Gain on disposal of assets	(27,570)	-
Insurance premiums funded	292,729	-
Debt forgiven	-	(1,851,058)
Equity-settled share-based payments	-	(11,281)
Gain on disposal of subsidiary	-	(1,643)
Loss of control transactions	-	78,434
Change in other receivables	(582,091)	108,007
Change in prepayments	15,967	18,616
Change in inventories	(1,010,712)	898,080
Change in other operating assets	(54,499)	188,692
Change in current tax assets	(3,788,725)	4,263,152
Change in trade and other payables	1,852,605	2,268,312
Change in interest bearing liabilities	-	1,152,175
Change in employee entitlements	91,237	63,662
Change in contract liabilities	-	(1,527,571)
Net Cash from / (used in) operating activities	(1,796,505)	2,813,370

(c) Non-cash investing and financing activities

	2020 $	2019 $
Additions to right-of-use assets	865,052	-
	865,052	-

4.1 CASH AND CASH EQUIVALENTS (continued)

(d) Changes in liabilities arising from financing activities

	Bank loans	Convertible notes	Related party Loans	Chattel Mortgage	Lease Liabilities	Other loans	Total
	$	$	$	$	$	$	$
Balance at 1 July 2018	4,383,061	8,055,362	651,026	26,734	-	1,123	13,117,306
Net cash from / (used in) financing activities	-	-	-	(6,708)	-	1,487,979	1,481,271
Repayment of overdraft facility	(4,383,061)	-	-	-	-	-	(4,383,061)
Interest on convertible notes	-	1,494,488	-	-	-	-	1,494,488
Interest on related party loans	-	-	77,422	-	-	-	77,422
Premium funding facility	-	-	-	-	-	202,374	202,374
Borrowing costs offset against cash loans	-	-	-	-	-	22,915	22,915
Other changes	-	-	-	-	-	99	99
Foreign currency differences	-	-	-	-	-	(3,122)	(3,122)
Balance at 30 June 2019	**-**	**9,549,850**	**728,448**	**20,026**	**-**	**1,711,368**	**12,009,692**
Adoption of AASB 16 Lease Liabilities	-	-	-	-	468,493	-	468,493
Net cash from / (used in) financing activities	-	-	-	(13,191)	(240,650)	2,459,381	2,205,540
Leases entered into during the year	-	-	-	34,300	864,293	-	898,593
Interest on convertible notes	-	1,618,108	-	-	-	-	1,618,108
Interest on related party loans	-	-	82,567	-	-	-	82,567
Interest on lease liabilities	-	-	-	-	55,227	-	55,227
Payments to DOCA trust	-	-	-	-	-	(214,000)	(214,000)
Other changes	-	-	-	-	-	(17,396)	(17,396)
Foreign currency differences	-	-	-	-	-	(58,515)	(58,515)
Balance at 30 June 2020	**-**	**11,167,958**	**811,015**	**41,135**	**1,147,363**	**3,880,838**	**17,048,309**

4.2 TRADE AND OTHER RECEIVABLES

Accounting Policy

Trade receivables are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Trade receivables are generally due for settlement within five days of receipt of loading documents.

Impairment of trade receivables is continually reviewed and those considered uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will be unable to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

	Note	2020 $	2019 $
Current			
Trade receivables		511,454	-
Due from authorised government agencies		114,405	-
Other receivables		-	43,768
		625,859	43,768

Trade receivables are non-interest bearing and generally on terms of five days from receipt of ship-loading documents. The Group had one customer throughout the trial phase, agreeing weekly payment terms based on pellets produced.

Note 6.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

4.3 TRADE AND OTHER PAYABLES

Accounting Policy

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

		2020	2019
		$	$
Current			
Trade payables	(i)	1,362,254	947,672
Due to authorised government agencies		-	6,861
Non-trade payables and accrued expenses	(ii)	1,009,986	950,802
		2,372,240	1,905,335

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms. All amounts are short-term. The net carrying amount of trade payables is considered a reasonable approximation of fair value.

(ii) Included in non-trade payables is $839,055 which relates to shipping costs and non-interest-bearing cash advances repayable to Engie.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in note 6.2.

