Carbonxt Group Limited. Level 12, 225 George Street, Sydney NSW 2000

30 August 2019

Carbonxt Group Limited – FY19 Results

ABOUT Carbonxt Group Limited (CG1.ASX)

Carbonxt produces patented, non-brominated, Activated Carbons that are used to eliminate mercury and other toxic pollutants. Our US-based manufacturing plants produce both Powdered and Pelletised products, which are used by customers, predominantly operating coal-fired power stations and cement plants.

Emission reductions are mandated by the Environmental Protection Agency (EPA), and the US power industry has invested billions of dollars installing equipment to mitigate the release of mercury. Unlike industry peers, our products are non-brominated, which means they do not corrode capital equipment. Our products are single use creating reoccurring revenue with contracts typically several years in duration.

[All results in AUD]

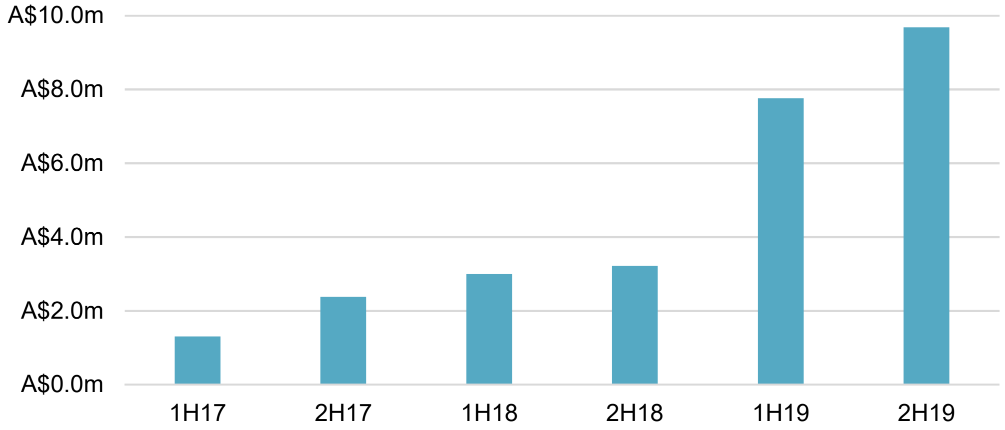
- Revenue of $18.3 million, up 188% on FY18 reflecting strong organic growth in all business segments and success with the Company's market diversification strategy.
- Annual Gross margin of 19.2%, down from 23.6% in FY18, primarily reflecting the start-up production issues at the Arden Hills facility in 1H19. These issues have been resolved and the plant ran efficiently during the second half of FY19.
- Considerable improvement in gross margins over the year, and by moving to our own facilities we can capture a substantially higher profit than in previous years.

(AUD$'000)	1H19	2H19*
Revenue	$8,671	$9,654
Gross margin	$577	$2,937
Gross margin %	6.7%	30.4%

* *Audited FY19 results less comparable Half Year results released on 28 February 2019*

- Underlying EBITDA loss for 2H19 of $0.9m, a significant improvement on 1H19 EBITDA loss of $4.2m.
- As guided previously, the US operations reached cashflow positive in the month of June. The month of July was also positive and the Company is on track to be cash flow positive in FY20.

Half Yearly Revenue



Activated Carbon Pellets - Arden Hills, Minnesota (USA).

- Sales commenced in June 2018 and have accelerated throughout the financial year. A single large utility customer was originally expected to take 1,500 tons during FY19 and instead increased the order to 3,600 tons. This customer is expected to take a similar volume of product in FY20.
- Discussions with major potential customers indicate significant expansion opportunities in AC pellet products and other markets, outside our normal customer base, in FY20.
- Entry into the AC pellet vapour application industrial market with multiple customers.

Powdered Activated Carbon - Black Birch, Georgia (USA)

- The facility is running efficiently with resultant higher gross margins compared to third party sourcing.
- Expanded customer base in FY19 includes an industry leading US utility, several additional cement plants.

Outlook

- Strong start to FY20 – unaudited revenue of $1.8m for the month ending 31 July, up over 20% on the previous corresponding period.
- Positive outlook with increasing demand for Carbonxt's proprietary pollutant removal technologies.
- Continued development of new emission regulation technologies with four patents granted in FY19.
- Carbonxt is the only AC industrial pellet producer located in the United States at a time of increased import tariffs and international trade uncertainty.
- It is evident from in-bound enquiries that there is an increasing desire for non-brominated solutions as customers roll-out of the initial contracts signed when the Mercury Air Toxic Standards (MATS) legislation came into force in and around 2016.

FINANCIAL OVERVIEW

US$'000	**FY18**	**FY19**	**Change**
Revenue	**$6,352**	**$18,325**	**188%**
Gross margin	**$1,499**	**$3,514**	**134%**
Gross margin %	23.6%	19.2%	-
Shipping costs	($1,079)	($1,866)	-
Cash operating costs	($5,274)	($6,743)	-
EBITDA	**($4,854)**	**($5,095)**	**-5%**
Depreciation and amortisation	($217)	($692)	
EBIT	**($5,071)**	**($5,789)**	**8%**
Net interest	($206)	($824)	-
Non-cash employee options expense	($1,601)	($52)	-
Other non-cash items (net)	$92	$($8)	-
IPO costs expensed	($374)	-	-
Net loss	**($7,160)**	**($6,672)**	**-7%**

REVENUE

Carbonxt is achieving a strong revenue trajectory with FY19 revenue 188% ahead of FY18 and over 350% ahead of FY17.

