

Carbonxt Group Limited
Appendix 4E
Preliminary final report



1. Company details

Name of entity:	Carbonxt Group Limited
ABN:	59 097 247 464
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	21.9% to	12,327,092
Loss Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	80.5% to	(2,412,363)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	up	21.5% to	(5,332,851)
Loss for the year attributable to the owners of Carbonxt Group Limited	up	21.5% to	(5,332,851)

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 \$5,332,851 (30 June 2020: \$4,388,789).

Revenues decreased compared to FY20 due to the impact of COVID-19 on business activity, most particularly, the deferment of industrial pellet manufacturing due to the lengthening delivery times, deteriorating payment terms and increasing costs of third party carbons used in the manufacturing of industrial pellets. Other factors included lower demand for Powdered Activated Carbon ('PAC') in power generation and exchange rate fluctuations.

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

	Consolidated	
	2021	2020
	\$	\$
Revenue	12,327,092	15,786,160
Gross margin	3,391,615	5,044,315
Other income	1,583,706	816,901
Shipping cost	(1,371,126)	(1,375,284)
Cash operating expenses	(6,016,558)	(5,822,491)
EBITDA	(2,412,363)	(1,336,559)
Depreciation and amortisation	(1,693,775)	(1,404,201)
Earnings before interest and tax ('EBIT')	(4,106,138)	(2,740,760)
Net Interest expense	(1,135,153)	(1,226,061)
Share based payment expense	(91,560)	(166,011)
Other non-cash items	-	(255,957)
Loss before income tax expense	<u>(5,332,851)</u>	<u>(4,388,789)</u>

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

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(0.53)</u>	<u>(1.23)</u>

The net tangible assets calculation does not include rights-of-use assets of \$4,101,887 (30 June 2020: \$4,549,826) but include the lease liabilities of \$2,539,741 (30 June 2020: \$3,254,966).

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 have been audited and an unmodified opinion has been issued with a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Annual Report of Carbonxt Group Limited for the year ended 30 June 2021 is attached.

12. Signed

As authorised by the Board of Directors



Signed _____

Date: 25 August 2021

Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Annual Report - 30 June 2021

Carbonxt Group Limited
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30 June 2021



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Directors	Matthew Driscoll - Chairman Warren Murphy - Managing Director David Mazyck - Director of Technology and Chief Executive Officer Carbonxt Inc.
Company secretaries	Rebecca Prince Laura Newell
Registered office	Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia Tel: +61 2 9290 8600
Principal place of business	Suite 111 3951 NW 48th Terrace Gainesville FL 32606 United States of America
Share register	Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia Tel: +61 2 9290 9600
Auditor	Ernst & Young 200 George Street Sydney NSW 2000 Australia
Solicitors	Thomson Geer Level 14 16 Martin Place Sydney NSW 2000 Australia
Stock exchange listing	Carbonxt Group Limited shares are listed on the Australian Securities Exchange (ASX code: CG1)
Website	www.cglimited.com.au
Business objectives	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.

Corporate Governance Statement The directors and management are committed to conducting the business of Carbonxt Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Carbonxt Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the Company's website at www.cglimited.com.au

Dear Shareholder,

I am pleased to present our annual report for the financial year ended 30 June 2021 ('FY21').

FY21 was a tough year as the COVID-19 pandemic continued to impact the US economy and underlying economic production. However, it is pleasing to see an ongoing recovery in economic performance as the various States open up following the widespread and successful vaccination roll-out campaigns. For Carbonxt, this recovery saw the underlying use of Powdered Activated Carbon ("PAC") increase in late FY21 in the power generation sector and bodes well for an increase in revenues in 1HFY22.

We made the very difficult decision to suspend production of industrial AC pellets at Arden Hills in April 2021. The utilisation of a third party, high surface area carbon in this product's composition proved unsustainable. The combination of rapidly worsening gross margins and pre-payment terms rendered this product uneconomic to continue to produce in that formulation. This decision impacted revenues by at least \$1.5m in the last quarter of FY21.

We moved quickly in these worsening conditions to reduce USD 1 million per annum from our operating costs through a combination of staff reductions, reduced remuneration and general expense reductions. We thank our staff for their cooperation and understanding during this difficult period.

Our unrivalled R&D expertise has allowed us to create new AC pellet formulations that do not depend on this third-party carbon. We agreed to a commercial partnership with an investment group to build a 5,000-ton AC pellet manufacturing facility at their Kentucky, USA operation. This facility will be built and funded by that group and will utilise a high surface area material. We expect to be advised of the commencement of construction very shortly and expect to be producing industrial AC pellet products once again in 2HFY22.

In addition, we have continued to develop a kiln activated carbon based on our Black Birch material and this will provide another source of raw material for our industrial and specialised AC pellets over the near term.

Despite the ongoing difficult trading conditions in FY21, we continued to invest in R&D and can look back on some significant accomplishments. These include the development of a new AC pellet for the water industry that is also highly suitable for high-humidity applications. We believe this latter market segment to be around USD 30 million in size and currently wholly served by imports. We continue to develop our HydRestor™ technology offering to reduce the impact of nutrient run-off in water bodies. The State of Florida has passed specific legislation targeting the dangerous effects of these chemicals. We have a significant commercialisation test underway with highly promising early results.

It is an exciting time to be a cleantech company focussed on improving air and water quality. President Biden's support for a strong environmental agenda and to encourage decarbonisation is leading to significant opportunities for our business in the short and long-term. We will continue to invest in R&D to be able to bring new products to the market to align with this strong environmental and decarbonisation agenda.

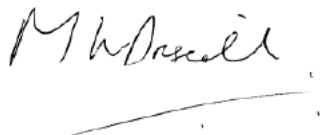
After the end of financial year, we announced an increase in orders for an AC pellet customer that will see an additional \$3 million in revenue in 1HFY21. We believe this increase in volume by this customer will continue at this rate for the foreseeable future. This has allowed us to indicate that the Company is now trading at a level comparable to when we first saw the effects of the COVID-19 pandemic. Like everyone else, we hope that the economic effects of COVID-19 are now behind us.

Carbonxt is one of the few, and perhaps only, AC pellet manufacturers in the USA. We remain focussed on establishing the Company as the leading USA supplier of AC pellets.

I wish to thank our shareholders for their support in FY21 as we transitioned through demanding trading conditions. We believe that the future looks brighter following the actions we have taken to remove costs from our business and the new partnerships that we have entered this year.

Of course, we could not achieve anything without the commitment and core technical competency of the team that we employ. We are now the undoubtedly leaders in our field and look forward to seeing the fruits of this labour translated into exciting new products in FY21.

Yours sincerely

A handwritten signature in black ink, appearing to read "M Driscoll", with a long horizontal line extending from the end of the signature.

Matthew Driscoll
Chairman

25 August 2021
Sydney

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 year ended 30 June 2021.

Directors

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

Matthew Driscoll - Chairman
Warren Murphy
David Mazyck

Principal activities

During the financial 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.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$5,332,851 (30 June 2020: \$4,388,789).

Revenue for the year was \$12,327,092 (before other income) and \$13,990,229 (after other income) representing a decrease of 21.9% and 15.7% respectively on the prior year's revenue of \$15,786,160 (before other income) and \$16,603,061 (after other income). In US dollars, revenue was US\$9,205,872 (before other income) and US\$10,447,903 (after other income) representing a decrease of 13.1% and 6.3% respectively on the prior year's revenue of US\$10,598,828 (before other income) and \$11,147,295 (after other income).

EBITDA (Earnings, before interest, taxation, depreciation and amortisation) amounted to a loss of \$2,412,363 (30 June 2020: \$1,336,559).

Revenues decreased compared to FY20 due to the impact of COVID-19 on business activity, most particularly, the deferment of industrial pellet manufacturing due to the lengthening delivery times, deteriorating payment terms and increasing costs of third party carbons used in the manufacturing of industrial pellets. Other factors included lower demand for PAC in power generation and exchange rate fluctuations.