4.4 LEASE LIABILITIES

	2020	2019
	$	$
Current – Lease liabilities	233,099	
Non-Current – Lease liabilities	914,265	-
	1,147,364	-

SECTION 5 EQUITY AND FUNDING

This section focuses on the debt and equity funding available to the Group at year end, most notably covering share capital and loans and borrowings.

5.1 CAPITAL AND RESERVES

Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share capital

	Ordinary shares			
	Number of shares		Amount in $	
	2020	2019	2020	2019
On issue at 1 July	**89,692,454**	**89,692,454**	**5,083,042**	**5,083,042**
On issue at 30 June	**89,692,454**	**89,692,454**	**5,083,042**	**5,083,042**

The holders of ordinary shares are entitled to receive dividends as declared from time and are entitled to one vote per share at meetings of the Group.

In the event of a winding up of the Group, ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

The Company has no share options on issue (2019: no share options).

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued.

Convertible notes

The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group.

5.2 LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 6.2.

Accounting Policy

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes and third-party notes that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised costs using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

GDF Convertible Loan Notes

On 13 March 2018, the Company signed a Deed of Amendment to the Convertible Note Deed (**CND**) with GDF International SAS ("the Noteholder") dated 10 November 2016 whereby:

- The number of shares to be held by the Noteholder shall increase from 45% to 55% of all the ordinary shares of the Company upon conversion of 70 notes ($7,000,000) held by the Noteholder.

  The amendment to increase the holding from 45% to 55% of all the ordinary shares of the Company upon Conversion of the 70 notes will require the approval of shareholders in a general meeting prior to the conversion of the notes. Pursuant to the Corporations Act 2001, the Noteholder can only increase their holding above 45% by increasing their holding by 3% every six months or if greater than 3%, with the express approval of shareholders.

- The total number of performance rights held by the Noteholder will increase from 5,815,265 to 8,687,001; and
- The total number of performance shares held by the Noteholder will increase from 3,738,503 to 5,584,676.

A fourth amendment to the The GDF Convertible Note Agreement was signed on the 13th of August 2020 extending the term of the notes to 30 June 2021 with a 4-month notice period in the event the conversion option is not to be exercised. The notes pay interest at a coupon rate of 10% p.a.

5.2 LOANS AND BORROWINGS (continued)

Third Party Convertible Loan Notes

As part of the GDF Convertible Note Deed transaction, monies owed to the Company's management, related parties and advisers totalling $1 million were renegotiated. This amount was split between $564,000 payable to Ryeleigh Holdings Pty Ltd (Ryeleigh Holdings Loan) and $436,000 payable to other third parties.

The Company issued 4,360 Third Party Notes, each having a face value of $100, to the Third-Party Noteholders in the following proportions in consideration for the deferral of repayment of certain debts owing to these parties by the Company:

Name	Total Third-Party Notes to be issued under Third Party Note Deed	Total amount of debt deemed to have been deferred for payment	Total amount deemed to have been paid for Third Party Notes
Argonaut	2,360	$236,000	$236,000
New Energy Solutions	1,000	$100,000	$100,000
David McArthur	1,000	$100,000	$100,000

Pursuant to the signing of the 4th Amendment of the Convertible Note Deed on the 13th of August 2020 the Third-Party Convertible Notes term has been extended up to 30 June 2021 and pay interest at a coupon rate of 11% p.a.

Ryeleigh Holdings Loan

The Company entered into a Loan Facility Agreement with Ryeleigh Holdings whereby the loan of $564,000 was deferred for repayment.

Interest will accrue at an interest rate of 11% per annum on the principal sum outstanding on and from the Completion Date under the GDF Convertible Note Deed (GDF CND) as extended by the 4th Amendment to 30 June 2021. Interest accrues daily and is to be calculated on actual days elapsed and a 365 days year. Interest may be capitalised by Ryeleigh Holdings at the end of each calendar month during the Standstill Period.

