

1. Company details

Name of entity:	Carbonxt Group Limited
ABN:	59 097 247 464
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	38.2% to	9,885,160
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	109.7% to	192,093
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	down	21.8% to	(1,990,815)
Loss for the half-year attributable to the owners of Carbonxt Group Limited	down	21.8% to	(1,990,815)

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 \$1,990,815 (31 December 2020: \$2,544,243).

Revenues increased 38.2 % compared to 1H21 primarily due to strong growth in the activated carbon pellet market, driven by economic factors related to natural gas pricing.

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

	Consolidated 31 Dec 2021 \$	31 Dec 2020 \$
Revenue	9,885,160	7,152,490
Gross margin	3,524,568	1,889,038
Other income	-	172,403
Shipping and distribution costs	(810,201)	(726,464)
Operating expenses	(2,522,274)	(3,310,817)
Underlying EBITDA*	192,093	(1,975,840)
Depreciation and amortisation	(1,062,045)	(830,792)
Underlying earnings before interest and tax ('EBIT')*	(869,952)	(2,806,632)
Net interest expense	(538,985)	(573,611)
Share based payment expense	(705,235)	-
Other non-cash items	123,357	836,000
Loss before income tax expense	<u>(1,990,815)</u>	<u>(2,544,243)</u>

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

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.02</u>	<u>2.56</u>

The net tangible assets calculation includes rights-of-use assets of \$4,297,646 (31 Dec 2020: \$4,405,665) and the lease liabilities of \$2,437,789 (31 Dec 2020: \$3,088,637).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of Carbonxt Group Limited for the half-year ended 31 December 2021 is attached.

12. Signed

Authorised by the Board of Directors.



Signed _____

Date: 24 February 2022

Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Interim Report - 31 December 2021

Carbonxt Group Limited
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31 December 2021



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Carbonxt Group Limited
Directors' report
31 December 2021



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Carbonxt Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

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

Matthew Driscoll - Chairman
 Warren Murphy
 David Mazyck

Principal activities

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

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

Review of operations

The loss for the Group after providing for income tax amounted to \$1,990,815 (31 December 2020: \$2,544,243).

Revenue for the half-year was \$9,885,160 representing an increase of 38.2% on the prior half-year's revenue of \$7,152,490.

Revenues increased 38.2 % compared to 1H21 primarily due to strong growth in the activated carbon pellet market, driven by economic factors related to natural gas pricing.

The following table summarises key reconciling items between statutory loss after income tax and underlying earnings before interest, tax, depreciation and amortisation ('EBITDA'):

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Revenue	9,885,160	7,152,490
Gross margin	3,524,568	1,889,038
Other income	-	172,403
Shipping and distribution costs	(810,201)	(726,464)
Operating expenses	(2,522,274)	(3,310,817)
Underlying EBITDA*	192,093	(1,975,840)
Depreciation and amortisation	(1,062,045)	(830,792)
Underlying earnings before interest and tax ('EBIT')*	(869,952)	(2,806,632)
Net interest expense	(538,985)	(573,611)
Share based payment expense	(705,235)	-
Other non-cash items	123,357	836,000
Loss before income tax expense	<u>(1,990,815)</u>	<u>(2,544,243)</u>

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

As a result of the loss incurred for the half year ended 31 December 2021 and the liquidity at the reporting date, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Significant changes in the state of affairs

Capital raising

On 20 July 2021, the Company announced the successful placement of 6,800,000 ordinary shares at \$0.15 with 3,400,000 options attached at strike price of \$0.24 per share, raising a total of \$1,020,000.