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

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	2021	2020
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Other income	1,583,706	816,901
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Depreciation and amortisation	(1,693,775)	(1,404,201)
Earnings before interest and tax ('EBIT')	(4,106,138)	(2,740,760)
Net Interest expense	(1,135,153)	(1,226,061)
Share based payment expense	(91,560)	(166,011)
Other non-cash items	-	(255,957)
Loss before income tax expense	<u>(5,332,851)</u>	<u>(4,388,789)</u>

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

Liquidity

During the financial year ended 30 June 2021, the Group incurred a net loss after tax of \$5,332,851 (30 June 2020: \$4,388,789) and a cash outflow from operating activities of \$2,613,066 (30 June 2020: \$2,371,673). As at 30 June 2021, the Group had net assets of \$8,378,608 (30 June 2020: \$6,821,945) and cash and cash equivalents of \$1,645,579 (30 June 2020: \$312,765).

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. For further information, refer to note 2.

Significant changes in the state of affairs

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.

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 14 May 2021, the Group issued 8,999,999 shares at \$0.15 per share raising \$1,350,000 and on 30 June 2021 issued 5,000,000 shares at \$0.15 raising \$750,000 under a placement to sophisticated investors. The total amount raised from the placement was \$2,100,000. In both placements, each share entitled the recipient to receive one free attaching option exercisable at \$0.24 each, expiring in 24 months, for every two shares issued.

On 22 June 2021, the Group issued 6,770,592 shares at \$0.15 per share raising \$1,015,589 on the exercise of the share rights.

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

Matters subsequent to the end of the financial year

On 1 July 2021, the Company announced the successful placement of 6,940,297 ordinary shares at \$0.15 with 3,470,149 options attached at strike price of \$0.24 per share, raising a total of \$1,041,044.

On 21 July 2021, the Company announced that it had received a US\$2,000,000 order from an existing power station customer in Wisconsin, USA to supply an additional 1,000 tons of Activated Carbon Pellets.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations

The Group will continue to leverage the competitive advantage of its non-brominated PAC, that does not cause corrosion and damage to plant equipment, and to increase its customer base in both the existing coal-fired power station market in the US, and into new overseas markets.

The Company will aggressively expand its industrial AC pellet business in vapour control. There is significant growth opportunity as we develop pellet formulas to address odour mitigation, liquid solvent recovery units, and other specific industrial uses of pellets.

Furthermore, due to concerns about tariffs and trade barriers, the Group is seeing strong demand from local US distributors that are currently relying on imports from Asia.

The Group announced in February 2021, that it has entered into an agreement with Kentucky Coal Processing, LLC to expand its pellet manufacturing capacity by 5,000 tons per annum. The pellet manufacturing facility is expected to be permitted in first quarter of financial year 2022 and should commence operations in 2nd half of financial year 2022.

Finally, further optimisation of product formulas and processes at our production facilities is expected to increase gross margins across the Group and it is expected that the next financial year will result in increases in sales, gross margins and cash flow.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Matthew Driscoll
Title:	Non-Executive Chairman
Qualifications:	BA, Dip Ed, Grad.Dip.App.Fin. SF Fin, MSAA, GAICD
Experience and expertise:	Matthew has significant experience across several industries, including online technologies, financial services, fintech, property and resources. He has more than 30 years' experience in capital markets and the financial services industry and is an accomplished company director in roles across listed and private companies. He has significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic alliances, and remains committed to ethical, commercial and consumer-based outcomes.
Other current directorships:	Chair Tennant Minerals NL (TMS), Non-Executive Director of Energy Technologies Limited (EGY), Non-Executive Director of unlisted public companies Smoke Alarms Holdings and Workspace Australia.
Former directorships (last 3 years):	Chair, Powerwrap Limited (PWL) Chair, Killara Resources Limited (KRA)
Interests in shares:	1,583,881 ordinary shares
Interests in options:	363,217 options over ordinary shares

Carbonxt Group Limited
Directors' report
30 June 2021



Name: Warren Murphy
 Title: Managing Director
 Qualifications: B.E. (Electrical and Electronic Engineering)(Hons), B.Com (Accounting and Economics)
 Experience and expertise: Warren was previously Co-Head of the Australian Infrastructure & Project Finance Group and Head of Energy at Babcock & Brown based in the Sydney office. Warren led the development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the founding of Infigen Energy (and its unlisted predecessor, Global Wind Partners) where he served as a director from inception until June 2009.
 Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 1,075,229 ordinary shares
 Interests in options: 1,833,333 options over ordinary shares

Name: Dr David Mazyck
 Title: Director of Technology and Chief Executive Officer ('CEO') Carbonxt Inc.
 Qualifications: Ph.D. from Penn State University in Environmental Engineering and Ph.D. minor in fuel science.
 Experience and expertise: David is a world-leading expert on AC and its applications including mercury capture. He has developed AC products for the major multinational AC manufacturers and has regularly consulted for them on technical issues. David was Chairman of the Activated Carbon Standards Committee for the American Water Works Association ('AWWA') and has developed products for National Aeronautics and Space Administration ('NASA'). He is a member of the World Coal Association and appointee to the United Nations efforts on developing a global treaty for mercury.
 Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 426,062 ordinary shares
 Interests in options: 1,000,000 options over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Rebecca Prince is Company Secretary and Chief Financial Officer to Carbonxt Group Limited. She was formerly the Chief Financial Officer of AllChem Industries Holding Corporation, from 2009 to 2018. She has also held positions with Ernst & Young, Protiviti and Andersen, based in Australia and China. She holds a Law degree from the University of New South Wales, an MBA from the University of Illinois at Urbana-Champaign and a Graduate Certificate in Applied Finance and Investment from the Financial Services Institute of Australia.

Laura Newell is an experienced Chartered Company Secretary who has worked for a broad range of organisations, both in-house and for corporate secretarial service providers. She has over eight years of experience in company secretarial and governance management of ASX & NSX listed entities, unlisted public entities and FTSE100 entities. She has worked with Boards and executive management of listed and unlisted companies across a range of industry sectors. She is a Company Secretary of a number of ASX listed and unlisted public companies. She holds a degree with Honours in Law and Criminology and a Master's degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (GIA).

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Matthew Driscoll	4	4
Warren Murphy	4	4
David Mazyck	4	4

Held: represents the number of meetings held during the time the director held office.

The Company has not constituted an Audit and Risk Committee nor a Nomination and Remuneration Committee given the size of the Board and the nature and scale of the Group's operations. The Board as a whole fulfils the functions normally delegated to these Committees, in accordance with the relevant Committee Charter.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration ('KMP') arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

On 30 November 2017, shareholders at the Annual General Meeting approved the Employee Option Plan ('EOP'). Shareholder approval is not required under the Corporations Act 2001 for the operation of the EOP, however if an offer is made to a director to participate in the EOP, then separate shareholder approval will be required to be obtained.

Non-executive director remuneration

Fees and payments to the non-executive director reflect the demands and responsibilities of his role. Non-executive director fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive director fees and payments are appropriate and in line with the market. The non-executive director is entitled to participate in the EOP.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the 2013 Annual General Meeting, where the shareholders approved a maximum annual aggregate remuneration of \$750,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, non-monetary benefits and superannuation, where applicable, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, new customer acquisition, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include share-based payments. Executives are entitled to participate in the EOP.

Group performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. Cash bonuses and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return since listing.

Use of remuneration consultants

During the financial year ended 30 June 2021, the Group did not engage the use of remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')

The Company did not receive any specific feedback on its remuneration practices at the 2020 Annual General Meeting or during the financial year.

Details of remuneration

Amounts of remuneration

The KMP of the Group consisted of the following directors of Carbonxt Group Limited:

- Matthew Driscoll - Non-Executive Chairman
- Warren Murphy - Managing Director
- David Mazyck - Director of Technology and Chief Executive Officer Carbonxt Inc.

And the following person:

- Rebecca Prince - Chief Financial Officer ('CFO')

Details of the remuneration of KMP of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation**	Long service leave	Equity-settled***	Total
2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Director:</i>							
Matthew Driscoll	120,000	-	-	-	-	-	120,000
<i>Executive Directors:</i>							
Warren Murphy*	219,000	-	-	-	-	-	219,000
David Mazyck*	510,206	-	-	-	-	25,272	535,478
<i>Other KMP:</i>							
Rebecca Prince	281,480	-	-	-	-	24,162	305,642
	<u>1,130,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,434</u>	<u>1,180,120</u>

* Fees paid to consulting firms related to the relevant KMP.

