

Carbonxt Group Limited
Appendix 4D
Half-year report



1. Company details

Name of entity:	Carbonxt Group Limited
ABN:	59 097 247 464
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	14.8% to	7,152,490
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	200.3% to	(1,975,840)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	up	58.2% to	(2,544,243)
Loss for the half-year attributable to the owners of Carbonxt Group Limited	up	58.2% to	(2,544,243)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$2,544,243 (31 December 2019: \$1,607,784).

Revenues decreased 14.8% compared to 1H20 primarily within the powdered activated carbon business due to several factors including the impact of COVID-19 on utility operating patterns, and unplanned outages at select customer facilities.

The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA:

	Consolidated 31 Dec 2020 \$	31 Dec 2019 \$
Revenue	7,152,490	8,394,724
Gross margin	1,889,038	2,835,120
Other income	172,403	25,233
Shipping and distribution costs	(726,464)	(734,833)
Operating expenses	(3,310,817)	(2,783,436)
Underlying EBITDA*	(1,975,840)	(657,916)
Depreciation and amortisation	(830,792)	(613,031)
Underlying earnings before interest and tax ('EBIT')*	(2,806,632)	(1,270,947)
Net interest expense	(573,611)	(389,070)
Other non-cash items	836,000	52,233
Loss before income tax expense	(2,544,243)	(1,607,784)

* Underlying EBITDA and underlying EBIT are financial measures which are not prescribed by Australian Accounting Standards ('AAS') and represent the profit or loss under AAS adjusted for non-specific non-cash and significant items.

For further commentary refer to 'Review of operations' section within the Directors' report of the Interim Report and the attached market announcement.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.56	6.86

The net tangible assets calculation includes rights-of-use assets of \$4,405,665 (31 Dec 2019: \$5,729,679) and the lease liabilities of \$3,088,637 (31 Dec 2019: \$4,831,137).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and an unqualified opinion has been issued with a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Interim Report of Carbonxt Group Limited for the half-year ended 31 December 2020 is attached.

12. Signed

Authorised by the Board of Directors.



Signed _____

Date: 26 February 2021

Warren Murphy
Managing Director
Sydney

For personal use

Carbonxt Group Limited

ABN 59 097 247 464

Interim Report - 31 December 2020

Carbonxt Group Limited
Contents
31 December 2020



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Carbonxt Group Limited
Directors' report
31 December 2020



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Carbonxt Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

Directors

The following persons were directors of Carbonxt Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Matthew Driscoll - Chairman
 Warren Murphy
 David Mazyck

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of the development and sale of specialised Activated Carbon ('AC') products, including Powdered Activated Carbon ('PAC') and AC pellets for the removal of pollutants and toxins in industrial processes.

These products are used in industrial air purification, waste water treatment and other liquid and gas phase markets, primarily for the capture of mercury and sulphur in order to reduce harmful emissions into the atmosphere, as required by global regulations.

Review of operations

The loss for the Group after providing for income tax amounted to \$2,544,243 (31 December 2019: \$1,607,784).

Revenue for the half-year was \$7,152,490 representing a decrease of 14.8% on the prior half-year's revenue of \$8,394,724.

Revenues decreased 14.8% compared to 1H20 primarily within the powdered activated carbon business due to several factors including the impact of COVID-19 on utility operating patterns, and unplanned outages at select customer facilities.

The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Revenue	7,152,490	8,394,724
Gross margin	1,889,038	2,835,120
Other income	172,403	25,233
Shipping and distribution costs	(726,464)	(734,833)
Operating expenses	(3,310,817)	(2,783,436)
Underlying EBITDA*	(1,975,840)	(657,916)
Depreciation and amortisation	(830,792)	(613,031)
Underlying earnings before interest and tax ('EBIT')*	(2,806,632)	(1,270,947)
Net interest expense	(573,611)	(389,070)
Other non-cash items	836,000	52,233
Loss before income tax expense	<u>(2,544,243)</u>	<u>(1,607,784)</u>

* Underlying EBITDA and underlying EBIT are financial measures which are not prescribed by Australian Accounting Standards ('AAS') and represent the profit or loss under AAS adjusted for non-specific non-cash and significant items.