Importantly, the revenue base was further diversified in FY19, with new customers in the Mercury Air Toxic Standards (MATS) market including: one of the leading brands in the utility industry; Activated Carbon pellet customers; and customers from the cement industry (multiple plants from different cement manufacturers).

The Company expects further revenue growth in FY20 through significant demand for the Company's AC pellets for industrial pollutant removal, as well as continued expansion in the MATS, cement and other activated carbon segments.

It is evident from in-bound enquiries that there is an increasing desire for non-brominated solutions in the MATS market as utilities are coming out of the first round of long-term contracts signed at the time of the opening of the MATS market in and around 2016.

Carbonxt is the only AC industrial pellet producer in the United States at a time of increased import tariffs and international trade uncertainty. As a result, we are currently responding to higher levels of customer enquiries.

The Company has made a positive start to FY20 with unaudited revenue of $1.8m for the month ending 31 July, up over 20% on the previous corresponding period. This revenue includes a recent win in MATS for the largest southeast USA utility, in a competitive bid for oxidising, non-brominated PAC (powder activated carbon).

Carbonxt also expects to be able to replace existing products and technologies with pelletised products for various uses during FY20. This has benefits for our customers, but also offers the opportunity for Carbonxt to provide a more differentiated product and capture improved margins.

During the year, a single utility customer (identified as customer D in the Company's Prospectus) was expected to take 1,500 tons of product from the Arden Hills facility and instead purchased 3,600 tons for the financial year. Pleasingly, the same customer is expected to take a similar volume in FY20.

MARGIN GROWTH

FY19 gross margin was 19.2%, below the 23.6% recorded in FY18 due to the previously advised production start-up issues at Arden Hills in 1H19. These issues have been resolved with 2H19 gross margin of 30.4%.

With the initial teething issued behind us margins on industrial AC pellets produced at Arden Hills are expected to be at least 30%. The Company has a very strong R&D team with an excellent track record of achieving margin expansion over time as products are refined and the Company gains more experience with product formulas and manufacturing processes.

Black Birch (powdered) uses a very low-cost base material for manufacturing Powdered Activated Carbon (PAC) and the Company's margins have improved on these products compared with previous third-party sourcing.

The Black Birch PAC facility in Georgia commenced operations in 2018 and has been producing at a run-rate of about 6,000 tons per annum which is approximately 60% utilisation.

OPERATING COSTS

Shipping costs to customers decreased from 17.0% of revenue in FY18 to 10.2% in FY19 due to a higher mix of AC pellet sales, where the customer is in close proximity to the Arden Hills plant.

Operating costs of $6.7m were 28% higher than FY18, significantly lower than the pace of revenue growth. Further economies of scale are expected in FY20. The increase in operating costs was predominantly due to costs related to entering the AC pellet market as well as time required for the Arden Hills and Black Birch facilities to operate at efficient levels.

STATEMENT OF FINANCIAL POSITION

Carbonxt had cash of $2.4m as at 30 June 2019.

The Company has a A$5.5 million debt facility provided by PURE Asset Management and Skye Alba, maturing in April 2023 with an interest rate of 9.5%. Warrants associated with this facility were issued at 60c per share.

FURTHER GROWTH OPPORTUNITIES

New and growing market segments in the USA

The AC pellet market for industrial applications is quite diverse. As Carbonxt's initial pellets are targeted to specific applications such as vapour recovery units, 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.

The MATS market is anticipated to grow significantly as existing clean coal tax credits are scheduled to be retired by the end of 2021. This market segment growth combined with Carbonxt's proprietary oxidising but non-brominated technology is expected to lead to incremental volume for the Company.

Increasingly stringent pollution control regulation

The Company has representatives on several leading industry bodies and EPA working groups, giving a good line of sight to future regulation and market dynamics. Carbonxt has arguably the most capable R&D/Product Development capability in the USA Activated Carbon market to capitalise on any changes.

International applications

Many of the Company's products, such as AC pellets, have global application and the Company is in the early stages of investigating potential opportunities in other countries outside the US.

ENDS

For further information please contact:

Contacts

Warren Murphy
Managing Director
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E: w.murphy@carbonxt.com

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 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	188.5%	to	18,325,205
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	down	4.9%	to	(5,095,759)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	down	6.8%	to	(6,671,921)
Loss for the year attributable to the owners of Carbonxt Group Limited	down	6.8%	to	(6,671,921)

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 $6,671,921 (30 June 2018: $7,159,859).

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

	Consolidated 2019 $	2018 $
Revenue	18,325,205	6,351,913
Gross margin	3,513,895	1,498,548
Shipping cost	(1,866,569)	(1,078,404)
Cash operating expenses	(6,743,085)	(5,274,286)
Underlying EBITDA	(5,095,759)	(4,854,142)
Depreciation and amortisation	(692,749)	(217,474)
Underlying earnings before interest and tax ('EBIT')	(5,788,508)	(5,071,616)
Net Interest expense	(823,536)	(206,321)
Share based payment expense	(52,000)	(1,601,356)
Other non-cash items	(7,877)	93,027
Initial Public Offering costs	-	(373,593)
Loss before income tax expense	(6,671,921)	(7,159,859)

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

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.63	3.99

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 unqualified opinion has been issued. The auditor's report contains 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 2019 is attached.