Interest is not required to be paid by the Company to Ryeleigh Holdings during the Standstill Period applied under the GDF CND. At the end of the Standstill Period, and provided the Company remains solvent and no events of default have occurred, repayment of interest to Ryeleigh Holdings will occur on a scheduled basis as specified in the Loan Facility Agreement and in accordance with the terms of the GDF CND in respect of Noteholder Deferred Interest.

Second Ranking Security

To secure the monies owing to Ryeleigh Holdings and the Third-Party Noteholders (together the **Deferred Creditors**) pursuant to the Deferred Creditor Agreements, the Company has agreed to grant a second ranking security (Second Ranking Security) to the Deferred Creditors in the form of:

(i) a fixed charge in favour of the Deferred Creditors over specific assets, including:
   - (a) its right, title and interest in connection with its deposit accounts;
   - (b) all book debts which exist in connection with the business;
   - (c) its key agreements; and
   - (d) the shares that the Company holds in PEA and SPL; and

(ii) a floating charge in favour of the Deferred Creditors over all its present and after-acquire property (other than the collateral forming the subject of the fixed charge, referred to above).

Shareholders approved these Deferred Creditor Agreements and the Second Ranking Security arrangements at a meeting held on 9 January 2017.

5.2 LOANS AND BORROWINGS (continued)

	2020 $	2019 $
Current		
Loan received from a director	811,015	728,448
Premium funding & other borrowings	3,894,770	1,718,514
Lease Liabilities	233,099	-
Convertible and Third-Party Notes	11,167,958	9,549,850
	16,106,842	11,996,812
Non-current		
Loan received from a director	-	-
Premium funding & other borrowings	27,203	12,880
Lease Liabilities	914,265	
	941,468	12,880
Bank overdraft		
Opening balance	-	4,383,061
Loan advanced	-	16,806
Interest charged	-	81,394
Less repaid	-	(4,481,261)
	-	-
Loan received from a director		
Opening balance	728,448	651,026
Loan advanced	-	435,180
Interest charged	82,567	82,642
Less repaid	-	(440,400)
	811,015	728,448
Premium funding facility		
Opening balance	-	-
Premium funding facility	297,623	202,314
Interest charged	8,678	5,503
Less repaid	(306,301)	(207,817)
	-	-
Other borrowings		
Opening balance	1,731,394	27,857
Loans advanced (1)	5,820,195	1,714,490
Interest expense	508,519	54,863
Foreign exchange	(58,515)	(3,121)
Less repaid	(4,079,620)	(62,695)
	3,921,973	1,731,394

(1) The Company signed an amendment to the agreement with Innovation Technology Funding Pty Ltd to borrow $3.2 Million. The loan increase was effective from December 2019, repayable upon receipt of the R&D tax offset and charging interest at 16% per annum.

The Company signed a fixed credit line agreement with GDF for $2.3 million (US$1,500,000), effective 1st June 2019 and charging interest at 16% of which $2.3m has been drawn at 30 June 2020. On 27th July 2020, the credit line with GDF was extended to $3.8m (US$2,700,000).

5.2 LOANS AND BORROWINGS (continued)

	2020 $	2019 $
GDF convertible loan notes		
Opening balance	8,995,001	7,597,854
Nominal value of convertible loan notes issued	-	-
Transaction costs	-	57,670
Equity component (net of deferred tax)	-	(280)
Liability component at date of issue	8,995,001	7,655,244
Interest charged (2)	1,539,912	1,339,758
Liability component at 30 June	10,534,913	8,995,002

1. The interest charged for the year is calculated by applying an effective interest rate of 10% per annum compounding monthly to the liability component for the period since the loan notes were issued.

	2020 $	2019 $
Third party convertible loan notes		
Opening balance	554,848	457,508
Transaction costs	-	31,586
Equity component (net of deferred tax)	-	(793)
Liability component at date of issue	554,848	488,301
Interest charged (3)	78,197	66,547
Liability component at 30 June	633,045	554,848

2. The interest charged for the year is calculated by applying an effective interest rate of 11% per annum compounding monthly to the liability component for the period since the loan notes were issued.