As a result of the loss incurred and the operating cash outflows the half year ended 31 December 2020 and the liquidity at the reporting date, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Significant changes in the state of affairs

Capital raising

On 13 July 2020, the Group announced the successful completion of institutional placement to raise approximately \$2,080,000 from 13,000,000 ordinary shares at an issue price of \$0.16.

On 16 November 2020, the Group announced the successful completion of institutional placement to raise approximately \$3,000,000 from 18,750,000 ordinary fully paid shares at an issue price of \$0.16.

Manufacturing capacity

Black Birch PAC facility
located in Georgia, US

This facility continues to improve, and the Group has largely moved to major utility supply contracts from this facility.

Arden Hills AC pellet plant
facility located in Minnesota,
USA

The production cost at this facility has reduced over the period and further improvements are expected.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Warren Murphy
Managing Director

26 February 2021
Sydney



Building a better
working world

Ernst & Young
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Sydney NSW 2000 Australia
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Auditor's independence declaration to the directors of Carbonxt Group Limited

As lead auditor for the review of the half-year financial report of Carbonxt Group Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Carbonxt Group Limited and the entities it controlled during the financial period.

Ernst & Young

Scott Jarrett
Partner
26 February 2021

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020



		Consolidated	
	Note	31 Dec 2020	31 Dec 2019
		\$	\$
Revenue			
Sales revenue	4	7,152,490	8,394,724
Cost of goods sold		(5,263,452)	(5,559,604)
Gross margin		1,889,038	2,835,120
Other income	5	1,008,403	25,233
Expenses			
Shipping and distribution costs		(726,464)	(734,833)
Employee benefits expense		(1,699,630)	(1,255,622)
Depreciation and amortisation expense	6	(830,792)	(613,031)
Selling and marketing expenses		(92,152)	(481,173)
General and administrative expenses		(720,289)	(555,690)
Other expenses		(798,746)	(438,718)
Operating loss		(1,970,632)	(1,218,714)
Interest revenue calculated using the effective interest method		652	6,849
Finance costs	6	(574,263)	(395,919)
Loss before income tax expense		(2,544,243)	(1,607,784)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Carbonxt Group Limited		(2,544,243)	(1,607,784)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,443,527)	(123,423)
Other comprehensive income for the half-year, net of tax		(1,443,527)	(123,423)
Total comprehensive income for the half-year attributable to the owners of Carbonxt Group Limited		<u>(3,987,770)</u>	<u>(1,731,207)</u>
		Cents	Cents
Basic loss per share	18	(2.04)	(1.75)
Diluted loss per share	18	(2.04)	(1.75)

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

Carbonxt Group Limited
Statement of financial position
As at 31 December 2020



Assets

Current assets

Cash and cash equivalents		1,786,236	312,765
Trade and other receivables		1,302,485	1,247,605
Inventories	7	1,965,960	3,153,094
Other	8	916,817	435,651
Total current assets		5,971,498	5,149,115

Non-current assets

Property, plant and equipment	9	5,687,042	6,512,104
Right-of-use assets	10	4,405,665	4,549,826
Intangibles		4,039,986	3,594,149
Total non-current assets		14,132,693	14,656,079

Total assets

20,104,191 **19,805,194**

Liabilities

Current liabilities

Trade and other payables		3,451,226	3,142,123
Borrowings	11	4,746,908	88,333
Lease liabilities	12	1,230,959	1,055,700
Royalty payable	16	75,363	62,158
Employee benefits		162,387	124,374
Total current liabilities		9,666,843	4,472,688