12. Signed

Signed ______________________________ Date: 30 August 2019

Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Annual Report - 30 June 2019

Carbonxt Group Limited
Contents
30 June 2019

Carbonxt Group Limited
Corporate directory
30 June 2019

Directors	Matthew Driscoll - Chairman (appointed 5 August 2019) Bruce Hancox - Chairman (appointed 30 November 2018, resigned 5 August 2019) 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 25 1 O'Connell Street Sydney NSW 2000 Australia
Stock exchange listing	Carbonxt Group Limited shares are listed on the Australian Securities Exchange (ASX code: CG1)
Website	www.carbonxt.com
Business objectives	Carbonxt Group Limited has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.

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 (Third 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.carbonxt.com

Dear Shareholder,

I am pleased to present our annual report for the financial year ended 30 June 2019 ('FY19').

Carbonxt's goal is to become a global leader in pollution control technology. Environmental standards and regulations are becoming ever more stringent and we have world class technological skills to develop new products to meet increasing customer demand driven by these regulatory changes.

FY19 was a year of tremendous growth with revenues up nearly 200% to $18.3m. However, such rapid growth also saw pressure on our internal resources. Our first half 2019 performance was disappointing. As with most new manufacturing facilities, there is typically a ramp up period where problems and issues are identified and addressed. Arden Hills was no exception and having addressed start-up manufacturing issues in 1H19, I am pleased to be able to report that the plant operated very efficiently in 2H19. While revenue growth for the full year was very strong, the unexpected start-up costs at our Arden Hills facility put pressure on our 1H19 margins. In order to preserve cash, a decision was made at that time to defer further capital expenditure at our Prairie Point pellet facility. Having overcome the start-up issues at Arden Hills, 2H19 margins improved significantly and I can report the plant is now successfully operating with additional manufacturing capacity.

The Black Birch PAC (powdered activated carbon) facility in Georgia also commenced operations in FY19 and has been producing at a running rate of approximately 6,000 tons per annum.

The operational improvement at Arden Hills saw margins improve from just over 6% in 1H19 to over 30% in 2H19. Pleasingly, we have the ability to further refine our products and we expect additional margin improvements in the financial year ending 30 June 2020 ('FY20') as the Company gains experience with our products formulas and related manufacturing processes.

As was noted last year, the knowledge gained from the development of our AC pellets has enabled the Company to enter the industrial pellet market where we have won our first two orders.

The AC pellet market for industrial applications is quite diverse. As Carbonxt's initial pellets are targeted to specific applications such as vapour recovery units, there is a significant growth opportunity as we develop pellet formulas to address odour mitigation, liquid solvent recovery units, and other specific industrial uses of pellets.

At a time of increasing trade barriers and an increasing desire by industrials to buy product made in the USA, our status as one of the few AC pellet manufacturers in the USA is attractive to our likely product consumers. We intend to capitalise on this position in FY20 and establish the Company as a reliable local USA supplier of AC pellets.

Our core product of PAC for the MATS ("Mercury and Air Toxic Standards") market is very well positioned for likely future regulatory changes. We are seeing a number of utilities now specifying a non-brominated AC for their requirements and Carbonxt's proprietary oxidising but non-halogenated technology is well suited to their needs. We were delighted to recently win an order with one of the leading utilities in the USA in just such a circumstance.

In the last quarter of FY19, the Company entered into a new finance facility with PURE Asset Management Pty Ltd ("PURE") and Skye Equity Pty Ltd (together the "Lenders") to provide $3m of additional expansion funding and to redeem the existing Convertible Note facility. We thank these companies for their commitment and ongoing support.

I would like to thank our team for their hard work and commitment to overcome the challenges in the first half of the year and demonstrate such a strong improvement in the second half of the year.

We look forward to continuing the positive momentum in the Company's performance and capitalising on our industry leading development capability.

Yours sincerely

Matthew Driscoll
Chairman

30 August 2019
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 2019.

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 (appointed 5 August 2019)
Warren Murphy
David Mazyck
Bruce Hancox (appointed 30 November 2018, resigned 5 August 2019)
Matthew Quinn (retired 30 November 2018)

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 $6,671,921 (30 June 2018: $7,159,859).

Revenue for the year was $18,325,205 representing an increase of 188.5% on the prior year's revenue of $6,351,913.

Underlying EBITDA (Earnings, before interest, taxation, depreciation and amortisation, adjusted for specific items) amounted to amounted to $5,095,759 (30 June 2018: $4,854,142).

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

	Consolidated	
	2019	**2018**
	$	**$**
Revenue	18,325,205	6,351,913
Gross margin	3,513,895	1,498,548
Shipping cost	(1,866,569)	(1,078,404)
Cash operating expenses	(6,743,085)	(5,274,286)
Underlying EBITDA	(5,095,759)	(4,854,142)
Depreciation and amortisation	(692,749)	(217,474)
Underlying earnings before interest and tax ('EBIT')	(5,788,508)	(5,071,616)
Net Interest expense	(823,536)	(206,321)
Share based payment expense	(52,000)	(1,601,356)
Other non-cash items	(7,877)	93,027
Initial Public Offering costs	-	(373,593)
Loss before income tax expense	(6,671,921)	(7,159,859)

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

Growth of customer base
The Group's customer base has increased during the financial year. Key highlights include:
- increasing the volume supplied to our largest customer;
- securing a PAC supply contract for the largest Southeast USA utility;
- securing an extension for an existing PAC customer; and
- entering the industrial pellet market and obtaining our first two supply contracts.

