

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 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	9.8% to	8,912,406
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	down	584.3% to	(930,288)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	up	33.9% to	(2,664,912)
Loss for the half-year attributable to the owners of Carbonxt Group Limited	up	33.9% to	(2,664,912)

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 \$2,664,912 (31 December 2021: \$1,990,815).

Revenues decreased 9.8 % compared to 1H22 primarily due to planned downtime in 1H23 at both activated carbon plants to install updated equipment which resulted in lower production and sales than typical for the period.

The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and Underlying EBIT to reflect the core earnings of the Group. 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-cash and significant items. The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA for the current and previous half-year period:

	Consolidated	Consolidated
	31 Dec 2022	31 Dec 2021
	\$	\$
Revenue	8,912,406	9,885,160
Gross margin	2,521,288	3,524,568
Other income	83,520	-
Shipping and distribution costs	(972,329)	(810,201)
Operating expenses	(2,562,767)	(2,522,274)
Underlying EBITDA	(930,288)	192,093
Depreciation and amortisation	(1,226,459)	(1,062,045)
Underlying earnings before interest and tax ('EBIT')	(2,156,747)	(869,952)
Net interest expense	(529,725)	(538,985)
Share based payment expense	(145,077)	(705,235)
Other non-cash items	166,637	123,357
Loss before income tax expense	<u>(2,664,912)</u>	<u>(1,990,815)</u>

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	4.09	2.02

The net tangible assets calculation includes rights-of-use assets of \$4,082,790 (31 Dec 2021: \$4,297,646) and the lease liabilities of \$1,521,282 (31 Dec 2021: \$2,437,789).

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 2022 is attached.

12. Signed

Authorised by the Board of Directors.



Signed _____

Date: 28 February 2023

Warren Murphy
Managing Director
Sydney

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Carbonxt Group Limited

ABN 59 097 247 464

Interim Report - 31 December 2022

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Carbonxt Group Limited
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31 December 2022



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Carbonxt Group Limited
Directors' report
31 December 2022



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 2022.

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
- Fadi Diab (appointed 8 September 2022 and resigned 29 November 2022)

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 \$2,664,912 (31 December 2021: \$1,990,815).

Revenue for the half-year was \$8,912,406 representing a decrease of 9.8% on the prior half-year's revenue of \$9,885,160.

Revenues decreased 9.8 % compared to 1H22 primarily due to planned downtime in 1H23 at both activated carbon plants to install updated equipment which resulted in lower production and sales than typical for the period.

The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and Underlying EBIT to reflect the core earnings of the Group. 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-cash and significant items. The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA for the current and previous half-year period:

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Revenue	8,912,406	9,885,160
Gross margin	2,521,288	3,524,568
Other income	83,520	-
Shipping and distribution costs	(972,329)	(810,201)
Operating expenses	(2,562,767)	(2,522,274)
Underlying EBITDA	(930,288)	192,093
Depreciation and amortisation	(1,226,459)	(1,062,045)
Underlying earnings before interest and tax ('EBIT')	(2,156,747)	(869,952)
Net interest expense	(529,725)	(538,985)
Share based payment expense	(145,077)	(705,235)
Other non-cash items	166,637	123,357
Loss before income tax expense	<u>(2,664,912)</u>	<u>(1,990,815)</u>

As a result of the loss incurred for the half year ended 31 December 2022 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 29 July 2022, the Company signed a term sheet for the 50% ownership in a new state-of-the-art activated carbon plant located in Eastern Kentucky, USA in a joint venture with KCP, an established and leading industry player that is well capitalised and well connected in the US market ('Joint Venture').

On 2 August 2022, the Group announced the successful completion of institutional entitlement offer raising approximately \$400,888 (before issue cost) from 2,863,483 ordinary shares at an issue price of \$0.14. The shares were issued on 10 August 2022.

On 26 September 2022, the Group announced the commitment to raise \$7,000,000 through the placement of 70,000,000 fully paid shares at \$0.10 per share before issue costs in two tranches. The tranche 1 shares of 13,114,383 were issued at \$0.10 per share raising a total of \$1,311,719 before issue costs. The issuance of tranche 2 was approved by shareholders in the AGM, a total of 51,742,810 shares were issued at \$0.10 per share raising a total of \$5,174,281 before issue costs. Total amount raised on the share placement is \$6,486,000 before issue costs.