Non-current liabilities

Borrowings	11	-	4,491,545
Lease liabilities	12	1,857,678	2,199,266
Royalty payable	16	970,545	1,819,750
Total non-current liabilities		2,828,223	8,510,561

Total liabilities

12,495,066 **12,983,249**

Net assets

7,609,125 **6,821,945**

Equity

Issued capital	13	73,926,168	69,391,218
Reserves	14	14,411,941	15,615,468
Accumulated losses		(80,728,984)	(78,184,741)

Total equity

7,609,125 **6,821,945**

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

Carbonxt Group Limited
Statement of changes in equity
For the half-year ended 31 December 2020



Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	63,200,387	15,551,898	(73,795,952)	4,956,333
Loss after income tax expense for the half-year	-	-	(1,607,784)	(1,607,784)
Other comprehensive income for the half-year, net of tax	-	(123,423)	-	(123,423)
Total comprehensive income for the half-year	-	(123,423)	(1,607,784)	(1,731,207)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	6,024,821	-	-	6,024,821
Balance at 31 December 2019	<u>69,225,208</u>	<u>15,428,475</u>	<u>(75,403,736)</u>	<u>9,249,947</u>

Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	69,391,218	15,615,468	(78,184,741)	6,821,945
Loss after income tax expense for the half-year	-	-	(2,544,243)	(2,544,243)
Other comprehensive income for the half-year, net of tax	-	(1,443,527)	-	(1,443,527)
Total comprehensive income for the half-year	-	(1,443,527)	(2,544,243)	(3,987,770)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	4,534,950	-	-	4,534,950
Share-based payments (note 19)	-	240,000	-	240,000
Balance at 31 December 2020	<u>73,926,168</u>	<u>14,411,941</u>	<u>(80,728,984)</u>	<u>7,609,125</u>

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

Carbonxt Group Limited
Statement of cash flows
For the half-year ended 31 December 2020



Cash flows from operating activities

	Note	Consolidated 31 Dec 2020 \$	31 Dec 2019 \$
Receipts from customers (inclusive of GST)		6,949,316	8,532,415
Payments to suppliers and employees (inclusive of GST)		(8,503,201)	(11,088,281)
		(1,553,885)	(2,555,866)
Interest received		642	6,849
Government grants received		119,001	-
Other income received		52,760	-
Interest and other finance costs paid		(270,498)	(264,646)
Net cash used in operating activities		(1,651,980)	(2,813,663)

Cash flows from investing activities

Payments for property, plant and equipment		(111,291)	(990,370)
Payments for intangible assets		(828,607)	(208,206)
Net cash used in investing activities		(939,898)	(1,198,576)

Cash flows from financing activities

Proceeds from issue of shares	13	5,080,000	6,412,945
Share issue transaction costs	13	(305,050)	(388,124)
Repayment of borrowings		(15,000)	-
Repayment of lease liability		(694,601)	(780,470)
Net cash from financing activities		4,065,349	5,244,351
Net increase in cash and cash equivalents		1,473,471	1,232,112
Cash and cash equivalents at the beginning of the financial half-year		312,765	2,376,431
Cash and cash equivalents at the end of the financial half-year		<u>1,786,236</u>	<u>3,608,543</u>

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

Carbonxt Group Limited
Notes to the financial statements
31 December 2020



Note 1. General information

The financial statements cover Carbonxt Group Limited as a Group consisting of Carbonxt Group Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Carbonxt Group Limited's functional and presentation currency.

Carbonxt Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 12, Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Principal place of business

Suite 111
3951 NW 48th Terrace
Gainesville FL 32606
United States of America

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 February 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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

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

Comparative information

Comparatives have been realigned to the current half-year presentation. There is no net effect on profit or loss and net assets for the comparative period.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Going concern

The Group incurred a loss after tax of \$2,544,243 (31 December 2019: \$1,607,784) and operating cash outflows of \$1,651,980 (31 December 2019: \$2,813,663) for the half year ended 31 December 2020. At 31 December 2020, cash and cash equivalents were \$1,786,236 (30 June 2020: \$312,765) and net current liabilities of \$3,695,345 (30 June 2020 net current assets: \$676,427), including borrowings of \$4,673,575 classified as current at 31 December 2020. The Group is dependent on continued improvements in the operating performance of the business in order to generate positive operating cash flows. This results in a material uncertainty on whether the Group can continue as a going concern without future funding.