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

Auditor's independence declaration

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

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

On behalf of the directors



Warren Murphy
Managing Director

24 February 2022
Sydney



**Building a better
working world**

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

As lead auditor for the review of the half-year financial report of Carbonxt Group Limited for the half-year ended 31 December 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 review; and
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Scott Jarrett
Partner
24 February 2022

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Revenue			
Sales revenue	4	9,885,160	7,152,490
Cost of goods sold		(6,360,592)	(5,263,452)
Gross margin		3,524,568	1,889,038
Other income	5	123,357	1,008,403
Expenses			
Shipping and distribution costs		(810,201)	(726,464)
Employee benefits expense		(1,239,382)	(1,699,630)
Share-based payment expense	15	(705,235)	-
Depreciation and amortisation expense	6	(1,062,045)	(830,792)
Selling and marketing expenses		(93,587)	(92,152)
General and administrative expenses		(501,637)	(720,289)
Other expenses		(687,668)	(798,746)
Operating loss		(1,451,830)	(1,970,632)
Interest revenue calculated using the effective interest method		495	652
Finance costs	6	(539,480)	(574,263)
Loss before income tax expense		(1,990,815)	(2,544,243)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Carbonxt Group Limited		(1,990,815)	(2,544,243)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		468,003	(1,443,527)
Other comprehensive income/(loss) for the half-year, net of tax		468,003	(1,443,527)
Total comprehensive loss for the half-year attributable to the owners of Carbonxt Group Limited		<u>(1,522,812)</u>	<u>(3,987,770)</u>
		Cents	Cents
Basic loss per share	14	(1.18)	(2.04)
Diluted loss per share	14	(1.18)	(2.04)

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

Carbonxt Group Limited
Statement of financial position
As at 31 December 2021



		Consolidated	
	Note	31 Dec 2021	30 Jun 2021
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,156,900	1,645,579
Trade and other receivables		1,300,579	1,217,978
Inventories		1,710,261	1,643,147
Other		171,898	318,642
Total current assets		<u>4,339,638</u>	<u>4,825,346</u>
Non-current assets			
Property, plant and equipment	7	5,465,640	5,213,781
Right-of-use assets	8	4,297,646	4,101,887
Intangibles		5,018,867	4,852,496
Total non-current assets		<u>14,782,153</u>	<u>14,168,164</u>
Total assets		<u>19,121,791</u>	<u>18,993,510</u>
Liabilities			
Current liabilities			
Trade and other payables		2,175,800	2,075,843
Borrowings	9	5,031,167	4,853,675
Lease liabilities		1,297,546	1,222,044
Royalty payable		64,898	71,834
Employee benefits		169,348	124,735
Total current liabilities		<u>8,738,759</u>	<u>8,348,131</u>
Non-current liabilities			
Lease liabilities		1,140,243	1,317,697
Royalty payable		797,890	949,074
Total non-current liabilities		<u>1,938,133</u>	<u>2,266,771</u>
Total liabilities		<u>10,676,892</u>	<u>10,614,902</u>
Net assets		<u>8,444,899</u>	<u>8,378,608</u>
Equity			
Issued capital	10	77,472,694	76,789,766
Reserves	11	16,480,612	15,106,434
Accumulated losses		(85,508,407)	(83,517,592)
Total equity		<u>8,444,899</u>	<u>8,378,608</u>

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

Carbonxt Group Limited
Statement of changes in equity
For the half-year ended 31 December 2021



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2020	69,391,218	15,615,468	(78,184,741)	6,821,945
Loss after income tax expense for the half-year	-	-	(2,544,243)	(2,544,243)
Other comprehensive loss for the half-year, net of tax	-	(1,443,527)	-	(1,443,527)
Total comprehensive loss for the half-year	-	(1,443,527)	(2,544,243)	(3,987,770)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	4,534,950	-	-	4,534,950
Share-based payments (note 15)	-	240,000	-	240,000
Balance at 31 December 2020	<u>73,926,168</u>	<u>14,411,941</u>	<u>(80,728,984)</u>	<u>7,609,125</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	76,789,766	15,106,434	(83,517,592)	8,378,608
Loss after income tax expense for the half-year	-	-	(1,990,815)	(1,990,815)
Other comprehensive income for the half-year, net of tax	-	468,003	-	468,003
Total comprehensive income/(loss) for the half-year	-	468,003	(1,990,815)	(1,522,812)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity net of transaction costs (note 10)	665,468	-	-	665,468
Shares issued on the exercise of options (note 10)	17,460	(3,060)	-	14,400
Share-based payments (note 15)	-	909,235	-	909,235
Balance at 31 December 2021	<u>77,472,694</u>	<u>16,480,612</u>	<u>(85,508,407)</u>	<u>8,444,899</u>