Financing facilities available

On 1 June 2019, the Group signed a credit facility with Engie to borrow up to US$1.5 million to fund its working capital requirements. This facility constitutes a senior debt instrument on a first-ranking basis. The interest rate applicable to each advance will be 16% payable each calendar quarter with the principal repayable by no later than 31 October 2020. On the 13th of August 2020 the facility has been further extended to US$2.7 million. As of 30 June 2020 US$1.5m had been drawn.

In December 2019 the Company signed an amendment to the agreement with Innovation Technology Funding Pty Ltd to borrow $3.2 Million. The loan increase was effective from December 2019, repayable upon receipt of the R&D tax offset and charging interest at 16% per annum.

SECTION 6 OTHER DISCLOSURES

The disclosures in this section focuses on share schemes in operation and financial risk management of the Group. Other mandatory disclosures, such as details of related party transactions, can also be found here.

6.1 SHARE-BASED PAYMENT PLANS

Accounting Policy

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the fair value of an employee share option has been recognised as a share-based payment and the option lapses on expiry, the total amount of the share-based payment expense is transferred from the share-based payment reserve to accumulated losses.

The share-based payment expense included within the consolidated financial statements can be broken down as follows:

	2020 $	2019 $
(a) Expensed in convertible note transaction costs		
(Reversal of) / fair value of performance rights	-	(89,256)
(b) Expensed in other finance charges		
(Reversal of) / fair value of performance rights	-	(11,281)
	-	(100,537)

6.1 SHARE-BASED PAYMENT PLANS (continued)

Performance shares and rights

At 30 June 2019, a summary of the Group performance shares issued and not exercised are as follows:

Note	Grant date	End of performance period	Scheme type	Balance at start of year	Granted during the year	Exercised during the year	Balance at end of year	Vested and exercisable at end of year
(i)	9-Jan-17	2-Feb-24	Class A	7,101,546	-	-	7,101,546	-
(ii)	9-Jan-17	2-Feb-24	Class B	3,738,503	-	-	3,738,503	-
(iii)	9-Jan-17	2-Feb-24	Class C	5,815,265	-	-	5,815,265	-

Each performance share represents a right to be issued one ordinary share by the end of the performance period, with no exercise price payable, should either of the vesting conditions in each class be met:

(i) Class A, B and C
- (A) following shareholder approval on 9 January 2017, 19 million options were cancelled and replaced with 7,101,546 performance rights;
- (B) performance rights will vest on conversion of all outstanding convertible notes, in full;
- (C) upon vesting, each performance right will convert into one share;
- (D) if performance rights are not vested within 7 years from issue, they will automatically lapse
- (E) performance rights were issued on 2 February 2017

The Director's assess at each reporting date, the likelihood the above vesting conditions will be met. To the extent a class of performance shares is considered probable, the Company will record an associated share-based payment expense based upon the fair value of the associated performance shares at grant date and the number of performance shares issued. At the reporting date, management has determined that there is an 85% likelihood that these performance rights will vest.

6.2 FINANCIAL INSTRUMENTS

Accounting Policy

Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL);
- equity instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

Subsequent remeasurement of financial assets

<u>Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets to collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised costs using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under AASB 139.

6.2 FINANCIAL INSTRUMENTS (continued)

Accounting Policy (continued)

Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replace AASB 139's 'incurred loss model'.

Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Level 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Level 2').
- 'Level 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category whilst 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are initially measured at amortised cost using the effective interest method except for derivatives and financial liabilities designation at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Derivative financial instruments

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL).

6.2 FINANCIAL INSTRUMENTS (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

Financial risk management objectives

The Group is exposed to market risk (including foreign currency exchange rate risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's Board of Directors who has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed on a continuous basis to reflect changes in market conditions and the Group's activities. The Group does not trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

Foreign currency exchange rate risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the balance date expressed in Australian dollars are as follows:

	Consolidated			
	Liabilities		Assets	
	2020	2019	2020	2019
	$	$	$	$
Currency				
US Dollars	3,833,648	711,368	511,454	-
Euro	3,835	-	-	-

6.2 FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

The sensitivity analysis below details the Group's sensitivity to an increase/decrease in the Australian dollar against the United States Dollar and Euro. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including external loans where the denomination of the loan is in a currency other than the currency of the borrower and adjusts their translation balance date for 500 basis point change in foreign currency rates.