Note 2. Significant accounting policies (continued)

The directors have assessed that the Group is and will remain a going concern and believe that the going concern basis of preparation of the accounts is appropriate, based upon the Group continuing to:

- receive the ongoing support of lenders which would not require early repayment of borrowings of \$4,673,575;
- improve the operating performance of the business to generate positive operating cash flows;
- proactively manage cash flow requirements, including deferring certain capital expenditures, to ensure that funds are available when required; and/or
- obtain funding where required through various sources, including debt and equity issues.

Should the Group not achieve these outcomes, there may be uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Note 3. Operating segments

Identification of reportable operating segments

The Group only has one reportable segment being the development and sale of specialised Activated Carbon ('AC') products, principally in the United States of America.

The operating segment information is therefore the same as the financial statements.

Note 4. Revenue

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
<i>Major product lines</i>		
Sale of activated carbon	7,064,434	8,256,999
Consultancy fees	88,056	137,725
	<u>7,152,490</u>	<u>8,394,724</u>
<i>Geographical regions</i>		
United States of America	<u>7,152,490</u>	<u>8,394,724</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>7,152,490</u>	<u>8,394,724</u>

Carbonxt Group Limited
Notes to the financial statements
31 December 2020



Note 5. Other income

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Net foreign exchange gain	-	25,233
Net fair value gain on financial assets	836,000	-
Government grants	118,997	-
Insurance recoveries	53,406	-
Other income	<u>1,008,403</u>	<u>25,233</u>

Government grants

During the half-year period, the Group received cash receipts of \$49,813 (US \$36,000) for a Florida State Grant through the Florida Red Tide Mitigation and Technology Development Initiative and \$69,185 (US \$50,000) for the Water Resource Recovery Prize from the US Department of Energy.

Note 6. Expenses

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	386,529	203,244
Plant and equipment right-of-use assets	367,626	341,424
Total depreciation	<u>754,155</u>	<u>544,668</u>
Amortisation		
Engineering Performance Solutions ('EPS') patents	45,180	45,180
Other patents	31,457	23,183
Total amortisation	<u>76,637</u>	<u>68,363</u>
Total depreciation and amortisation	<u>830,792</u>	<u>613,031</u>
Finance costs		
Interest and finance charges paid/payable on borrowings	271,550	212,595
Interest and finance charges paid/payable on lease liabilities	120,683	183,324
Borrowing costs	182,030	-
Finance costs expensed	<u>574,263</u>	<u>395,919</u>
Leases		
Variable lease payments	-	309,978
Short-term lease payments	-	48,226
	<u>-</u>	<u>358,204</u>

Carbonxt Group Limited
Notes to the financial statements
31 December 2020



Note 7. Inventories

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	1,006,844	1,694,247
Work in progress - at cost	337,593	370,989
Activated carbon finished goods - at cost	621,523	1,087,858
	<u>1,965,960</u>	<u>3,153,094</u>

Note 8. Other

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Current assets</i>		
Prepayments	834,113	402,089
GST receivable	82,704	33,562
	<u>916,817</u>	<u>435,651</u>

Note 9. Property, plant and equipment

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	6,927,608	7,559,161
Less: Accumulated depreciation	(1,761,079)	(1,568,446)
	<u>5,166,529</u>	<u>5,990,715</u>
Construction in progress	520,513	521,389
	<u>5,687,042</u>	<u>6,512,104</u>