Significant changes in the state of affairs
Capital raising
On 22 October 2018, as part of the 2018 rights issue placement, the Company issued 7,500,000 ordinary shares raising a total of $3,000,000 before issue costs.

On 7 November 2018, the Company had 1:4 rights issue, and as a result, the Company issued 7,679,449 ordinary shares raising a further $3,071,780 before issue costs. This capital raised was to fund the building of additional manufacturing capacity and to fund working capital to meet the high level of demand for the Group's AC pellet product.

Manufacturing capacity

Black Birch PAC facility located in Georgia, USA.	This facility continues to improve, and the Group has commenced moving to supply its major utility supply contracts from this facility. Production has increased to 6,000 tons of PAC per annum for existing customers, with the capability to produce 10,000 tons per annum when fully operational.
Arden Hills AC pellet plant facility located in Minnesota, USA	The production cost at this facility has significantly reduced over the period and further improvements are expected.

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

Matters subsequent to the end of the financial year
On 5 August 2019, Bruce Hancox resigned as Chairman. On 5 August 2019, Matthew Driscoll was appointed as Chairman.

No other matter or circumstance has arisen since 30 June 2019 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 USA, 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 USA distributors that are currently relying on imports from Asia.

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 (appointed 5 August 2019)
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:	NED Energy Technologies Limited (EGY), NED Blina Minerals (BDI), NED BuyMyPlace.com.au (BMP), NED of Unlisted public Co. Smoke Alarms Holdings.
Former directorships (last 3 years):	Chair, Powerwrap Limited (PWL) Chair, Killara Resources Limited (KRA)
Interests in shares:	415,552
Interests in options:	None

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:	Director of Alinta Limited (ASX: AA1) as well as the unlisted Coogee Resources Limited.
Former directorships (last 3 years):	None
Interests in shares:	250,000 ordinary shares
Interests in options:	1,500,000 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:	267,500 ordinary shares
Interests in options:	1,000,000 options over ordinary shares

Name:	Bruce Hancox (appointed 30 November 2018 and resigned 5 August 2019)
Title:	Non-Executive Chairman
Qualifications:	B.com
Experience and expertise:	Bruce has had a long and distinguished career in business in New Zealand and Australia and was for many years involved with Brierley Investments Limited as a General Manager and Chairman. Since 2008 he has been a financial adviser to interests of Lang Walker and has been a director of several Australian listed public companies. Bruce is a representative of the Walker group of companies, Carbonxt's largest shareholder.
Other current directorships:	Next Science Limited (ASX: NSX), Australian Industrial Minerals
Former directorships (last 3 years):	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

Name:	Matthew Quinn (retired 30 November 2018)
Title:	Non-Executive Chairman
Qualifications:	First class honours degree in Chemistry and Management Science from Imperial College London, an associate of the Royal College of Science, and a Chartered Accountant.
Experience and expertise:	Matthew was formerly the Managing Director of Stockland, Australia's largest diversified property group and a top 50 ASX listed company, from 2000 to 2013. He was National President of the Property Council of Australia from 2003 to 2005 and a director of the Business Council of Australia in 2012. Matthew is involved in a number of not-for-profits and is on the board of the Australian Business and Community Foundation.
Other current directorships:	Non-Executive Director of CSR Limited (ASX: CSR) and Regis Limited (ASX: REG) and Chairman of Class Limited (ASX: CL1)
Former directorships (last 3 years):	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

'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 (appointed 19 September 2018) 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 (appointed 1 March 2019) Laura is an experienced Charted 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 Masters degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (GIA).

Tom Bloomfield (resigned 1 March 2019) has acted as Company Secretary to numerous ASX listed companies, as well as unlisted and private companies in Australia in diverse industry sectors. He is a Chartered Company Secretary, Fellow of the Institute of Chartered Secretaries and Administrators ('ICSA') and Member of the Australian Institute of Company Directors ('MAICD'). He holds a Law degree with Honours and a Graduate Diploma in Applied Corporate Governance.

Meetings of directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Bruce Hancox	5	5
Warren Murphy	10	10
David Mazyck	10	10
Matthew Quinn	5	5

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.

Key management personnel 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 key management personnel

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 long service leave and 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. A cash bonus is dependent on sales targets being met. Any other additional 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 2019, 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 2018 Annual General Meeting ('AGM')
The Company did not receive any specific feedback on its remuneration practices at the 2018 Annual General Meeting or during the financial year.

Details of remuneration

Amounts of remuneration
The key management personnel of the Group consisted of the following directors of Carbonxt Group Limited:
- Bruce Hancox - Non-Executive Chairman
- Warren Murphy - Managing Director
- David Mazyck - Director of Technology and Chief Executive Officer Carbonxt Inc.
- Matthew Quinn - Non-Executive Chairman

And the following person:
- Rebecca Prince - Chief Financial Officer ('CFO')

Details of the remuneration of key management personnel of the Group are set out in the following tables.