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

Carbonxt Group Limited
Statement of cash flows
For the half-year ended 31 December 2021



		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		9,720,941	6,949,316
Payments to suppliers and employees (inclusive of GST)		(9,394,756)	(8,503,201)
		326,185	(1,553,885)
Interest received		599	642
Government grants received		-	119,001
Other income received		-	52,760
Interest and other finance costs paid		(266,112)	(270,498)
Net cash from/(used in) operating activities		60,672	(1,651,980)
Cash flows from investing activities			
Payments for property, plant and equipment		(250,993)	(111,291)
Payments for intangible assets		(305,138)	(828,607)
Net cash used in investing activities		(556,131)	(939,898)
Cash flows from financing activities			
Proceeds from issue of shares and exercise of options	10	1,034,400	5,080,000
Share issue transaction costs	10	(258,802)	(305,050)
Repayment of borrowings		(34,763)	(15,000)
Repayment of lease liability		(761,400)	(694,601)
Net cash from/(used in) financing activities		(20,565)	4,065,349
Net increase/(decrease) in cash and cash equivalents		(516,024)	1,473,471
Cash and cash equivalents at the beginning of the financial half-year		1,645,579	312,765
Effects of exchange rate changes on cash and cash equivalents		27,345	-
Cash and cash equivalents at the end of the financial half-year		<u>1,156,900</u>	<u>1,786,236</u>

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

Note 1. General information

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

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

Registered office

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

Principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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

Comparative information

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

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The Group incurred a loss after tax of \$1,990,815 (31 December 2020: \$2,544,243) and operating cash inflows of \$60,672 (31 December 2020: outflows of \$ 1,651,980) for the half year ended 31 December 2021. At 31 December 2021, cash and cash equivalents were \$1,156,900 (30 June 2021: \$1,645,579) and net current liabilities of \$4,399,121 (30 June 2021 : \$3,522,785), including borrowings of \$5,031,167 (30 June 2021 : 4,853,675) classified as current at 31 December 2021 . 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. This results in a material uncertainty on whether the Group can continue as a going concern without future funding.

Note 2. Significant accounting policies (continued)

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

- receive the ongoing support of lenders which would not require early repayment of borrowings of \$ 5,031,167. (Refer note 9)
- improve the operating performance of the business;
- proactively manage cash flow requirements, including deferring certain capital expenditures, to ensure that funds are available when required; and/or
- obtain funding where required through various sources, including debt and equity issues. On 10 February 2022, the Company announced successful placement of 18,749,667 new fully paid ordinary shares raising \$4,499,920. (Refer note 16)

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

Note 3. Operating segments

Identification of reportable operating segments

The Group only has one reportable segment being the development and sale of specialised Activated Carbon ('AC') products, principally in the United States of America. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Geographical information

	Sales to external customers		Geographical non-current assets	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	30 Jun 2021
	\$	\$	\$	\$
Australia	-	-	632,582	677,762
United States of America	9,885,160	7,152,490	14,149,571	13,490,402
	<u>9,885,160</u>	<u>7,152,490</u>	<u>14,782,153</u>	<u>14,168,164</u>

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

Note 4. Revenue

Disaggregation of revenue

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

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Major product lines</i>		
Sale of activated carbon	9,877,509	7,064,434
Consultancy fees	7,651	88,056
	<u>9,885,160</u>	<u>7,152,490</u>
<i>Geographical regions</i>		
United States of America	<u>9,885,160</u>	<u>7,152,490</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>9,885,160</u>	<u>7,152,490</u>

Note 5. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Net fair value gain on financial liabilities	123,357	836,000
Government grants	-	118,997
Insurance recoveries	-	53,406
	<u>123,357</u>	<u>1,008,403</u>

Government grants

During the half-year period, the Group received cash receipts of \$nil (2020: \$49,813 (US \$36,000)) for a Florida State Grant through the Florida Red Tide Mitigation and Technology Development Initiative and \$nil (2020: \$69,185 (US \$50,000)) for the Water Resource Recovery Prize from the US Department of Energy.