Reconciliations

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

Consolidated	Plant and equipment	Construction in progress	Total
	\$	\$	\$
Balance at 1 July 2020	5,990,715	521,389	6,512,104
Additions	25,853	237,399	263,252
Reclassification from construction in progress	177,802	(177,802)	-
Exchange differences	(641,312)	(60,473)	(701,785)
Depreciation expense	(386,529)	-	(386,529)
Balance at 31 December 2020	<u>5,166,529</u>	<u>520,513</u>	<u>5,687,042</u>

Note 10. Right-of-use assets

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - right-of-use	5,188,992	5,041,792
Less: Accumulated depreciation	(831,646)	(571,240)
	<u>4,357,346</u>	<u>4,470,552</u>
Equipment - right-of-use	117,149	131,470
Less: Accumulated depreciation	(68,830)	(52,196)
	<u>48,319</u>	<u>79,274</u>
	<u><u>4,405,665</u></u>	<u><u>4,549,826</u></u>

Reconciliations

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

	Plant right-of-use	Equipment right-of-use	Total
	\$	\$	\$
Consolidated			
Balance at 1 July 2020	4,470,552	79,274	4,549,826
Additions	742,204	-	742,204
Exchange differences	(511,572)	(7,167)	(518,739)
Depreciation expense	(343,838)	(23,788)	(367,626)
Balance at 31 December 2020	<u><u>4,357,346</u></u>	<u><u>48,319</u></u>	<u><u>4,405,665</u></u>

Note 11. Borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Current liabilities</i>		
Pure loan payable	4,673,575	-
Other loan payable	73,333	88,333
	<u>4,746,908</u>	<u>88,333</u>
<i>Non-current liabilities</i>		
Pure loan payable	-	4,491,545
	<u><u>4,746,908</u></u>	<u><u>4,579,878</u></u>

Pure loan payable

During the period a continuing review event under the terms of the Facility Agreement with Pure Asset Management ("Lender") occurred as a result of the Group's trailing six months gross profit falling below US\$2,000,000. A continuing review event provides the Lender with a right to notify the Company of an event of default. During the half year ended 31 December 2020 and up to the date of this report, the Lender or its agent has not notified the Company an event of default. The Lender has continued to be supportive to the Company and there is no indication an event of default will be made. However, the loan has been classified as current as at 31 December 2020 as while the continuing review event persists, the Company does not have the unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Note 12. Lease liabilities

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Current liabilities</i>		
Lease liability	1,230,959	1,055,700
<i>Non-current liabilities</i>		
Lease liability	1,857,678	2,199,266
	<u>3,088,637</u>	<u>3,254,966</u>

Note 13. Issued capital

	Consolidated			
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>139,444,950</u>	<u>107,694,950</u>	<u>73,926,168</u>	<u>69,391,218</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	107,694,950		69,391,218
Shares placement	13 July 2020	13,000,000	\$0.16	2,080,000
Shares placement	16 November 2020	18,750,000	\$0.16	3,000,000
Issue costs		-	\$0.00	(545,050)
Balance	31 December 2020	<u>139,444,950</u>		<u>73,926,168</u>

Note 14. Reserves

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	(786,833)	656,694
Share-based payments reserve	5,781,775	5,541,775
Convertible note equity reserve	563,131	563,131
	<u>14,411,941</u>	<u>15,615,468</u>

Note 14. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Financial liability reserve \$	Foreign currency translation reserve \$	Share-based payments reserve \$	Convertible note equity reserve \$	Total \$
Consolidated					
Balance at 1 July 2020	8,853,868	656,694	5,541,775	563,131	15,615,468
Foreign currency translation	-	(1,443,527)	-	-	(1,443,527)
Share based payment expense	-	-	240,000	-	240,000
Balance at 31 December 2020	<u>8,853,868</u>	<u>(786,833)</u>	<u>5,781,775</u>	<u>563,131</u>	<u>14,411,941</u>

Note 15. Dividends

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

Note 16. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 31 Dec 2020				
<i>Liabilities</i>				
Royalty payable	-	-	1,045,908	1,045,908
Total liabilities	-	-	1,045,908	1,045,908

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Consolidated - 30 Jun 2020				
<i>Liabilities</i>				
Royalty payable	-	-	1,958,908	1,958,908
Total liabilities	-	-	1,958,908	1,958,908

There were no transfers between levels during the financial half-year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Royalties: Royalties payable are valued using a probability weighted discounted cash flow methodology.