On 30 September 2022, the Company announced the share purchase plan to provide existing shareholders as at 23 September 2022, the opportunity to subscribe for new shares at the offer price of \$0.10 per share. A total of 16,103,000 shares were issued under the share purchase plan and raised a total of \$1,610,300. The shares were issued on 3 November 2022.

Borrowing facility

On 14 December 2022, the Company signed an agreement with Pure Asset Management ('Pure') to amend and restate the existing loan facility. Under the amended and restated loan facility agreement, Pure would provide the Company with a \$15,000,000 facility which will be used to pay back the existing loan (\$5,394,451) and the remaining amount will be used to fund the KCP Joint Venture, acquisitions and product development, and for working capital purposes. The new loan facility is conditional upon satisfaction of conditions precedent, including but not limited to a duly executed KCP Joint Venture Agreement. As of the date of this report, the KCP Joint Venture agreement has not been finalised.

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

28 February 2023
Sydney



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2022, 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; and
- c. No non-audit services provided that contravene 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
28 February 2023

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Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022



		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Revenue			
Sales revenue	4	8,912,406	9,885,160
Cost of goods sold		<u>(6,391,118)</u>	<u>(6,360,592)</u>
Gross margin		<u>2,521,288</u>	<u>3,524,568</u>
Other income		250,157	123,357
Expenses			
Shipping and distribution costs		(972,329)	(810,201)
Employee benefits expense		(1,460,130)	(1,239,382)
Share-based payment expense	16	(145,077)	(705,235)
Depreciation and amortisation expense	5	(1,226,459)	(1,062,045)
Selling and marketing expenses		(206,821)	(93,587)
General and administrative expenses		(688,220)	(501,637)
Other expenses		<u>(207,596)</u>	<u>(687,668)</u>
Operating loss		<u>(2,135,187)</u>	<u>(1,451,830)</u>
Interest revenue calculated using the effective interest method		4,246	495
Finance costs	5	<u>(533,971)</u>	<u>(539,480)</u>
Loss before income tax expense		<u>(2,664,912)</u>	<u>(1,990,815)</u>
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Carbonxt Group Limited		<u>(2,664,912)</u>	<u>(1,990,815)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>255,505</u>	<u>468,003</u>
Other comprehensive income for the half-year, net of tax		<u>255,505</u>	<u>468,003</u>
Total comprehensive loss for the half-year attributable to the owners of Carbonxt Group Limited		<u><u>(2,409,407)</u></u>	<u><u>(1,522,812)</u></u>
		Cents	Cents
Basic loss per share	15	(1.27)	(1.18)
Diluted loss per share	15	(1.27)	(1.18)

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 2022



		Consolidated	
	Note	31 Dec 2022	30 Jun 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		6,165,188	1,090,450
Trade and other receivables		1,518,029	2,041,003
Inventories		2,890,323	3,122,264
Other		160,800	317,989
Total current assets		<u>10,734,340</u>	<u>6,571,706</u>
Non-current assets			
Property, plant and equipment	6	5,883,309	5,955,028
Right-of-use assets	7	4,082,790	4,507,400
Intangibles	8	5,603,209	5,359,218
Total non-current assets		<u>15,569,308</u>	<u>15,821,646</u>
Total assets		<u>26,303,648</u>	<u>22,393,352</u>
Liabilities			
Current liabilities			
Trade and other payables		1,899,267	2,689,713
Borrowings	9	5,394,451	5,213,178
Lease liabilities		1,368,729	1,701,752
Royalty payable		20,664	55,811
Employee benefits		149,763	137,095
Provisions	10	60,517	357,477
Total current liabilities		<u>8,893,391</u>	<u>10,155,026</u>
Non-current liabilities			
Lease liabilities		152,553	583,240
Royalty payable		393,785	531,454
Total non-current liabilities		<u>546,338</u>	<u>1,114,694</u>
Total liabilities		<u>9,439,729</u>	<u>11,269,720</u>
Net assets		<u>16,863,919</u>	<u>11,123,632</u>
Equity			
Issued capital	11	89,376,908	81,247,380
Reserves	12	18,128,020	17,852,349
Accumulated losses		(90,641,009)	(87,976,097)
Total equity		<u>16,863,919</u>	<u>11,123,632</u>