** Superannuation and equivalent post-employment benefits are not required in the United States, and the Company does not have such benefits currently in place.

*** The amounts represent the fair value of shares to be issued in lieu of directors fees and salary payments for KMP.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Non-monetary	Super-annuation**	Long service leave	Equity-settled****	Total
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Director:</i>							
Matthew Driscoll**	80,000	-	-	-	-	36,469	116,469
<i>Executive Directors:</i>							
Warren Murphy*	189,720	-	-	-	-	36,469	226,189
David Mazyck*	566,021	-	-	-	-	36,469	602,490
<i>Other KMP:</i>							
Rebecca Prince	302,667	-	-	-	-	18,868	321,535
	<u>1,138,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,275</u>	<u>1,266,683</u>

* Fees paid to consulting firms related to the relevant KMP.

** Remuneration disclosed is for the period from appointment to 30 June 2020.

*** Superannuation and equivalent post-employment benefits are not required in the United States, and the Company does not have such benefits currently in place.

**** The shares were issued in lieu of directors fees and salary payments for KMP.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors:</i>						
Matthew Driscoll	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Warren Murphy	100%	100%	-	-	-	-
David Mazyck	100%	100%	-	-	-	-
<i>Other KMP:</i>						
Rebecca Prince	100%	100%	-	-	-	-

Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name: Warren Murphy
Title: Managing Director and Chief Executive Officer
Agreement commenced: 22 March 2013
Term of agreement: Ongoing - no fixed minimum term
Details: Annual fees of \$219,000 via consultancy agreement.

Name: David Mazyck
Title: Director of Technology and CEO Carbonxt Inc.
Agreement commenced: 10 May 2013
Term of agreement: Ongoing - no fixed minimum term
Details: Annual fees US\$400,000 via contractor agreement.

Name: Rebecca Prince
Title: Chief Financial Officer
Agreement commenced: 17 September 2018
Term of agreement: On-going - 2 year minimum term
Details: Annual base salary of US\$225,000 with annual bonus up to 50% of annual salary.

All contracts with KMP may be terminated early by either party within the stipulated notice period, subject to any termination payments. KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

The share-based payments amounts represent the fair value of shares to be issued to directors and other key management personnel in lieu of directors fees and salary payments as part of compensation during the year ended 30 June 2021. The shares were not yet issued as of 30 June 2021.

Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2021.

Additional information

The earnings of the Group for the four years to 30 June 2021 are summarised below:

	2021 \$	2020 \$	2019 \$	2018 \$
Sales revenue	12,327,092	15,786,160	18,325,205	6,351,913
Net loss after tax	(5,332,851)	(4,388,789)	(6,671,921)	(7,159,859)
Net Assets	8,378,608	6,821,945	4,956,333	4,467,306
	2021	2020	2019	2018
Share price at financial year end (\$)	0.12	0.19	0.33	0.40
Basic loss per share (cents per share)	(3.97)	(4.41)	(7.68)	(10.63)

Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Balance at the end of the year
Ordinary shares				
Matthew Driscoll	657,447	-	926,434	1,583,881
Warren Murphy	408,562	-	666,667	1,075,229
David Mazyck	426,062	-	-	426,062
Rebecca Prince	82,033	-	-	82,033
	<u>1,574,104</u>	<u>-</u>	<u>1,593,101</u>	<u>3,167,205</u>

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Purchased*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Matthew Driscoll	-	363,217	-	-	363,217
Warren Murphy	1,500,000	333,333	-	-	1,833,333
David Mazyck	1,000,000	-	-	-	1,000,000
Rebecca Prince	200,000	-	-	-	200,000
	<u>2,700,000</u>	<u>696,550</u>	<u>-</u>	<u>-</u>	<u>3,396,550</u>

* Options were granted in relation to participation in the non-renounceable pro-rata entitlement offer on 22 June 2021.

Other transactions with KMP and their related parties

Warren Murphy and David Mazyck provide consultancy services through their consultancy firms. The amount of fees has been disclosed in the 'Details of remuneration' section above.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Carbonxt Group Limited under option and warrants at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30 November 2017	30 November 2021	\$0.50	3,500,000
28 February 2018	30 November 2021	\$0.50	300,000
28 February 2018	30 November 2021	\$0.70	475,000
19 September 2018	30 November 2021	\$0.56	200,000
24 May 2019	24 May 2023	\$0.17	9,166,670
13 July 2020	13 July 2023	\$0.17	800,000
13 July 2020	13 July 2023	\$0.20	800,000
13 July 2020	13 July 2023	\$0.22	800,000
21 June 2021	21 June 2023	\$0.24	10,385,250
20 July 2021	21 June 2023	\$0.24	3,400,000
			<u>29,826,920</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Carbonxt Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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 Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the Company who are former partners of Ernst & Young

There are no officers of the Company who are former partners of Ernst & Young.

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.

Carbonxt Group Limited
Directors' report
30 June 2021



This report is made in accordance with a resolution of directors, pursuant to section 298(2)(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

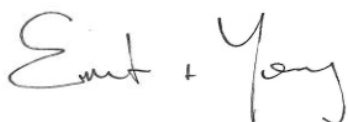
25 August 2021
Sydney

Auditor's Independence Declaration to the Directors of Carbonxt Group Limited and its controlled entities

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

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

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



Ernst & Young



Scott Jarrett
Partner
25 August 2021

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
Revenue			
Sales revenue	5	12,327,092	15,786,160
Cost of goods sold		<u>(8,935,477)</u>	<u>(10,741,845)</u>
Gross margin		<u>3,391,615</u>	<u>5,044,315</u>
Other income	6	1,583,706	816,901
Expenses			
Shipping and distribution costs		(1,371,126)	(1,375,284)
Employee benefits expense		(2,899,556)	(2,891,302)
Share-based payment expense	35	(91,560)	(166,011)
Depreciation and amortisation expense	7	(1,693,775)	(1,404,201)
Selling and marketing expenses		(242,050)	(799,405)
General and administrative expenses		(1,277,987)	(1,322,581)
Other expenses	7	<u>(1,596,965)</u>	<u>(1,065,160)</u>
Operating loss		<u>(4,197,698)</u>	<u>(3,162,728)</u>
Interest income		2,649	11,688
Finance costs	7	<u>(1,137,802)</u>	<u>(1,237,749)</u>
Loss before income tax expense		<u>(5,332,851)</u>	<u>(4,388,789)</u>
Income tax expense	8	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Carbonxt Group Limited		<u>(5,332,851)</u>	<u>(4,388,789)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(1,184,199)</u>	<u>63,570</u>
Other comprehensive income/(loss) for the year, net of tax		<u>(1,184,199)</u>	<u>63,570</u>
Total comprehensive loss for the year attributable to the owners of Carbonxt Group Limited		<u><u>(6,517,050)</u></u>	<u><u>(4,325,219)</u></u>
		Cents	Cents
Basic loss per share	34	(3.97)	(4.41)
Diluted loss per share	34	(3.97)	(4.41)

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 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
Assets			
Current assets			
Cash and cash equivalents	9	1,645,579	312,765
Trade and other receivables	10	1,217,978	1,247,605
Inventories	11	1,643,147	3,153,094
Other	12	318,642	435,651
Total current assets		<u>4,825,346</u>	<u>5,149,115</u>
Non-current assets			
Plant and equipment	13	5,213,781	6,512,104
Right-of-use assets	14	4,101,887	4,549,826
Intangibles	15	4,852,496	3,594,149
Total non-current assets		<u>14,168,164</u>	<u>14,656,079</u>
Total assets		<u>18,993,510</u>	<u>19,805,194</u>
Liabilities			
Current liabilities			
Trade and other payables	16	2,075,843	3,142,123
Borrowings	17	4,853,675	88,333
Lease liabilities	18	1,222,044	1,055,700
Royalty payable	19	71,834	62,158
Employee benefits		124,735	124,374
Total current liabilities		<u>8,348,131</u>	<u>4,472,688</u>
Non-current liabilities			
Borrowings	20	-	4,491,545
Lease liabilities	21	1,317,697	2,199,266
Royalty payable	22	949,074	1,819,750
Total non-current liabilities		<u>2,266,771</u>	<u>8,510,561</u>
Total liabilities		<u>10,614,902</u>	<u>12,983,249</u>
Net assets		<u>8,378,608</u>	<u>6,821,945</u>
Equity			
Issued capital	23	76,789,766	69,391,218
Reserves	24	15,106,434	15,615,468
Accumulated losses		<u>(83,517,592)</u>	<u>(78,184,741)</u>
Total equity		<u>8,378,608</u>	<u>6,821,945</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 year ended 30 June 2021