Carbonxt Group Limited
Notes to the financial statements
31 December 2020



Note 16. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Royalty \$
Balance at 1 July 2020	1,881,908
Gains recognised in profit or loss	(791,173)
Repayments	<u>(44,827)</u>
Balance at 31 December 2020	<u><u>1,045,908</u></u>

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Sensitivity
Royalty	<p>Sales price per ton: \$1,000 - \$3,000 per tonne (30 Jun 2020: \$1,000 - \$3,000 per tonne)</p> <p>Sales tons: 3,000 - 20,000 tons p.a. (30 Jun 2020: 3,000 - 20,000 tons p.a.)</p> <p>USA Discount rate: 0.64% (30 Jun 2020: 0.51%)</p>	<p>Significant increases/(decreases) in the sales price per ton would result in higher/(lower) fair value of the royalty payable.</p> <p>Significant increases/(decreases) in the tons sold would result in higher/(lower) fair value of the royalty payable.</p> <p>Significant increases/(decreases) in the discount rate would result in lower/(higher) fair value of the royalty payable.</p>

Note 17. Contingent liabilities

The Group had no contingent liabilities at 31 December 2020 and 30 June 2020.

Note 18. Earnings per share

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss after income tax attributable to the owners of Carbonxt Group Limited	<u>(2,544,243)</u>	<u>(1,607,784)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>124,534,625</u>	<u>92,015,794</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>124,534,625</u>	<u>92,015,794</u>
	Cents	Cents
Basic loss per share	(2.04)	(1.75)
Diluted loss per share	(2.04)	(1.75)

16,041,670 (31 December 2019: 14,141,670) options and warrants were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 19. Share-based payments

On 13 July 2020, the Company issued a total of 2,400,000 options issued to the lead manager of placement, Cannacord Genuity (Australia) Limited, in lieu of fees.

For the options granted during the current financial half-year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/07/2020	13/07/2023	\$0.19	\$0.17	83.22%	-	0.16%	\$0.105
13/07/2020	13/07/2023	\$0.19	\$0.20	83.22%	-	0.16%	\$0.100
13/07/2020	13/07/2023	\$0.19	\$0.22	83.22%	-	0.16%	\$0.095

Total expense arising from share-based payment transactions recognised during the financial half-year was \$240,000 (31 December 2019: \$nil).

Note 20. Events after the reporting period

On 18 January 2021, the Company issued 2,200,000 ordinary shares at an issue price of \$0.16 per share to settle all the outstanding and future liabilities with United Conveyor Corporation ('UCC'), the Group's original sales partner in entering the Powdered Activation Carbon MATs market. This will terminate the Sales Representative Agreement with UCC and will remove the liability for payments of approximately \$20,000 to \$30,000 per month.

On 18 January 2021, the Company issued 174,826 ordinary shares at an issue price of \$0.16 to make a correction to the Company's issued capital relating to a prior capital raise.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Carbonxt Group Limited
Directors' declaration
31 December 2020



In the directors' opinion:

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

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

On behalf of the directors

A handwritten signature in blue ink, appearing to read "Warren Murphy", written over a horizontal line.

Warren Murphy
Managing Director

26 February 2021
Sydney

Independent Auditor's Review Report to the Members of Carbonxt Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Carbonxt Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the principal conditions that raise doubts about the entity's ability to continue as a going concern. These conditions along with other matters disclosed in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at [period date] and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does



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not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Scott Jarrett
Partner
Sydney
26 February 2021