Note 6. Expenses

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	399,122	386,529
Plant and equipment right-of-use assets	433,134	367,626
Total depreciation	832,256	754,155
<i>Amortisation</i>		
Development	146,293	-
Engineering Performance Solutions ('EPS') patents	45,180	45,180
Other patents	38,316	31,457
Total amortisation	229,789	76,637
Total depreciation and amortisation	1,062,045	830,792
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	266,112	271,550
Interest and finance charges paid/payable on lease liabilities	90,866	120,683
Warrant costs	182,502	182,030
Finance costs expensed	539,480	574,263

Note 7. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	7,546,778	7,282,324
Less: Accumulated depreciation	(2,662,024)	(2,180,698)
	4,884,754	5,101,626
Construction in progress	580,886	112,155
	5,465,640	5,213,781

Reconciliations

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

Consolidated	Plant and equipment	Construction in progress	Total
	\$	\$	\$
Balance at 1 July 2021	5,101,626	112,155	5,213,781
Additions	-	462,171	462,171
Reclassification from construction in progress	1,490	(1,490)	-
Exchange differences	180,760	8,050	188,810
Depreciation expense	(399,122)	-	(399,122)
Balance at 31 December 2021	4,884,754	580,886	5,465,640

Note 8. Right-of-use assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - right-of-use	5,954,859	5,315,990
Less: Accumulated depreciation	(1,694,561)	(1,240,739)
	<u>4,260,298</u>	<u>4,075,251</u>
Equipment - right-of-use	161,974	120,016
Less: Accumulated depreciation	(124,626)	(93,380)
	<u>37,348</u>	<u>26,636</u>
	<u><u>4,297,646</u></u>	<u><u>4,101,887</u></u>

Reconciliations

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

	Plant right-of-use	Equipment right-of-use	Total
	\$	\$	\$
Consolidated			
Balance at 1 July 2021	4,075,251	26,636	4,101,887
Additions	443,071	37,300	480,371
Exchange differences	147,477	1,045	148,522
Depreciation expense	(405,501)	(27,633)	(433,134)
Balance at 31 December 2021	<u><u>4,260,298</u></u>	<u><u>37,348</u></u>	<u><u>4,297,646</u></u>

Note 9. Borrowings

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Current liabilities</i>		
Other loan payable	<u><u>5,031,167</u></u>	<u><u>4,853,675</u></u>

Pure loan payable

During the period, a continuing review event under the terms of the Facility Agreement with Pure Asset Management ("Lender") occurred as a result of the Group's cash balance as of 31 December 2021 falling below US\$1,000,000. A continuing review event provides the Lender with a right to notify the Company of an event of default. During the half year ended 31 December 2021 and up to the date of this report, the Lender or its agent has not notified the Company of 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. Furthermore, on 10 February 2022, the Company announced a successful placement raising \$4,499,920 before issue costs (see Note 16) which will increase the cash balance above the US\$1,000,000 threshold. However, the loan has been classified as current as at 31 December 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.

Interest of \$182,502 was capitalised against the loan for the half-year ended 31 December 2021.

Carbonxt Group Limited
Notes to the financial statements
31 December 2021



Note 10. Issued capital

	31 Dec 2021 Shares	Consolidated 30 Jun 2021 Shares	31 Dec 2021 \$	30 Jun 2021 \$
Ordinary shares - fully paid	<u>169,450,367</u>	<u>162,590,367</u>	<u>77,472,694</u>	<u>76,789,766</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	162,590,367		76,789,766
Shares placement	20 July 2021	6,800,000	\$0.15	1,020,000
Shares issued on the exercise of option	17 November 2021	60,000	\$0.29	17,460
Transaction costs		-		(354,532)
Balance	31 December 2021	<u>169,450,367</u>		<u>77,472,694</u>