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 year	-	-	(4,388,789)	(4,388,789)
Other comprehensive income for the year, net of tax	-	63,570	-	63,570
Total comprehensive income/(loss) for the year	-	63,570	(4,388,789)	(4,325,219)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	6,024,820	-	-	6,024,820
Shares issued to directors and employees (note 23)	166,011	-	-	166,011
Balance at 30 June 2020	<u>69,391,218</u>	<u>15,615,468</u>	<u>(78,184,741)</u>	<u>6,821,945</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 year	-	-	(5,332,851)	(5,332,851)
Other comprehensive loss for the year, net of tax	-	(1,184,199)	-	(1,184,199)
Total comprehensive loss for the year	-	(1,184,199)	(5,332,851)	(6,517,050)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	7,398,548	-	-	7,398,548
Share-based payments (note 35)	-	675,165	-	675,165
Balance at 30 June 2021	<u>76,789,766</u>	<u>15,106,434</u>	<u>(83,517,592)</u>	<u>8,378,608</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 year ended 30 June 2021



	Note	Consolidated 2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,284,600	16,248,191
Payments to suppliers and employees (inclusive of GST)		(15,700,559)	(19,319,220)
		(3,415,959)	(3,071,029)
Interest received		756	11,688
Receipts of government grants	6	750,455	687,668
Other income	6	51,682	-
Net cash used in operating activities	33	(2,613,066)	(2,371,673)
Cash flows from investing activities			
Payments for plant and equipment	13	(237,528)	(1,813,355)
Payments for intangible assets	15	(1,274,113)	(1,453,925)
Proceeds from disposal of property, plant and equipment		-	81,905
Net cash used in investing activities		(1,511,641)	(3,185,375)
Cash flows from financing activities			
Proceeds from issue of shares	23	8,195,588	6,412,945
Proceeds from loan payable		-	15,000
Repayment of loan payable		(88,333)	(199,998)
Repayment of royalty payable		(79,431)	(115,360)
Share issue transaction costs	23	(552,040)	(388,125)
Repayment of lease liabilities	33	(1,173,438)	(1,322,438)
Interest on lease liabilities	33	(254,389)	(348,942)
Interest and other finance costs paid		(521,651)	(482,994)
Net cash from financing activities		5,526,306	3,570,088
Net increase/(decrease) in cash and cash equivalents		1,401,599	(1,986,960)
Cash and cash equivalents at the beginning of the financial year		312,765	2,376,431
Effects of exchange rate changes on cash and cash equivalents		(68,785)	(76,706)
Cash and cash equivalents at the end of the financial year	9	<u>1,645,579</u>	<u>312,765</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 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 25 August 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, 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.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

Going Concern

During the financial year ended 30 June 2021, the Group incurred a net loss after tax of \$5,332,851 (30 June 2020: \$4,388,789) and a cash outflow from operating activities of \$2,613,066 (30 June 2020: \$2,371,673). As at 30 June 2021, the Group had net assets of \$8,378,608 (30 June 2020: \$6,821,945) and cash and cash equivalents of \$1,645,579 (30 June 2020: \$312,765). The Group is dependent on continued improvements in the operating performance of the business in order to generate positive operating cash flows and ongoing support of lenders. There is material uncertainty as to whether the Group can do this and continue as a going concern without raising additional funds.

Note 2. Significant accounting policies (continued)

While there have been significant improvements in the operating performance of the business, the net loss after tax and the level of cash reserves indicates a material uncertainty in relation to going concern exists. Notwithstanding this, 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 financial statements is appropriate, based upon the following:

- The Group continues to significantly improve the operating performance of the business;
- The Group can defer certain capital expenditures;
- The Group continues to proactively manage the cash flow requirements to ensure that funds are available when required; and
- The Group has a history of obtaining funding as required through various sources, including debt and equity issues.

Should the Group not achieve the above, there may be uncertainty as to 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 36.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carbonxt Group Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of businesses is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Note 2. Significant accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Carbonxt Group Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of activated carbon

Revenue from the sale of activated carbon is recognised at a point in time when the activated carbon is delivered in accordance with agreements with customers.

Consultancy fees

Consultancy fees which includes on site testing are recognised at a point in time as the service has been provided.

Note 2. Significant accounting policies (continued)

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Interest income

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

Cost of goods sold

Cost of goods sold includes purchase and production testing costs, milling, blending and bagging costs.

Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Note 2. Significant accounting policies (continued)

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories

Inventories are stated at the lower of cost and net realisable value at average cost including haulage.

Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Cost is determined after deducting rebates and discounts received or receivable

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

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost of property, plant and equipment constructed includes the cost of materials, direct labour and borrowing costs.

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-20 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

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 Group 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. Depreciation is calculated as follows:

Note 2. Significant accounting policies (continued)

Plant right-of-use assets	over the useful life of 20 years or the lease term of 2-5 years
Equipment right-of-use assets	over the lease term of 3 years

The Group 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 within the cost of goods sold.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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 Group is able to use or sell the asset; the Group 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 20 years.

Engineering Performance Solutions ('EPS') patents

Significant costs associated with the acquisition of the patents rights owned by EPS are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 16 years.

Other patents

Significant costs associated with owned, pending and licensed patents are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 4 to 6 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

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.

Warrants

Warrants issued by the Group in connection with bank loans or issued capital are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Where the warrants meet the definition of equity, they are initially measured at fair value and recognised in a warranty reserve. Where the warrants do not meet the definition of equity, they are initially measured at fair value with a corresponding reduction to the associated borrowings if associated with bank loans or as an allocation of proceeds received if associated with a share issue. Subsequent to initial recognition, the liability is fair valued until the warrant is issued, with gains or losses recognised in the profit or loss.

Note 2. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 2. Significant accounting policies (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Carbonxt Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Note 2. Significant accounting policies (continued)

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

Comparatives

Comparatives in the statement of profit or loss and other comprehensive income, the statement of financial position, statement of cash flows and notes to the financial statements have been realigned to the current year presentation. There was no effect on the results of operations for the year.

New Accounting Standards and Interpretations not yet mandatory or early 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 Group for the annual reporting period ended 30 June 2021. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current

These amendments are applicable are for annual reporting periods beginning on or after 1 January 2023. These amendments to AASB 101 *Presentation of Financial Statements* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. These amendments are applied retrospectively. Earlier application is permitted.

AASB 2021-2 Amendments to AASB 108 – Definition of Accounting Estimates

These amendments are applicable are for annual reporting periods beginning on or after 1 January 2023. These amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively. The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments are applied prospectively. Earlier application is permitted.

AASB 2021-3 Amendments to AASs – Covid-19-Related Rent Concessions beyond 30 June 2021

These amendments are applicable are for annual reporting periods beginning on or after 1 April 2021. These amendments to AASB 16 *Leases* is made to extend the availability of the practical expedient to not account for covid-19-related rent concessions as lease modifications by one year. Provided all other conditions are met, this expedient can be applied to rent concessions that reduce only lease payments originally due on or before 30 June 2022. The amendment to AASB 16 is applied retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the beginning of the annual reporting period in which the lessee first applies the amendment. Earlier application of the amendments is permitted.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. Key assumptions include: market price of the underlying asset; prevailing level of the risk free rate; expected volatility of the value of the underlying asset over the period until the expiry of the option; level of dividends expected to be paid on the asset in the period until the expiry of the option and their timing; probability of options held being exercised; and performance conditions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Royalty liability

The liability is held at amortised cost and remeasured for each reporting period for changes to cashflows which requires estimation and judgement. The judgements include considerations of forecasted sales volumes and price assumptions. The Company reviews any changes in assumptions and this is done for each reporting period until the end of the contract period. Changes in assumptions about these factors could affect the reported value of financial instruments.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group, including considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

Note 4. 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.