Changes since the end of the reporting period:
Bruce Hancox resigned as Non-Executive Chairman on 5 August 2019 and was replaced by Matthew Driscoll.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2019	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled**** $	Total $
Non-Executive Director:							
Matthew Quinn**	50,000	-	-	4,750	-	-	54,750
Executive Directors:							
Warren Murphy*	219,090	-	-	-	-	-	219,090
David Mazyck*	596,952	-	-	-	-	-	596,952
Other Key Management Personnel:							
Rebecca Prince***	241,964	139,801	-	-	-	52,000	433,765
	1,108,006	139,801	-	4,750	-	52,000	1,304,557

* Fees paid to consulting firms related to the relevant key management personnel.
** Remuneration disclosed is for the year to the date of resignation.
*** Remuneration disclosed is for the period from appointment to 30 June 2019.
**** The equity-settled remuneration relates to the expensing in full of the options granted to key management in September 2018 under the Employee Option Plan. There will be no further benefit recorded in the future in respect to these options

Cash bonuses of $83,881 (US$60,000) and $55,920 (US$40,000) accrued were paid to Rebecca Prince during the 2019 financial year for signing the employment contract.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled** $	Total $
Non-Executive Director:							
Matthew Quinn	116,024	-	-	11,400	-	347,785	475,209
Executive Directors:							
Warren Murphy *	219,000	65,000	-	-	-	521,677	805,677
David Mazyck *	462,346	90,744	-	-	-	381,535	934,625
	797,370	155,744	-	11,400	-	1,250,997	2,215,511

* Fees paid to consulting firms related to the relevant key management personnel.
** The equity-settled remuneration relates to the expensing in full of the options granted to directors in November 2017 under the Employee Option Plan. There will be no further benefit recorded in the future in respect to these options.

A cash bonus of $90,744 (USD $70,000) was paid to David Mazyck in February 2018 in respect of the Group's sales performance for the 2017 year. A cash bonus of AUD $65,000 was paid to Warren Murphy in December 2017 in respect of achieving the Initial Public Offering of Carbonxt Group Limited on the ASX in January 2018.

Service agreements

Remuneration and other terms of employment for key management personnel 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. US$100,000 signing bonus.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Rebecca Prince	200,000	19 September 2018	19 September 2018	30 November 2021	$0.56	$0.260

The above options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2019, following approval by shareholders at the AGM on 30 November 2017. Options granted carry no dividend or voting rights.

Additional information

The earnings of the Group for the two years to 30 June 2019 are summarised below:

	2019 $	2018 $
Sales revenue	18,325,205	6,351,913
Net loss after tax	(6,671,921)	(7,159,859)
Net Assets	4,956,333	4,467,306

	2019	2018
Share price at financial year end ($)	0.33	0.40
Basic earnings per share (cents per share)	(7.68)	(10.63)

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel 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	Others	Balance at the end of the year
Ordinary shares					
Warren Murphy	200,000	-	50,000	-	250,000
David Mazyck	267,500	-	-	-	267,500
Matthew Quinn	2,700,000	-	299,675	-	2,999,675
	3,167,500	-	349,675	-	3,517,175

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Warren Murphy	1,500,000	-	-	-	1,500,000
David Mazyck	1,000,000	-	-	-	1,000,000
Matthew Quinn	1,000,000	-	-	-	1,000,000
Rebecca Prince	-	200,000	-	-	200,000
	3,500,000	200,000	-	-	3,700,000

Other transactions with key management personnel 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
8 June 2018	8 June 2020	$0.60	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	$0.60	9,166,670
			14,141,670

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 2019 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.

Auditor
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

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

____
Warren Murphy
Managing Director

30 August 2019
Sydney

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 and its controlled entities

As lead auditor for the audit of Carbonxt Group Limited and its subsidiaries for the financial year ended 30 June 2019, 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 its subsidiaries during the financial year.

Ernst & Young

Scott Jarrett
Partner
30 August 2019

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue			
Sales revenue	5	18,325,205	6,351,913
Cost of goods sold		(14,811,310)	(4,853,365)
Gross margin		3,513,895	1,498,548
Other income		26,010	332,137
Expenses			
Shipping and distribution costs		(1,866,569)	(1,078,404)
Employee benefits expense		(2,974,129)	(2,563,352)
Share-based payment expense	31	(52,000)	(1,601,356)
Depreciation and amortisation expense	6	(692,749)	(217,474)
Selling and marketing expenses		(1,082,401)	(964,258)
General and administrative expenses		(1,183,013)	(1,224,019)
Other expenses	6	(1,537,429)	(1,135,360)
Operating loss		(5,848,385)	(6,953,538)
Interest income		31,335	37,855
Finance costs	6	(854,871)	(244,176)
Loss before income tax expense		(6,671,921)	(7,159,859)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Carbonxt Group Limited		(6,671,921)	(7,159,859)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		305,300	129,964
Other comprehensive income for the year, net of tax		305,300	129,964
Total comprehensive income for the year attributable to the owners of Carbonxt Group Limited		(6,366,621)	(7,029,895)
		Cents	**Cents**
Basic earnings per share	30	(7.68)	(10.63)
Diluted earnings per share	30	(7.68)	(10.63)