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 2022



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	76,789,766	15,106,434	(83,517,592)	8,378,608
Loss after income tax expense for the half-year	-	-	(1,990,815)	(1,990,815)
Other comprehensive income for the half-year, net of tax	-	468,003	-	468,003
Total comprehensive income/(loss) for the half-year	-	468,003	(1,990,815)	(1,522,812)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	665,468	-	-	665,468
Shares issued on the exercise of options (note 11)	17,460	(3,060)	-	14,400
Share-based payments (note 16)	-	909,235	-	909,235
Balance at 31 December 2021	77,472,694	16,480,612	(85,508,407)	8,444,899
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	81,247,380	17,852,349	(87,976,097)	11,123,632
Loss after income tax expense for the half-year	-	-	(2,664,912)	(2,664,912)
Other comprehensive income for the half-year, net of tax	-	255,505	-	255,505
Total comprehensive income/(loss) for the half-year	-	255,505	(2,664,912)	(2,409,407)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity net of transaction costs (note 11)	8,024,183	-	-	8,024,183
Shares issued to employees in lieu of compensation	105,345	20,166	-	125,511
Balance at 31 December 2022	89,376,908	18,128,020	(90,641,009)	16,863,919

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 2022



		Consolidated	
	Note	31 Dec 2022	31 Dec 2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,061,384	9,720,941
Payments to suppliers and employees (inclusive of GST)		<u>(10,316,323)</u>	<u>(9,394,756)</u>
		(1,254,939)	326,185
Interest received		3,039	599
Government grants received		83,520	-
Interest and other finance costs paid		<u>(263,397)</u>	<u>(266,112)</u>
Net cash (used in)/from operating activities		<u>(1,431,777)</u>	<u>60,672</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(206,072)	(250,993)
Payments for intangible assets		<u>(436,881)</u>	<u>(305,138)</u>
Net cash used in investing activities		<u>(642,953)</u>	<u>(556,131)</u>
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options	11	8,497,188	1,034,400
Share issue transaction costs	11	(473,005)	(258,802)
Repayment of borrowings		-	(34,763)
Repayment of lease liability		<u>(895,352)</u>	<u>(761,400)</u>
Net cash from/(used in) financing activities		<u>7,128,831</u>	<u>(20,565)</u>
Net increase/(decrease) in cash and cash equivalents		5,054,101	(516,024)
Cash and cash equivalents at the beginning of the financial half-year		1,090,450	1,645,579
Effects of exchange rate changes on cash and cash equivalents		<u>20,637</u>	<u>27,345</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>6,165,188</u></u>	<u><u>1,156,900</u></u>

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

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 28 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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.

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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2022 and are not expected to have significant impact for the full financial year ending 30 June 2023.

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 \$2,664,912 (31 December 2021: \$1,990,815) and operating cash outflows of \$1,431,777 (31 December 2021: inflows of \$ 60,672) for the half year ended 31 December 2022. At 31 December 2022, cash and cash equivalents were \$6,165,188 (30 June 2022: \$1,090,450) and net current assets of \$1,840,949 (30 June 2022 : net current liabilities of \$3,583,320).

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have prepared a cash flow forecast through to June 2024 which requires the Group to obtain ongoing support from lenders which would not require repayment of borrowings of \$5,394,451 in May 2023 (see note 9), generate positive cash flows from operations or be able to raise capital to have sufficient cash to continue as a going concern. This results in a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Note 2. Significant accounting policies (continued)

At the date of signing this report, the Directors have reasonable grounds to believe the Group will be able to achieve the matters noted above and that it is appropriate to prepare the financial statements on the going concern basis.

Should the Group not achieve the above matters, it maybe required to realise its assets and extinguish its liabilities other than in the normal course of business and at the amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability or classification of 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. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM is on a monthly basis.