At balance date, if foreign exchange rates had been 500 basis points higher or lower, and all other variables were held constant, the impact on profit or loss would be:

	Impact on profit / (loss)	
	2020	**2019**
	$	**$**
If AUD strengthens by 5% (2019: 5%)		
US dollar	158,200	33,875
Euro	-	-
If AUD weakens by 5% (2019: 5%)		
US dollar	(174,852)	(37,441)
Euro	-	-

The Group's sensitivity to foreign exchange rates has increased during the year mainly due to the exposure outstanding on USD loans at year end.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

The Group's exposure to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance date.

At balance date the group did not hold any significant non-derivative variable rate instruments at the balance date and an increase or decrease in interest rates would not have a significant impact on profit or loss.

The Group's sensitivity to interest rates has decreased during the year due to the reduction in variable rate debt instruments.

6.2 FINANCIAL INSTRUMENTS (continued)

Credit risk management

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to credit risk from financial assets including cash and cash equivalents held at banks and trade and other receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rates its customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks or government agencies with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 5.2 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

6.2 FINANCIAL INSTRUMENTS (continued)

Non-derivative financial liabilities

The following table details the Group's expected contractual maturities for its non-derivative financial liabilities.

These have been drawn up based on undiscounted contractual maturities of the financial liabilities based on the earliest date the Group can be required to repay.

The table include both interest and principal cash flows.

	Weighted average interest rate	**Less than 6 months**	**6 months to 1 year**	**1 – 5 years**
	%	**$**	**$**	**$**
30 June 2020				
Trade and other payables	-	3,757,940	-	-
Lease liabilities	4.91	115,095	118,036	941,468
Borrowings	11.55	3,894,771	11,978,972	-
		7,767,806	12,097,008	941,468
30 June 2019				
Trade and other payables	-	1,949,844	-	-
Borrowings	9.52	1,783,690	11,187,583	13,517
		3,733,534	11,187,583	13,517

Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy.

The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020 Fair value $	**2019 Fair value $**	**Fair value hierarchy**	**Valuation Technique**
US-Dollar loans	2,176,916	711,368	Level 2	Discounted cash flow derived from market foreign exchange rates

The Group has some financial instruments which are not measured at fair value in the statement of financial position.

The Directors consider that the carrying amounts of current receivables, current payables, and current interest-bearing borrowings denominated in Australian Dollars, approximate their fair values.

6.3 CAPITAL AND OTHER COMMITMENTS

Accounting Policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

At 30 June 2020, the Group had the following commitments:

	Note	2020 $	2019 $
Capital Commitments			
Land purchase		472,000	472,000
Lease commitments operating			
Committed at reporting date but not recognised as Liabilities payable:			
Within one year		[1]9,069	71,480
Between one and five years		-	155,182
Greater than five years		-	140,359
	(i)	481,069	839,021

Lease of properties and office premises is now recorded under the new accounting standard as of 30 June 2020 (Refer Note 6.10).

6.3 CAPITAL AND OTHER COMMITMENTS (continued)

(i) The lease for part of Lot 94, Down Road will expire on 8th September 2020. The Group is in negotiations to convert this lease to Freehold and is currently going through Landgate. The agreed purchase price of $472,500 is included in the committed expenditure for less than one year.

[1] Lease payments on plant land to be purchased within 12 months and therefore not treated as a lease liability AASB16

6.4 RELATED PARTIES

Accounting Policy

Key management personnel compensation

Directors' remuneration is expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

	2020 $	2019 $
Directors' remuneration and fees	240,000	240,000
Consulting fees	20,000	-
Non-monetary benefits – D&O liability insurance	14,762	10,878
	254,762	250,878