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

	Note	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current assets			
Cash and cash equivalents	8	2,376,431	5,166,545
Trade and other receivables	9	1,697,948	787,331
Inventories	10	2,067,828	780,197
Other	11	646,512	341,439
Total current assets		6,788,719	7,075,512
Non-current assets			
Plant and equipment	12	10,604,763	2,058,909
Intangibles	13	1,729,622	1,530,776
Total non-current assets		12,334,385	3,589,685
Total assets		19,123,104	10,665,197
Liabilities			
Current liabilities			
Trade and other payables	14	3,464,406	1,772,340
Borrowings	15	1,026,413	73,333
Employee benefits		173,989	66,169
Total current liabilities		4,664,808	1,911,842
Non-current liabilities			
Borrowings	16	7,516,055	2,269,315
Other liabilities	17	1,985,908	2,016,734
Total non-current liabilities		9,501,963	4,286,049
Total liabilities		14,166,771	6,197,891
Net assets		4,956,333	4,467,306
Equity			
Issued capital	18	63,200,387	57,532,631
Reserves	19	15,551,898	14,058,706
Accumulated losses		(73,795,952)	(67,124,031)
Total equity		4,956,333	4,467,306

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 2019

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	45,216,728	12,346,986	(59,964,172)	(2,400,458)
Loss after income tax expense for the year	-	-	(7,159,859)	(7,159,859)
Other comprehensive income for the year, net of tax	-	129,964	-	129,964
Total comprehensive income for the year	-	129,964	(7,159,859)	(7,029,895)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	12,315,903	(19,600)	-	12,296,303
Issue of options	-	1,601,356	-	1,601,356
Balance at 30 June 2018	57,532,631	14,058,706	(67,124,031)	4,467,306

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	57,532,631	14,058,706	(67,124,031)	4,467,306
Loss after income tax expense for the year	-	-	(6,671,921)	(6,671,921)
Other comprehensive income for the year, net of tax	-	305,300	-	305,300
Total comprehensive income for the year	-	305,300	(6,671,921)	(6,366,621)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	5,667,756	-	-	5,667,756
Share-based payments (note 31)	-	52,000	-	52,000
Warrants issued (note 16)	-	1,135,892	-	1,135,892
Balance at 30 June 2019	63,200,387	15,551,898	(73,795,952)	4,956,333

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

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		17,409,772	6,084,770
Payments to suppliers and employees (inclusive of GST)		(23,152,294)	(12,986,593)
		(5,742,522)	(6,901,823)
Interest received		31,335	37,855
Interest and other finance costs paid		(565,522)	(34,395)
Net cash used in operating activities	29	(6,276,709)	(6,898,363)
Cash flows from investing activities			
Payments for plant and equipment	12	(4,121,209)	(508,537)
Payments for intellectual property	13	(299,608)	(129,477)
Net cash used in investing activities		(4,420,817)	(638,014)
Cash flows from financing activities			
Proceeds from issue of shares	18	6,071,780	13,224,000
Proceeds from loan payable		5,423,000	-
Repayment of convertible notes		(2,500,000)	-
Share issue transaction costs	18	(404,024)	(1,312,735)
Repayment of lease liabilities		(869,198)	-
Net cash from financing activities		7,721,558	11,911,265
Net increase/(decrease) in cash and cash equivalents		(2,975,968)	4,374,888
Cash and cash equivalents at the beginning of the financial year		5,166,545	520,522
Effects of exchange rate changes on cash and cash equivalents		185,854	271,135
Cash and cash equivalents at the end of the financial year	8	2,376,431	5,166,545

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	**Principal place of business**
Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia	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 30 August 2019. 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:

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

Note 2. Significant accounting policies (continued)

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Initial adoption of AASB 9
The Group has adopted AASB 9 from 1 July 2018 using the full retrospective approach. The Group has determined that the adoption of AASB 9 did not have any significant impact on the financial performance or position of the Group at transition date and during the year ended 30 June 2019 and therefore there was no impact on opening retained earnings. The main financial assets recognised by the Group represents cash and cash equivalents and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price.

Financial assets
The following table and accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets.

Financial assets	Original classification	New classification	Change in carrying amount
Cash and cash equivalents	Loans and receivables	Amortised cost	No impact on transition to AASB 9
Trade and other receivables	Loans and receivables	Amortised cost	No impact on transition to AASB 9

Financial liabilities
AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities. The standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI, unless it would create an accounting mismatch.

Impairment of financial assets
The Group measures loss allowances on trade receivables using a life-time expected loss model. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance based on the customers history of default and probability of likelihood of default in the future.

The Group has determined that the allowance for expected credit losses on trade receivables and other assets carried at amortised cost was immaterial.

Initial adoption of AASB 15
The Group has adopted AASB 15 from 1 July 2018 using the full retrospective approach. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Note 2. Significant accounting policies (continued)

The Group's main revenue stream is the sale of activated carbon and very minimal consultancy fees which includes on site testing and are recognised as revenue at a point in time as the product is delivered to the customer and as the service is performed.

The Group has determined that the adoption of AASB 15 did not have any significant impact on the financial performance or position of the Group at transition date and during the year ended 30 June 2019.

Going Concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

During the financial year ended 30 June 2019, the Group incurred a net loss after tax of $6,671,921 (30 June 2018: $7,159,859) and a cash outflow from operating activities of $6,378,826 (30 June 2018: $6,898,363). As at 30 June 2019, the Group had net assets of $4,950,333 (30 June 2018: $4,467,306) and cash and cash equivalents of $2,376,431 (30 June 2018: $5,166,545).