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	30 Jun 2022
	\$	\$	\$	\$
Australia	-	-	481,945	587,402
United States of America	8,912,406	9,885,160	15,087,363	15,234,244
	<u>8,912,406</u>	<u>9,885,160</u>	<u>15,569,308</u>	<u>15,821,646</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 4. Revenue

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
<i>Major product lines</i>		
Sale of activated carbon	8,899,654	9,877,509
Consultancy fees	12,752	7,651
	<u>8,912,406</u>	<u>9,885,160</u>
<i>Geographical regions</i>		
United States of America	<u>8,912,406</u>	<u>9,885,160</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>8,912,406</u>	<u>9,885,160</u>

Note 5. Expenses

	Consolidated	
	31 Dec 2022	31 Dec 2021
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	367,015	399,122
Plant and equipment right-of-use assets	554,747	433,134
Total depreciation	921,762	832,256
<i>Amortisation</i>		
Development	153,549	146,293
Engineering Performance Solutions ('EPS) patents	105,457	45,180
Other patents	45,691	38,316
Total amortisation	304,697	229,789
Total depreciation and amortisation	1,226,459	1,062,045
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	268,045	266,112
Interest and finance charges paid/payable on lease liabilities	82,505	90,866
Warrant costs	183,421	182,502
Finance costs expensed	533,971	539,480

Note 6. Property, plant and equipment

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	8,508,763	8,229,039
Less: Accumulated depreciation	(3,577,468)	(3,161,055)
	<u>4,931,295</u>	<u>5,067,984</u>
Construction in progress	952,014	887,044
	<u>5,883,309</u>	<u>5,955,028</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 2022	5,067,984	887,044	5,955,028
Additions	-	193,300	193,300
Reclassification from construction in progress	142,734	(142,734)	-
Exchange differences	87,592	14,404	101,996
Depreciation expense	(367,015)	-	(367,015)
Balance at 31 December 2022	<u>4,931,295</u>	<u>952,014</u>	<u>5,883,309</u>

Note 7. Right-of-use assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - right-of-use	6,734,307	6,622,867
Less: Accumulated depreciation	<u>(2,714,270)</u>	<u>(2,142,000)</u>
	4,020,037	4,480,867
Equipment - right-of-use	222,034	170,602
Less: Accumulated depreciation	<u>(159,281)</u>	<u>(144,069)</u>
	62,753	26,533
	<u>4,082,790</u>	<u>4,507,400</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 right-of- use \$	Equipment right-of-use \$	Total \$
Balance at 1 July 2022	4,480,867	26,533	4,507,400
Additions	-	49,068	49,068
Exchange differences	80,997	72	81,069
Depreciation expense	<u>(541,827)</u>	<u>(12,920)</u>	<u>(554,747)</u>
Balance at 31 December 2022	<u>4,020,037</u>	<u>62,753</u>	<u>4,082,790</u>

Note 8. Intangibles

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Non-current assets</i>		
Development - at cost	4,197,243	3,726,927
Less: Accumulated amortisation	<u>(514,517)</u>	<u>(356,554)</u>
	3,682,726	3,370,373
Engineering Performance Solutions ('EPS) patents - at cost	1,445,822	1,445,822
Less: Accumulated amortisation	<u>(963,877)</u>	<u>(858,420)</u>
	481,945	587,402
Other patents and development - at cost	2,186,638	2,098,432
Less: Accumulated amortisation	<u>(748,100)</u>	<u>(696,989)</u>
	1,438,538	1,401,443
	<u>5,603,209</u>	<u>5,359,218</u>

Note 8. Intangibles (continued)

Reconciliations

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

Consolidated	Development costs	EPS patents \$	Other patents \$	Total \$
Balance at 1 July 2022	3,370,373	587,402	1,401,443	5,359,218
Additions	407,604	-	58,734	466,338
Exchange differences	58,298	-	24,052	82,350
Amortisation expense	(153,549)	(105,457)	(45,691)	(304,697)
Balance at 31 December 2022	<u>3,682,726</u>	<u>481,945</u>	<u>1,438,538</u>	<u>5,603,209</u>

Note 9. Borrowings

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Pure loan payable	<u>5,394,451</u>	<u>5,213,178</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. The maturity date of the loan is 23 May 2023 and during the half-year ended 31 December 2022 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.