(b) Other key management personnel transactions

Several key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

			Transactions value year ended 30 June		Balance outstanding as at 30 June	
Key management person	**Transaction**	**Note**	**2020 $**	**2019 $**	**2020 $**	**2019 $**
Richard Allen	Directors' remuneration	(i)	200,000	200,000	81,665	154,545
	Operating expenses	(ii)	13,691	35,481	615	17,907
	Warehouse Lease	(vi)	865,052	-	699,332	-
	Loan to the Company	(iii)	82,567	435,180	811,015	728,448
Peter Balsarini	Operating expenses	(iv)	-	3,096	-	15,538
	Directors' remuneration	(v)	40,000	40,000	81,000	110,000
Total and current liabilities					**1,673,627**	**1,026,438**

6.4 RELATED PARTIES (continued)

(b) Other key management personnel transactions (continued)

Notes to support the aggregate value of transactions and outstanding balances relating to key management personnel:

(i) Directors' remuneration for Richard Allen are paid to Ryeleigh Holdings Pty Ltd, a company associated with Mr Allen;

(ii) During the reporting period, operating expenses were paid by Richard Allen or Ryeleigh Holdings Pty Ltd, a company associated with Richard Allen on behalf of the Group;

(iii) Following shareholder approval on 9 January 2017, accrued remuneration, expenses and loans to the Company were paid or converted to a loan bearing interest at 11% per annum, repayable in June 2020;

(iv) During the reporting period, operating expenses were paid by Peter Balsarini;

(v) Mr Balsarini is paid $40,000 per annum non-executive director fees. His fees are invoiced by Argonaut Capital Limited. In addition, he was paid $10,000 per month in his capacity as acting CFO in July and August 2019.

(vi) On 30 May 2019 the company entered into an agreement with Ryeleigh Holdings Pty Ltd, a company associated with Mr Allen for the lease of a warehouse adjacent to the plant for the purposes of storing wood pellets manufactured. The lease period is 4 years with early settlement options where ownership passes to the lessee after settlement of monthly lease payment of $20,000 and a final transfer payment of $150,000. The net present value of the lease obligation at the start of the lease was $865,052.

(c) Movements in shares

The movement during the reporting period in the number of ordinary shares in Renewable Heat and Power Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2019	Held at 30 June 2020
Directors		
Richard Allen	11,177,732	11,177,732
Peter Balsarini	4,040,627	4,040,627

	Held at 1 July 2018	Held at 30 June 2019
Directors		
Richard Allen	11,177,732	11,177,732
Peter Balsarini	4,040,627	4,040,627

No shares were granted to key management personnel during the reporting period as compensation in 2019 or 2020.

6.4 RELATED PARTIES (continued)

(d) Performance rights

	Held at 1 July 2019	Held at 30 June 2020	Convertible at 30 June 2020
Directors			
Richard Allen	1,868,828	1,868,828	-
Peter Balsarini	1,495,062	1,495,062	-
Company Secretary			
David McArthur	1,121,297	1,121,297	

	Held at 1 July 2018	Held at 30 June 2019	Convertible at 30 June 2019
Directors			
Richard Allen	1,868,828	1,868,828	-
Peter Balsarini	1,495,062	1,495,062	-
Company Secretary			
David McArthur	1,121,297	1,121,297	-

6.5 SUBSIDIARIES

The consolidated financial statements include the financial statements of Renewable Heat & Power Limited (the parent entity) and the subsidiaries listed in the following table:

Name of subsidiary	Place of incorporation	Equity Interest 2020 %	Equity Interest 2019 %
Plantation Energy Australia Pty Ltd	Australia	100	100
Fibre Co Pty Ltd	Australia	100	100

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

6.6 PARENT COMPANY DISCLOSURES

Accounting Policy

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

As at, and throughout the financial year ended 30 June 2020, the parent entity of the Group was Renewable Heat and Power Limited.