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 following:

- The Group has significantly improved the operating performance of the business during FY2019;
- The Group will defer certain capital expenditures;
- The Group continues to proactively managed the cash flow requirements to ensure that funds are available when required; and
- The ability of the Group to obtain funding through various sources, including debt and equity issues which are currently being investigated by managed/the Board.

Should the Group not achieve improvements to operating performance and/or not be able to raise additional funding, 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.

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 except for royalty payable.

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 32.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carbonxt Group Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Note 2. Significant accounting policies (continued)

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.

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 Australian dollars 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.

Note 2. Significant accounting policies (continued)

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.

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

Interest
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.

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.

Note 2. Significant accounting policies (continued)

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.

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
Plant and equipment under lease	over the term of the lease

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.

Note 2. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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.

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.

Note 2. Significant accounting policies (continued)

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised

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.

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.

Note 2. Significant accounting policies (continued)

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 of shares assumed to have been issued for no consideration in relation to 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.

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

Note 2. Significant accounting policies (continued)

Comparative information

Comparatives have been restated, where appropriate, to conform to changes in presentation in the current year and to enhance comparability. There was no net effect on the net asset position.

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 2019. 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 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the right-of-use asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. As of 1 July 2019, and using the transitional rules available, the Group would have recognised a lease liability being the present value of the operating lease commitments between $1,200,000 and $1,400,000 with a corresponding increase in property, plant and equipment.

New Conceptual Framework for Financial Reporting

A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

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.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair value. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair 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 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 fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and tax losses only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses or to the extent that they offset deferred tax liabilities.

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 2019 approximately 50% (2018: 36%) of the Group's external revenue was derived from sales to one customer.

Geographical information

	Sales to external customers		**Geographical non-current assets**	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Australia	-	-	858,482	948,842
United States of America	18,325,205	6,351,913	11,475,903	2,640,843
	18,325,205	6,351,913	12,334,385	3,589,685

Note 4. Operating segments (continued)

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	
	2019 $	2018 $
Major product lines		
Sale of activated carbon	18,052,183	6,279,379
Consultancy fees	273,022	72,534
	18,325,205	6,351,913
Geographical regions		
United States of America	18,325,205	6,351,913
Timing of revenue recognition		
Goods transferred at a point in time	18,325,205	6,351,913

Note 6. Expenses

	Consolidated 2019 $	Consolidated 2018 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	320,519	98,874
Plant and equipment under lease	240,921	-
Total depreciation	561,440	98,874
Amortisation		
Engineering Performance Solutions ('EPS) patents	90,360	90,360
Other patents	40,949	28,240
Total amortisation	131,309	118,600
Total depreciation and amortisation	692,749	217,474
Finance costs		
Interest and finance charges paid/payable	2,052	34,395
Interest and finance charges paid/payable on lease liabilities	282,994	-
Convertible note interest	515,325	209,781
Loan payable interest	54,500	-
Finance costs expensed	854,871	244,176
Other expenses		
Insurance costs	539,665	287,652
Legal costs	123,741	208,503
Other expenses	83,937	24,484
Technical feasibility expense	494,850	417,118
Operating lease payments	137,165	128,113
Other occupancy expense	62,696	69,490
Loss on disposal of plant and equipment	95,375	-
Total other expenses	1,537,429	1,135,360

Note 7. Income tax

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(6,671,921)	(7,159,859)
Tax at the statutory tax rate of 27.5%	(1,834,778)	(1,968,961)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax assets not recognised	1,834,778	1,968,961
Income tax expense	-	-

Note 7. Income tax (continued)

	Consolidated 2019 $	2018 $
Tax losses not recognised		
Unused Australian tax losses for which no deferred tax asset has been recognised	20,156,153	18,347,672
Potential tax benefit @ 27.5%	5,542,942	5,045,610
Unused United States tax losses for which no deferred tax asset has been recognised	44,292,968	39,429,527
Potential tax benefit @ 21.0%	9,301,523	8,280,201

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.

The Group also has capital losses of approximately $3,000,000.

Note 8. Current assets - cash and cash equivalents

	Consolidated 2019 $	2018 $
Cash on hand	20	20
Cash at bank	2,311,642	5,105,068
Cash on deposit	64,769	61,457
	2,376,431	5,166,545

Note 9. Current assets - trade and other receivables

	Consolidated 2019 $	2018 $
Trade receivables	1,697,948	787,331

Allowance for expected credit losses
The Group has recognised a loss of $nil (2018: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2019.

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

Note 10. Current assets - inventories

	Consolidated 2019 $	2018 $
Raw materials - at cost	1,758,932	549,515
Activated carbon finished goods - at cost	308,896	230,682
	2,067,828	780,197

Note 11. Current assets - other

	Consolidated 2019 $	Consolidated 2018 $
Prepayments	632,619	332,819
GST receivable	13,893	8,620
	646,512	341,439

Note 12. Non-current assets - plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Plant and equipment - at cost	4,688,571	2,724,526
Less: Accumulated depreciation	(996,289)	(665,617)
	3,692,282	2,058,909
Plant and equipment under lease	4,992,561	-
Less: Accumulated depreciation	(253,748)	-
	4,738,813	-
Construction in progress	2,173,668	-
	10,604,763	2,058,909

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 and equipment $	Plant and equipment under lease $	Construction in progress $	Total $
Balance at 1 July 2017	1,567,493	-	-	1,567,493
Additions	508,537	-	-	508,537
Revaluation decrements	81,753	-	-	81,753
Depreciation expense	(98,874)	-	-	(98,874)
Balance at 30 June 2018	2,058,909	-	-	2,058,909
Additions	1,921,410	4,992,561	2,199,799	9,113,770
Disposals	(71,148)	-	(26,131)	(97,279)
Exchange differences	103,630	(12,827)	-	90,803
Depreciation expense	(320,519)	(240,921)	-	(561,440)
Balance at 30 June 2019	3,692,282	4,738,813	2,173,668	10,604,763

Property, plant and equipment secured under finance leases
Refer to note 25 for further information on property, plant and equipment secured under finance leases.