Note 11. Reserves

	Consolidated 31 Dec 2021 \$	30 Jun 2021 \$
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	(59,502)	(527,505)
Share-based payments reserve	7,123,115	6,216,940
Convertible note equity reserve	563,131	563,131
	<u>16,480,612</u>	<u>15,106,434</u>

Movements in reserves

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

	Financial liability reserve \$	Foreign currency translation reserve \$	Share-based payments reserve \$	Convertible note equity reserve \$	Total \$
Balance at 1 July 2021	8,853,868	(527,505)	6,216,940	563,131	15,106,434
Foreign currency translation	-	468,003	-	-	468,003
Share based payment expense	-	-	705,235	-	705,235
Shares issued on the exercise of options	-	-	(3,060)	-	(3,060)
Share-based payment recorded as transaction costs	-	-	204,000	-	204,000
Balance at 31 December 2021	<u>8,853,868</u>	<u>(59,502)</u>	<u>7,123,115</u>	<u>563,131</u>	<u>16,480,612</u>

Note 12. Dividends

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

Note 13. Contingent liabilities

The Group had no contingent liabilities at 31 December 2021 and 30 June 2021.

Note 14. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss after income tax attributable to the owners of Carbonxt Group Limited	<u>(1,990,815)</u>	<u>(2,544,243)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>168,702,867</u>	<u>124,534,625</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>168,702,867</u>	<u>124,534,625</u>
	Cents	Cents
Basic loss per share	(1.18)	(2.04)
Diluted loss per share	(1.18)	(2.04)

30,291,920 (31 December 2020: 16,041,670) options and warrants were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 15. Share-based payments

On 27 August 2021, the Company issued a total of 5,000,000 options issued to Sixty Two Capital Pty Ltd as consideration for corporate advisory services. The options have an exercise price of \$0.24 and expire three years from the date of issue. The Advisor options are subject to the vesting schedule below:

- (i) 1,000,000 unlisted options upon signing the Agreement (Tranche 1 Options);
- (ii) 2,000,000 unlisted options with a vesting condition of the CG1 10-day VWAP being above \$0.40 (Tranche 2 Options); and
- (iii) 2,000,000 options with a vesting condition of the CG1 10- day VWAP being above \$0.60 (Tranche 3 Options).

On or around the date of the share-based payment transaction entered into with Sixty Two Capital Pty Ltd outlined above, the Company accrued \$96,000 for options to be issued to Sanlam Private Wealth as consideration for corporate advisory services. The options have an exercise price of \$0.24 and expire three years from the date of issue.

The share-based payment in relation to transaction costs for the half-year ended 31 December 2021 is \$204,000 (31 December 2020: \$240,000). Total expense arising from share-based payment transactions during the financial half-year was \$705,235 of which \$137,235 relates to shares issued to employees in lieu of salaries, \$472,000 relates to options issued to Sixty Two Capital Pty Ltd and \$96,000 relates to options issued to Sanlam Private Wealth (31 December 2020: \$nil).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
26/07/2021	25/07/2024	\$0.20	\$0.24	84.16%	-	0.22%	\$0.096
26/07/2021	25/07/2024	\$0.20	\$0.24	84.16%	-	0.22%	\$0.092

Note 16. Events after the reporting period

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.

On 10 February 2022, the Company announced successful placement of 18,749,667 new fully paid ordinary shares raising \$4,499,920 before issue costs.

No other matter or circumstance has arisen since 31 December 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
31 December 2021



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

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

Warren Murphy
Managing Director

24 February 2022
Sydney

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Carbonxt Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2021, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for conclusion

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

Material uncertainty related to going concern

We draw attention to Note 2 of the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions along with the other matters disclosed in Note 2 indicate the existence of a material uncertainty that may cast significant doubt concerning the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

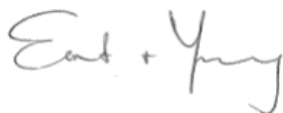
Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's consolidated financial position as at 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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



Ernst & Young



Scott Jarrett
Partner
Sydney
24 February 2022