Note 10. Provisions

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<i>Current liabilities</i>		
Other	<u>60,517</u>	<u>357,477</u>

Movements in provisions

Movements in each class of provision during the current financial half-year, other than employee benefits, are set out below:

Consolidated - 31 Dec 2022	Other
	\$
Carrying amount at the start of the half-year	357,477
Amounts used	(302,975)
Exchange differences	6,015
Carrying amount at the end of the half-year	<u>60,517</u>

Note 11. Issued capital

	Consolidated			
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>275,173,173</u>	<u>189,367,985</u>	<u>89,376,908</u>	<u>81,247,380</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	189,367,985		81,247,380
Shares issued to employees in lieu of compensation	7 July 2022	99,118	\$0.19	18,644
Shares issued under the Retail Entitlement Offer	10 August 2022	2,863,483	\$0.14	400,888
Shares issued to employees in lieu of compensation	11 August 2022	118,100	\$0.16	19,132
Shares placement - tranche 1	30 September 2022	13,114,383	\$0.10	1,311,719
Shares issued under share purchase plan	3 November 2022	16,103,000	\$0.10	1,610,300
Shares issued for nil consideration*	8 December 2022	1,145,393	\$0.00	-
Shares placement - tranche 2	8 December 2022	43,442,810	\$0.10	4,344,281
Shares placement - tranche 2	16 December 2022	8,300,000	\$0.10	830,000
Shares issued to employees in lieu of compensation	19 December 2022	152,890	\$0.12	18,805
Shares issued to employees in lieu of compensation	19 December 2022	184,157	\$0.11	19,521
Shares issued to employees in lieu of compensation	19 December 2022	175,759	\$0.10	18,103
Shares issued to employees in lieu of compensation	19 December 2022	106,095	\$0.10	11,140
Share issue costs				(473,005)
Balance	31 December 2022	<u>275,173,173</u>		<u>89,376,908</u>

* On 8 December 2022, the Company issued 1,145,393 shares to the rights issue participants for nil consideration to provide them with the same amount of shares as if they had participated in the issue at same price as the September 2022 placement.

Note 12. Reserves

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	994,111	738,606
Share-based payments reserve	7,716,910	7,696,744
Convertible note equity reserve	563,131	563,131
	<u>18,128,020</u>	<u>17,852,349</u>

Note 12. Reserves (continued)

Movements in reserves

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

Consolidated	Financial liability reserve \$	Foreign currency translation reserve \$	Share-based payments reserve \$	Convertible note equity reserve \$	Total \$
Balance at 1 July 2022	8,853,868	738,606	7,696,744	563,131	17,852,349
Foreign currency translation	-	255,505	-	-	255,505
Shares issued to employees in lieu of compensation	-	-	20,166	-	20,166
Balance at 31 December 2022	<u>8,853,868</u>	<u>994,111</u>	<u>7,716,910</u>	<u>563,131</u>	<u>18,128,020</u>

Note 13. Dividends

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

Note 14. Contingent liabilities

The Group had no contingent liabilities at 31 December 2022 and 30 June 2022.

Note 15. Earnings per share

	Consolidated 31 Dec 2022 \$	31 Dec 2021 \$
Loss after income tax attributable to the owners of Carbonxt Group Limited	<u>(2,664,912)</u>	<u>(1,990,815)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>210,169,888</u>	<u>168,702,867</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>210,169,888</u>	<u>168,702,867</u>
	Cents	Cents
Basic loss per share	(1.27)	(1.18)
Diluted loss per share	(1.27)	(1.18)

36,541,810 (31 December 2021: 30,291,920) 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 16. Share-based payments

No options outstanding as of 30 June 2022 were exercised during the half-year period. No new options under share-based payments issued during the half-year period.

On 19 December 2022, the Company issued shares to employees in lieu of salaries. The shares vest immediately and no future targets are required to be met.

The share-based payment in relation to transaction costs for the half-year ended 31 December 2022 is \$nil (31 December 2021: \$204,000). Total expense arising from share-based payment transactions during the financial half-year was \$145,077 of which \$105,345 relates to shares issued to employees in lieu of salaries (31 December 2021: \$705,235 of which \$137,235 relates to shares issued to employees in lieu of salaries).

Note 17. Events after the reporting period

No matter or circumstance has arisen since 31 December 2022 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.

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Carbonxt Group Limited
Directors' declaration
31 December 2022



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 2022 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

28 February 2023
Sydney



Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2022, the condensed statement of 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2022 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

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

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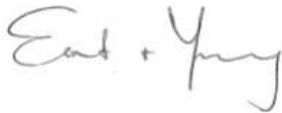
Directors' Responsibility for the Half-Year Financial Report

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 gives a true and fair view and 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Ernst & Young



Scott Jarrett
Partner
Sydney
28 February 2023

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