Major customers

During the year ended 30 June 2021 approximately 31.5% (2020: 45%) of the Group's external revenue was derived from sales to one customer.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2021 \$	2020 \$	2021 \$	2020 \$
Australia	-	-	677,762	768,123
United States of America	12,327,092	15,676,777	13,490,402	13,289,177
	<u>12,327,092</u>	<u>15,676,777</u>	<u>14,168,164</u>	<u>14,057,300</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments and deferred tax assets.

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated 2021 \$	2020 \$
<i>Major product lines</i>		
Sale of activated carbon	12,197,153	15,604,452
Consultancy fees	129,939	181,708
	<u>12,327,092</u>	<u>15,786,160</u>
<i>Geographical regions</i>		
United States of America	<u>12,327,092</u>	<u>15,786,160</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>12,327,092</u>	<u>15,786,160</u>

Note 6. Other income

	Consolidated 2021 \$	2020 \$
Net foreign exchange gain/(loss)	-	25,233
Remeasurement gain on license royalty	781,569	104,000
Government grants	750,455	687,668
Other income	51,682	-
Other income	<u>1,583,706</u>	<u>816,901</u>

Government grants

During the COVID-19 pandemic, the Group has received support payments of \$635,297 (US\$474,440) (2020: \$687,668 (US\$461,700)) from the US Government which are used for eligible expenses including payroll, rent and utilities. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the eligible expenses are recognised. Repayment is not required if certain requirements are met, including disbursing the payment within the 8-week period from receipt, no ineligible reductions in full-time headcount, and using at least 60% of the payment for payroll costs. All requirements were met and therefore the Group does not expect repayment to be required.

The Group also received cash receipts of \$48,205 (US \$36,000) for a Florida State Grant through the Florida Red Tide Mitigation and Technology Development Initiative and \$66,952 (US \$50,000) for the Water Resource Recovery Prize from the US Department of Energy.

The support payments were received in the United States, and no funds were received in Australia.

Note 7. Expenses

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	760,638	560,342
Plant right-of-use assets	724,119	631,853
Equipment right-of-use assets	46,003	53,354
Total depreciation	<u>1,530,760</u>	<u>1,245,549</u>
<i>Amortisation</i>		
Engineering Performance Solutions ('EPS') patents	90,360	90,360
Other patents	72,655	68,292
Total amortisation	<u>163,015</u>	<u>158,652</u>
Total depreciation and amortisation	<u>1,693,775</u>	<u>1,404,201</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	11,541	11,572
Interest and finance charges paid/payable on lease liabilities	242,480	351,851
Loan payable interest	522,500	590,353
Warrant cost	361,281	283,973
Finance costs expensed	<u>1,137,802</u>	<u>1,237,749</u>
<i>Other expenses</i>		
Insurance costs	1,303,520	703,121
Legal costs	61,915	23,978
Other expenses	5,651	21,524
Technical feasibility expense	132,876	246,827
Other occupancy expense	93,003	58,673
Loss on disposal of plant and equipment	-	11,037
Total other expenses	<u>1,596,965</u>	<u>1,065,160</u>

Note 8. Income tax

	Consolidated	
	2021	2020
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(5,332,851)</u>	<u>(4,388,789)</u>
Tax at the statutory tax rate of 27.5%	<u>(1,466,534)</u>	<u>(1,206,917)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax assets not recognised	<u>1,466,534</u>	<u>1,206,917</u>
Income tax expense	<u>-</u>	<u>-</u>

Note 8. Income tax (continued)

	Consolidated	
	2021	2020
	\$	\$
<i>Tax losses not recognised</i>		
Unused Australian tax losses for which no deferred tax asset has been recognised	23,440,580	22,089,782
Potential tax benefit @ 27.5%	6,446,160	6,074,690
Unused United States tax losses for which no deferred tax asset has been recognised	50,730,182	46,748,129
Potential tax benefit @ 21.0%	10,653,338	9,817,107

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

As of 30 June 2021, the Group also has capital losses of approximately \$3,000,000 (2020: \$3,000,000).

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2021	2020
	\$	\$
Cash on hand	20	20
Cash at bank	1,585,140	246,560
Cash on deposit	60,419	66,185
	<u>1,645,579</u>	<u>312,765</u>

Note 10. Current assets - trade and other receivables

	Consolidated	
	2021	2020
	\$	\$
Trade receivables	<u>1,217,978</u>	<u>1,247,605</u>

Allowance for expected credit losses

The Group assessed that the allowance for expected credit losses is not material for the year ended 30 June 2021 and 30 June 2020.

There are no customers that are past due but not impaired.

The Group's trade receivables were not affected by Coronavirus (COVID-19) pandemic, thus no revisions on the calculation of expected credit losses has been applied as at 30 June 2021.

Note 11. Current assets - inventories

	Consolidated	
	2021	2020
	\$	\$
Raw materials - at cost	866,936	1,694,247
Work in progress - at cost	267,160	370,989
Activated carbon finished goods - at cost	509,051	1,087,858
	<u>1,643,147</u>	<u>3,153,094</u>

Note 12. Current assets - other

	Consolidated	
	2021	2020
	\$	\$
Prepayments	307,142	402,089
GST receivable	11,500	33,562
	<u>318,642</u>	<u>435,651</u>

Note 13. Non-current assets - plant and equipment

	Consolidated	
	2021	2020
	\$	\$
Plant and equipment - at cost	7,282,324	7,559,161
Less: Accumulated depreciation	(2,180,698)	(1,568,446)
	<u>5,101,626</u>	<u>5,990,715</u>
Construction in progress	112,155	521,389
	<u>5,213,781</u>	<u>6,512,104</u>

Note 13. Non-current assets - plant and equipment (continued)

Reconciliations

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment \$	Plant and equipment under lease \$	Construction in progress \$	Total \$
Balance at 1 July 2019	3,692,282	4,738,813	2,173,668	10,604,763
Additions	-	-	1,813,355	1,813,355
Disposals	(92,942)	-	-	(92,942)
Exchange differences	11,824	-	58,006	69,830
Transfer to intangibles	-	-	(583,747)	(583,747)
Transfers to right-of-use assets	-	(4,738,813)	-	(4,738,813)
Transfers in/(out)	2,939,893	-	(2,939,893)	-
Depreciation expense	(560,342)	-	-	(560,342)
Balance at 30 June 2020	5,990,715	-	521,389	6,512,104
Additions	25,020	-	312,651	337,671
Reclassification from construction in progress	366,031	-	(678,916)	(312,885)
Exchange differences	(519,502)	-	(42,969)	(562,471)
Depreciation expense	(760,638)	-	-	(760,638)
Balance at 30 June 2021	<u>5,101,626</u>	<u>-</u>	<u>112,155</u>	<u>5,213,781</u>

Note 14. Non-current assets - right-of-use assets

	Consolidated 2021 \$	2020 \$
Plant - right-of-use	5,315,990	5,041,792
Less: Accumulated depreciation	(1,240,739)	(571,240)
	<u>4,075,251</u>	<u>4,470,552</u>
Equipment - right-of-use	120,016	131,470
Less: Accumulated depreciation	(93,380)	(52,196)
	<u>26,636</u>	<u>79,274</u>
	<u>4,101,887</u>	<u>4,549,826</u>

The Group leased a building for its offices under a non-cancellable lease that expires on 12 March 2024. The Group also leases two industrial facilities as well as equipment for the manufacture of activated carbon from its premises. The facilities have the capacity to manufacture up to 17,000 tons per annum of activated carbon products. The initial term of the first lease is for 50 years with three additional terms of 10 years each. The lease commenced upon launch of operations in July 2018. Monthly lease payments began on 15 July 2018. This lease comprises of a combination of variable and fixed lease payments for the first five years. Subsequent to this, the lease payments will be variable. Variable lease payments are not recognised as right-of-use assets (or lease liabilities). For the year ended 30 June 2021, variable lease payments amounted to \$nil (2020: \$309,978). The initial term of the second lease is for five years with one additional term of five years. The lease commenced on 1 January 2019.