	2020 $	2019 $
Result of the parent entity		
(Loss) / profit for the year	(1,689,307)	(5,655,964)
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(1,689,307)	(5,655,964)
Financial position of parent entity at year end		
Current assets	21,211	1,943,540
Total assets	177,539	2,027,046
Current liabilities	16,441,977	12,605,584
Total liabilities	16,469,180	12,618,464
Total equity of the parent entity comprising of:		
Share capital	5,083,042	5,083,042
Reserves	81,195	81,195
Accumulated losses	(21,455,878)	(15,755,655)
Total equity	(16,291,641)	(10,591,418)

6.7 AUDITORS' REMUNERATION

	2020	2019
	$	$
BDO (WA) Pty Ltd:		
Auditors and other assurance services		
Audit and review of financial reports	35,556	23,517
Interim audit and agreed upon procedures	14,961	-
Adoption of AASB 16	1,000	-
Total remuneration for audit and other assurance services	51,517	23,517
Taxation services		
Tax compliance services	16,490	12,240
R&D Tax Incentive Scheme	-	21,488
Determination of carry forward losses	840	-
Other tax advice	3,365	13,590
Total remuneration for taxation services	20,696	47,318
Total remuneration of BDO (WA) Pty Ltd	72,213	70,835
TOTAL AUDITORS' REMUNERATION	**72,213**	**70,835**

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important. These assignments are principally tax advice, due diligence on acquisitions and mergers and employee share schemes, or where BDO is awarded assignments on a competitive basis. It is the group's policy to seek competitive tenders for all major consulting projects.

6.8 CONTINGENT LIABILITIES

Following on from its 100% owned subsidiary entering voluntary administration in December 2018, the Group recognises a contingent liability of $1,700,995 (2019 $1,851,057).

Pursuant to the Deed of Company Arrangement the company made an initial contribution to the creditors trust of $214,000 in January 2020. The balance of this liability is contingent upon cash positive business operations in the calendar year 2020.

6.9 SUBSEQUENT EVENTS

The impact of the Coronavirus (COVID-19) pandemic is ongoing and the financial impact is reflected in the consolidated entity up to 30 June 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.

A fourth amendment to the GDF Convertible Note Agreement was signed on the 13th of August 2020 extending the term of the notes to 30 June 2021 with a 4-month notice period in the event the conversion option is not to be exercised. The notes pay interest at a coupon rate of 10% p.a.

Pursuant to the signing of the 4th Amendment of the GDF Convertible Note Deed on the 13th of August 2020 the Third-Party Convertible Notes term has been extended up to 30 June 2021 and pay interest at a coupon rate of 11% p.a.

There have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

6.10 ADOPTION OF NEW AND REVISED STANDARDS

In the year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. Those which have a material impact on the Group are set out below.

AASB 16 Leases

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

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1-Jul-19 $
Operating lease commitments as at 1 July 2019 (AASB 117)	839,023
Option to extend lease period commitment recognised	346,680
Operating lease commitments discount based on the weighted average incremental borrowing rate (AASB 16)	(217,506)
Short-term leases not recognised as a right-of-use asset (AASB 16)	(27,704)
Commitment to purchase land not recognised as a right-of-use asset (AASB 16)	(472,000)
Accumulated depreciation as at 1 July 2019 (AASB 16)	-
Right-of-use assets (AASB 16)	468,493
Lease liabilities - current (AASB 16)	(20,670)
Lease liabilities - non-current (AASB 16)	(447,823)
Tax effect on the above adjustments	-
Reduction in opening retained profits as at 1 July 2019	-
	468,493
Reduction in opening retained profits as at 1 July 2019	-

6.10 ADOPTION OF NEW AND REVISED STANDARDS (continued)

When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

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

Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in AASB 112 based on taxable profit (tax loss), unused tax losses, unused tax credits and tax rates determined applying this interpretation.

Interpretation 23 is effective from annual reporting periods beginning on or after 1 July 2019. The adoption of this interpretation has not had a significant impact on the results of the consolidated group.

6.11 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

The Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Company and, therefore, no change is necessary to Group accounting policies.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Renewable Heat & Power Limited (the 'Company'):

   a. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year then ended; and

      (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001*, professional reporting requirements and other mandatory requirements.

   b. as set out in note 1.2, 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 financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

This declaration is signed in accordance with a resolution of the Board of Directors:

RICHARD ALLEN
Director

Dated: 17 September 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Renewable Heat and Power Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Renewable Heat and Power Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of Renewable Heat and Power Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Material uncertainty related to going concern

We draw attention to Note 1.2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

BDO

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 17 September 2020