Note 14. Non-current assets - right-of-use assets (continued)

Reconciliations

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

Consolidated	Plant-right-of use \$	Equipment- right-of use \$	Total \$
Balance at 1 July 2019	5,928,548	128,658	6,057,206
Lease modifications	(1,051,599)	-	(1,051,599)
Exchange differences	225,456	3,970	229,426
Depreciation expense	(631,853)	(53,354)	(685,207)
Balance at 30 June 2020	4,470,552	79,274	4,549,826
Additions	718,278	-	718,278
Exchange differences	(389,460)	(6,635)	(396,095)
Depreciation expense	(724,119)	(46,003)	(770,122)
Balance at 30 June 2021	<u>4,075,251</u>	<u>26,636</u>	<u>4,101,887</u>

For other lease related disclosures refer to the following:

- note 7 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- note 18 and note 21 for lease liabilities at year end;
- note 26 for maturity analysis of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

Note 15. Non-current assets - intangibles

	Consolidated	
	2021	2020
	\$	\$
Development - at cost	2,944,026	1,747,073
Less: Accumulated amortisation	(46,535)	(30,295)
	<u>2,897,491</u>	<u>1,716,778</u>
Engineering Performance Solutions ('EPS') patents - at cost	1,445,822	1,445,822
Less: Accumulated amortisation	(768,060)	(677,700)
	<u>677,762</u>	<u>768,122</u>
Other patents and development - at cost	1,868,420	1,656,067
Less: Accumulated amortisation	(591,177)	(546,818)
	<u>1,277,243</u>	<u>1,109,249</u>
	<u>4,852,496</u>	<u>3,594,149</u>

Note 15. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Development costs \$	EPS patents \$	Other patents \$	Total \$
Balance at 1 July 2019	-	858,482	871,140	1,729,622
Additions	1,173,999	-	279,926	1,453,925
Exchange differences	(28,674)	-	14,181	(14,493)
Transfers in from construction in progress	583,747	-	-	583,747
Amortisation expense	(12,294)	(90,360)	(55,998)	(158,652)
Balance at 30 June 2020	1,716,778	768,122	1,109,249	3,594,149
Additions	1,036,849	-	328,619	1,365,468
Exchange differences	(158,557)	-	(98,434)	(256,991)
Transfers in from construction in progress	312,885	-	-	312,885
Amortisation expense	(10,464)	(90,360)	(62,191)	(163,015)
Balance at 30 June 2021	<u>2,897,491</u>	<u>677,762</u>	<u>1,277,243</u>	<u>4,852,496</u>

Engineering Performance Solutions ('EPS') patent

The Group has an exclusive license to a patent owned by EPS for magnetic activated carbon technology that maximises mercury capture from flue gas. As part of the agreement, EPS is entitled to royalties based on a percentage of revenue from the sale of products by the Group that uses the EPS technology. The liability is held at amortised cost and is recognised in the statement of financial position. Refer to note 22.

Note 16. Current liabilities - trade and other payables

	Consolidated 2021 \$	Consolidated 2020 \$
Trade payables	1,648,357	2,441,953
Accrued expenses	360,408	671,902
Other payables	67,078	28,268
	<u>2,075,843</u>	<u>3,142,123</u>

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated 2021 \$	Consolidated 2020 \$
Pure loan payable	<u>4,853,675</u>	<u>88,333</u>

Note 17. Current liabilities - borrowings (continued)

Pure loan payable

During the year, 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 year ended 30 June 2021 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 30 June 2021 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.

Refer to note 20 for further information.

Note 18. Current liabilities - lease liabilities

	Consolidated 2021 \$	2020 \$
Lease liability	1,222,044	1,055,700

Refer to note 26 for maturity analysis of lease liabilities.

Note 19. Current liabilities - royalty payable

	Consolidated 2021 \$	2020 \$
Royalty payable	71,834	62,158

Refer to note 22 for further information and for the reconciliation of the carrying amount.

Note 20. Non-current liabilities - borrowings

	Consolidated 2021 \$	2020 \$
Pure loan payable	-	4,491,545

Refer to note 26 for further information on financial instruments.

Pure loan payable

On 24 May 2019, the Group entered into a finance facility of \$5,500,000. This represents redemption of an existing \$2,500,000 convertible note facility and \$3,000,000 additional funds. The interest rate is 9.5% per annum with a term of 4 years. The lender is issued warrant shares at 60 cents per share. Total number of warrants issued is 9,166,670 with expiry date of 24 May 2023 which have been recognised as transaction cost of \$1,135,892 capitalised against the loan. Transaction costs are amortising over the term of the loan. As a result of capital raisings during the 30 June 2021 financial year, the anti-dilution provisions of the Warrant Deed with Pure Asset Management and its co-investors was triggered resulting in the warrant exercise price reducing from \$0.52 to \$0.17, being 110% of the issue price of \$0.15 in the most recent capital raising. Transaction costs of \$nil (2020: \$199,998) was capitalised against the loan.

Note 21. Non-current liabilities - lease liabilities

	Consolidated	
	2021	2020
	\$	\$
Lease liability	<u>1,317,697</u>	<u>2,199,266</u>

Refer to note 26 for maturity analysis of lease liabilities.

Note 22. Non-current liabilities - royalty payable

	Consolidated	
	2021	2020
	\$	\$
Royalty payable	<u>949,074</u>	<u>1,819,750</u>

Reconciliation

Reconciliation of the current and non-current carrying value of royalty payable at the beginning and end of the current and previous financial year are set out below:

Opening balance	1,881,908	1,985,908
Loss/(gains) recognised in profit or loss	(781,569)	11,360
Payments	<u>(79,431)</u>	<u>(115,360)</u>
Total current and non-current royalty payable closing balance	<u>1,020,908</u>	<u>1,881,908</u>

The Group has an exclusive licence from EPS to use its patented technology. Royalties are payable to EPS out of revenue received by the Group from the sale of products using the EPS technology, as follows.

- Sale price below US\$2,000 per ton - 1% of revenue
- Sale price of US\$2,000 to US\$2,500 per ton - 2% of revenue
- Sale price of US\$2,500 to US\$3,000 per ton - 3% of revenue.
- Sale price above US\$3,000 per ton - 4% of revenue.

The exclusive licence to use the patent has been recognised as an intangible asset, refer to note 15.

Note 23. Equity - issued capital

	2021	2020	Consolidated	2020
	Shares	Shares	2021	2020
			\$	\$
Ordinary shares - fully paid	<u>162,590,367</u>	<u>107,694,950</u>	<u>76,789,766</u>	<u>69,391,218</u>

Note 23. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	88,802,285		63,200,387
Shares placement(ii)	7 November 2019	4,153,673	\$0.36	1,495,322
Shares placement(ii)	5 December 2019	6,957,438	\$0.36	2,504,678
Share purchase plan(ii)	6 December 2019	6,702,626	\$0.36	2,412,945
Shares placement(i)	30 December 2019	357,143	\$0.00	-
Shares issued to directors in lieu of fees(iii)	6 June 2020	475,686	\$0.23	109,407
Shares issued to employees in lieu of compensation(iii)	6 June 2020	246,099	\$0.23	56,604
Issue costs(iii)		-	\$0.00	(388,125)
Balance	30 June 2020	107,694,950		69,391,218
Shares placement(iv)	13 July 2020	13,000,000	\$0.16	2,080,000
Shares placement(iv)	16 November 2020	18,750,000	\$0.16	3,000,000
Shares issued under early termination of a sales representation agreement(vi)	18 January 2021	2,200,000	\$0.16	352,000
Shares issued in relation to a prior capital raise(v)	18 January 2021	174,826	\$0.16	-
Share placement(iv)	14 May 2021	8,999,999	\$0.15	1,350,000
Share issued on the exercise of rights(iv)	22 June 2021	6,770,592	\$0.15	1,015,589
Share placement(iv)	30 June 2021	5,000,000	\$0.15	750,000
Issue costs(iv)		-	\$0.00	(1,149,041)
Balance	30 June 2021	<u>162,590,367</u>		<u>76,789,766</u>

- (i) On 30 December 2019, the Group issued 357,143 new fully paid ordinary shares to make a correction to the Group's share issue allocation relating to a pre IPO capital raise in 2017. The share issue price for the capital raise was \$0.56 and consideration for the 357,143 shares had been received in full by the Company at that time and was recognised in equity. The related shares have therefore been disclosed above as issued during the period for nil consideration.
- (ii) Total value of shares issued was \$6,024,820 net of transaction costs.
- (iii) Total value of shares issued to directors and employees was \$166,011.
- (iv) Total value of shares issued was \$7,398,548 net of transaction costs.
- (v) 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.
- (vi) 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 terminated the Sales Representative Agreement with UCC.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 23. Equity - issued capital (continued)

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

The capital risk management policy has not changed from the 30 June 2020 Annual Report.

Note 24. Equity - reserves

	Consolidated	
	2021	2020
	\$	\$
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	(527,505)	656,694
Share-based payments reserve	6,216,940	5,541,775
Convertible note equity reserve	563,131	563,131
	<u>15,106,434</u>	<u>15,615,468</u>

Financial liability reserve

This reserve records movements in the fair value of investor loans when investor loans were converted to capital in 2008.

Foreign currency translation reserve

This reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based payments reserve

This reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible note equity reserve

This reserve is used to recognise the equity portion of the convertible notes issued.

Movements in reserves

Movements in each class of reserve during the current and previous financial 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 2019	8,853,868	593,124	5,541,775	563,131	15,551,898
Foreign currency translation	-	63,570	-	-	63,570
Balance at 30 June 2020	8,853,868	656,694	5,541,775	563,131	15,615,468
Foreign currency translation	-	(1,184,199)	-	-	(1,184,199)
Share based payment expense	-	-	78,165	-	78,165
Share based payment recorded as transaction costs	-	-	597,000	-	597,000
Balance at 30 June 2021	<u>8,853,868</u>	<u>(527,505)</u>	<u>6,216,940</u>	<u>563,131</u>	<u>15,106,434</u>

Note 25. Equity - dividends

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

Note 26. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a regular basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets	
	2021	2020
Consolidated	\$	\$
US dollars	362,469	209,996

The Group had assets denominated in US dollars of \$362,469 as at 30 June 2021 (2020: \$209,996). Based on this exposure, had the US dollar weakened by 10%/strengthened by 10% (2020: 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year and equity would have been \$36,000 lower/\$36,000 higher (2020: \$21,000 lower/\$21,000 higher). The percentage change is the expected overall volatility of the US dollar, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 2021 was \$nil (2020: gain of \$25,233).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents. Cash and cash equivalents obtained at variable rates expose the Group to interest rate risk. Cash and cash equivalents obtained at fixed rates expose the Group to fair value interest rate risk.

Note 26. Financial instruments (continued)

As at the reporting date, the Group had the following variable rate cash and cash equivalents outstanding:

	2021		2020	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Consolidated				
Cash at bank	0.08%	1,585,140	0.52%	246,560
Cash on deposit	0.10%	60,419	0.10%	66,185
Net exposure to cash flow interest rate risk		<u>1,645,559</u>		<u>312,745</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Consolidated - 2021	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Net exposure to cash flow interest rate risk	50	<u>8,227</u>	<u>5,759</u>	(50)	<u>(8,227)</u>	<u>(5,759)</u>

Consolidated - 2020	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Net exposure to cash flow interest rate risk	50	<u>1,564</u>	<u>1,564</u>	(50)	<u>(1,564)</u>	<u>(1,564)</u>

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 26. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,648,357	-	-	-	1,648,357
Other payables	-	67,078	-	-	-	67,078
Royalty payable	-	72,626	103,352	466,879	430,966	1,073,823
<i>Interest-bearing - fixed rate</i>						
Pure loan payable	9.50%	5,500,000	-	-	-	5,500,000
Pure loan Payable - Interest	-	522,500	468,103	-	-	990,603
Lease liability*	7.62%	1,222,043	1,077,734	239,963	-	2,539,740
Lease Liability - Interest	-	149,077	65,657	7,841	-	222,575
Total non-derivatives		9,181,681	1,714,846	714,683	430,966	12,042,176

* Lease liability consists of property leases at 6% and 9.5% interest rate and various equipment leases ranging from 6% - 8.5%.

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,441,953	-	-	-	2,441,953
Other payables	-	28,268	-	-	-	28,268
Other loans	-	88,333	-	-	-	88,333
Royalty payable	-	62,946	113,653	773,714	983,535	1,933,848
<i>Interest-bearing - fixed rate</i>						
Pure loan payable	9.50%	-	-	5,500,000	-	5,500,000
Pure loan Payable - Interest	-	522,500	522,500	468,103	-	1,513,103
Lease liability*	7.17%	1,055,700	984,966	1,214,300	-	3,254,966
Lease Liability - Interest	-	199,748	126,893	59,936	-	386,577
Total non-derivatives		4,399,448	1,748,012	8,016,053	983,535	15,147,048

* Lease liability consists of property leases at 6% and 9.5% interest rate and various equipment leases ranging from 6% - 8.5%.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 27. Fair value measurement

Fair value hierarchy

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The Group did not have financial assets or liabilities measured or disclosed at fair value.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the Company:

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services - Ernst & Young</i>		
Audit or review of the financial statements	170,000	175,000

Note 29. Contingent liabilities

The Group had no contingent liabilities at 30 June 2021 and 30 June 2020.

Note 30. Related party transactions

Parent entity

Carbonxt Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

Transactions with Consultancy firms with common directors

Warren Murphy and David Mazyck provide consultancy services through their consulting firms as disclosed in the Directors Report under "Other transactions with KMP and their related parties".

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2021	2020
	\$	\$
Current borrowings:		
Loan from director	-	15,000

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	1,130,686	1,138,408
Share-based payments	49,434	128,275
	<u>1,180,120</u>	<u>1,266,683</u>

Note 32. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021	2020
		%	%
Carbonxt Inc.	United States of America	100%	100%
Clear Carbon Innovations LLC	United States of America	100%	100%
Carbonxt Group Holdings LLC	United States of America	100%	100%

Note 33. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax expense for the year	(5,332,851)	(4,388,789)
Adjustments for:		
Depreciation and amortisation	1,693,775	1,404,201
Net loss on disposal of property, plant and equipment	-	11,037
Share-based payments	91,560	166,011
Items classified as financing activities	83,141	1,059,635
Other non-cash items	-	255,957
Change in operating assets and liabilities:		
Decrease in trade and other receivables	29,627	450,343
Decrease/(increase) in inventories	1,509,947	(1,085,266)
Increase in other current assets	117,009	210,861
Decrease in trade and other payables	(805,635)	(406,048)
Increase/(decrease) in employee benefits	361	(49,615)
Net cash used in operating activities	<u>(2,613,066)</u>	<u>(2,371,673)</u>

Note 33. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated	
	2021	2020
	\$	\$
Shares issued in lieu of directors fees and salaries	-	166,011
Shares issued on conversion of liability	352,000	-
Options issued in lieu of transaction costs	597,000	-
	<u>949,000</u>	<u>166,011</u>

Changes in liabilities arising from financing activities

Consolidated	Pure loan payable \$	Royalty payable \$	Lease liability \$	Other loan \$	Total \$
Balance at 1 July 2019	4,341,607	1,985,908	4,127,528	73,333	10,528,376
Net cash from/(used in) financing activities	(199,998)	(115,360)	(1,671,830)	15,000	(1,972,188)
Recognized on Adoption of AASB 16 Leases	-	-	1,318,393	-	1,318,393
Interest expense	-	-	351,851	-	351,851
Other changes	349,936	11,360	(870,976)	-	(509,680)
Balance at 30 June 2020	4,491,545	1,881,908	3,254,966	88,333	9,716,752
Net cash used in financing activities	-	(79,431)	(1,427,827)	(88,333)	(1,595,591)
Interest expense	361,281	-	242,480	-	603,761
Acquisition of leases	-	-	781,278	-	781,278
Other changes	849	(781,569)	(311,156)	-	(1,091,876)
Balance at 30 June 2021	<u>4,853,675</u>	<u>1,020,908</u>	<u>2,539,741</u>	<u>-</u>	<u>8,414,324</u>

Note 34. Earnings per share

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax attributable to the owners of Carbonxt Group Limited	<u>(5,332,851)</u>	<u>(4,388,789)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	134,359,762	99,502,914
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>134,359,762</u>	<u>99,502,914</u>
	Cents	Cents
Basic loss per share	(3.97)	(4.41)
Diluted loss per share	(3.97)	(4.41)

26,426,920 (2020: 13,641,670) options were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 35. Share-based payments

On 30 November 2017, shareholders at the Annual General Meeting ('AGM') approved the Employee Option Plan ('EOP'), whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain key management personnel of the Group. The options are issued for nil consideration.

3,500,000 unlisted options were granted in November 2017 to participating directors following shareholder approval at the AGM and vested immediately.

300,000 and 475,000 unlisted options were granted in February 2018 pursuant to the EOP following shareholder approval at the AGM. The options vested on 28 February 2020 and expire on 30 November 2021.

On 29 May 2020 the Company issued shares to directors and employees in lieu of directors fees and salaries, as approved at the Extraordinary General Meeting held on 1 May 2020. The shares vest immediately and no future targets are required to be met.

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.

On 18 January 2021, The Company issued a total of 2,200,000 shares at an issue price of \$0.16 per share to settle all the outstanding and future liabilities with United Conveyor Corporation.

The share-based payment in relation to transaction costs for 2021 is \$597,000 (2020: \$nil). The share-based payments in relation to the shares issued in lieu of directors fees and salaries is \$78,165 (2020: \$166,011).

Set out below are summaries of options and warrants that existed during the year:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2017	30/11/2021	\$0.50	3,500,000	-	-	-	3,500,000
28/02/2018	30/11/2021	\$0.50	300,000	-	-	-	300,000
28/02/2018	30/11/2021	\$0.70	475,000	-	-	-	475,000
19/09/2018	30/11/2021	\$0.56	200,000	-	-	-	200,000
24/05/2019	24/05/2023	*\$0.17	9,166,670	-	-	-	9,166,670
13/07/2020	13/07/2023	\$0.17	-	800,000	-	-	800,000
13/07/2020	13/07/2023	\$0.20	-	800,000	-	-	800,000
13/07/2020	13/07/2023	\$0.22	-	800,000	-	-	800,000
			13,641,670	2,400,000	-	-	16,041,670

Weighted average exercise price	\$0.52	\$0.20	\$0.00	\$0.00	\$0.27
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* As a result of capital raisings during the 30 June 2021 financial year, the anti-dilution provisions of the Warrant Deed with Pure Asset Management and its co-investors was triggered resulting in the warrant exercise price reducing from \$0.52 to \$0.17, being 110% of the issue price of \$0.15 in the most recent capital raising.

Note 35. Share-based payments (continued)

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2017	30/11/2021	\$0.50	3,500,000	-	-	-	3,500,000
08/06/2018	08/06/2020	\$0.60	500,000	-	-	(500,000)	-
28/02/2018	30/11/2021	\$0.50	300,000	-	-	-	300,000
28/02/2018	30/11/2021	\$0.70	475,000	-	-	-	475,000
19/09/2018	30/11/2021	\$0.56	200,000	-	-	-	200,000
24/05/2019	24/05/2023	*\$0.52	9,166,670	-	-	-	9,166,670
			14,141,670	-	-	(500,000)	13,641,670
Weighted average exercise price			\$0.58	\$0.00	\$0.00	\$0.60	\$0.52

* A Deed of Compromise was signed with the option holder on 31 December 2019 reflecting an anti-dilution adjustment of the exercise price from 60 cents per share to 52 cents per share.

The weighted average remaining contractual life of options and warrants outstanding at the end of the financial year was 1.51 years (2020: 2.41 years).

The options vest immediately and no future targets are required to be met.

For the options and warrants granted during the current financial 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

Note 36. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021 \$	2020 \$
Loss after income tax	(5,946,807)	(8,486,738)
Total comprehensive loss	(5,946,807)	(8,486,738)

Note 36. Parent entity information (continued)

Statement of financial position

	Parent	
	2021	2020
	\$	\$
Total current assets	1,325,884	40,224
Total assets	2,262,820	808,347
Total current liabilities	5,162,845	473,057
Total liabilities	6,111,919	6,784,352
Equity		
Issued capital	76,252,214	68,853,666
Financial liability reserve	8,853,868	8,853,868
Share-based payments reserve	6,216,940	5,541,775
Convertible note equity reserve	563,131	563,131
Accumulated losses	(95,735,252)	(89,788,445)
Total deficiency in equity	<u>(3,849,099)</u>	<u>(5,976,005)</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 37. Events after the reporting period

On 1 July 2021, the Company announced the successful placement of 6,940,297 ordinary shares at \$0.15 with 3,470,149 options attached at strike price of \$0.24 per share, raising a total of \$1,041,044.

On 21 July 2021, the Company announced that it had received a US\$2,000,000 order from an existing power station customer in Wisconsin, USA to supply an additional 1,000 tons of Activated Carbon Pellets.

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

No other matter or circumstance has arisen since 30 June 2021 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
30 June 2021



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(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

25 August 2021
Sydney

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

Report on the Audit of the Financial Report

Opinion

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

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

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

Basis for Opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions, along with other matters disclosed in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the consolidated entity 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.

Key Audit Matters

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

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

Revenue Recognition

Why significant

The Group generates revenue from sales of activated carbon products which represents 94% of total revenue.

The Group's policy is to recognise revenue from the sale of activated carbon at the point in time when the activated carbon is delivered in accordance with agreements with customers.

Given the quantitative importance of revenue in the context of the financial report, this was considered to be a Key Audit Matter.

Disclosure relating to revenue is included in note 2 and 5 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Obtained an understanding of the process to record revenue and read relevant agreements to understand the terms and conditions.
- Assessed whether the Group recognised revenue in accordance with Australian Accounting Standards.
- Analysed and investigated the relationship between revenue, receivables and cash through the use of data analytics.
- Selected a sample of revenue transactions and agreed the revenue recognised with reference to customer agreements, date of delivery from related documentation and customer payment.
- Selected a sample of cash journals and traced the receipts from bank statements back to individual transactions.
- Selected a sample of pre- and post-year-end credit notes and investigated the reason for reversal of sales transactions to confirm the validity of sales recognized prior to year-end
- Selected a sample of revenue transactions before and after year end to ensure revenue was recorded in the correct period.
- Assessed the adequacy of the financial statement disclosures with regard to requirements of Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

If, based on the work we have performed 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

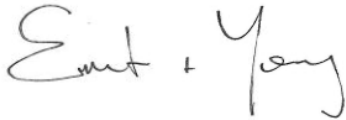
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2021.

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

Responsibilities

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



Ernst & Young



Scott Jarrett
Partner
Sydney
25 August 2021

Carbonxt Group Limited
Shareholder information
30 June 2021



The shareholder information set out below was applicable as at 31 July 2021.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	98	-	50	0.10
1,001 to 5,000	335	0.60	45	0.40
5,001 to 10,000	191	0.90	22	0.60
10,001 to 100,000	545	12.30	57	10.20
100,001 and over	269	86.20	38	88.70
	1,438	100.00	212	100.00
Holding less than a marketable parcel	-	-	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
National Nominees Limited	13,154,285	7.77
Washington H Soul Pattinson	5,750,000	3.39
La Andrews Investments Pty Ltd	4,774,000	2.82
Mr Sufian Ahmad	4,760,720	2.81
BNP Paribas Nominees Pty Ltd	4,464,734	2.64
Altor Capital Management	4,176,894	2.47
Hi Five Investments Pty Ltd	3,980,364	2.35
Chaleyer Holdings Pty Ltd	3,520,000	2.08
Mr Joshua Leigh Sweetman & La Andrews Investments Pty Ltd	2,314,542	1.37
Avanteos Investments Limited	2,303,932	1.36
J P Morgan Nominees Australia	2,243,286	1.32
Melville Living Pty Ltd	2,187,501	1.29
Threebee Investment Group	2,125,000	1.25
Mr Craig Graeme Chapman	2,100,000	1.24
Dixon Trust Pty Limited	1,816,479	1.07
M & M Driscoll Nominees Pty	1,704,545	1.01
Mr Bilal Ahmad	1,583,881	0.94
Appwam Pty Ltd	1,470,909	0.87
HSBC Custody Nominees	1,409,836	0.83
	1,316,358	0.78
	67,157,266	39.66

Ordinary shares held include escrowed shares.

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	29,826,920	212

Substantial holders

There are no substantial holders in the Company.

Ordinary shares held include escrowed shares.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Share buy-back

There is no current on-market share buy-back.