Note 13. Non-current assets - intangibles

	Consolidated 2019 $	Consolidated 2018 $
Engineering Performance Solutions ('EPS) patents - at cost	1,445,822	1,445,822
Less: Accumulated amortisation	(587,340)	(496,980)
	858,482	948,842
Other patents - at cost	1,387,047	1,049,565
Less: Accumulated amortisation	(515,907)	(467,631)
	871,140	581,934
	1,729,622	1,530,776

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

Consolidated	EPS patents $	Other patents $	Total $
Balance at 1 July 2017	1,039,202	470,706	1,509,908
Additions	-	129,477	129,477
Exchange differences	-	9,991	9,991
Amortisation expense	(90,360)	(28,240)	(118,600)
Balance at 30 June 2018	948,842	581,934	1,530,776
Additions	-	299,608	299,608
Exchange differences	-	30,547	30,547
Amortisation expense	(90,360)	(40,949)	(131,309)
Balance at 30 June 2019	858,482	871,140	1,729,622

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 fair value of this liability is recognised in the statement of financial position. Refer to note 17.

Note 14. Current liabilities - trade and other payables

	Consolidated 2019 $	Consolidated 2018 $
Trade payables	2,954,888	764,791
Accrued expenses	430,540	82,500
Customer deposits	-	903,125
Other payables	78,978	21,924
	3,464,406	1,772,340

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated 2019 $	Consolidated 2018 $
Loans	73,333	73,333
Lease liability	953,080	-
	1,026,413	73,333

Refer to note 21 for further information on financial instruments.

Note 16. Non-current liabilities - borrowings

	Consolidated 2019 $	Consolidated 2018 $
Loan payable	4,341,607	-
Convertible notes payable	-	2,269,315
Lease liability	3,174,448	-
	7,516,055	2,269,315

Refer to note 21 for further information on financial instruments.

Convertible notes
The 2,500,000 convertible notes have a face value of $1 per note maturing on 1 January 2022, imputed interest is 8% payable six monthly. Conversion $0.50 per note. The noteholder may elect to convert the face value of the note plus accrued interest at any time.

Loan payable
On 24 May 2019, the Group entered into a new finance facility of $5,500,000. This represents redemption of the 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.

Movement in convertible notes during the current and previous financial year are set out below:

	Consolidated 2019 $	Consolidated 2018 $
Beginning balance	2,269,315	2,401,534
Additions	-	2,002,000
Repayments	(2,500,000)	(200,000)
Conversion	-	(1,802,000)
Modification costs	230,685	(342,000)
Interest	-	209,781
	-	2,269,315

Note 17. Non-current liabilities - other liabilities

	Consolidated 2019 $	2018 $
Royalty payable	1,985,908	2,016,734

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 liability above is valued using a discounted cash flow methodology. The patent has been recognised as an intangible asset, refer to note 13.

Note 18. Equity - issued capital

	Consolidated 2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	88,802,285	73,622,836	63,200,387	57,532,631

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	523,223,795		45,216,728
Shares issued as payment for interest to convertible note holders	July 2017	74,658	$0.04	2,986
2017 rights issue placement	July 2017	120,000	$0.05	6,000
2017 rights issue placement	August 2017	29,820,000	$0.05	1,491,000
Shares issued as payment for interest to convertible note holders	October 2017	157,534	$0.04	6,302
Shares issued as payment to convertible note holder to extend maturity date of convertible note	November 2017	6,839,999	$0.05	342,000
Shares issued as remuneration (share-based payment)	November 2017	675,000	$0.05	33,750
Share consolidation at 10:1	December 2017	(504,819,722)	$0.00	-
Shares issued at Initial Public Offering	December 2017	14,285,715	$0.70	10,000,000
Conversion of convertible notes	December 2017	3,217,857	$0.56	1,802,000
Shares issued to employees	February 2018	28,000	$0.70	19,600
Issue costs		-	$0.00	(1,387,735)
Balance	30 June 2018	73,622,836		57,532,631
Shares placement	22 October 2018	7,500,000	$0.40	3,000,000
Share rights issue	7 November 2018	7,679,449	$0.40	3,071,780
Issue costs		-	$0.00	(404,024)
Balance	30 June 2019	88,802,285		63,200,387

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Note 18. Equity - issued capital (continued)

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 consolidation
On 30 November 2017, the shareholders at the annual general meeting approved the 10:1 share consolidation. The consolidation occurred on 6 December 2017.

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.

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 been enhanced from the 30 June 2018 Annual Report, which stated that "the Group’s objective is to ensure it has sufficient funds to meet its obligations over the next 12 months. The Company aims to achieve positive cash flow within 12 months".

Note 19. Equity - reserves

	Consolidated	
	2019 $	2018 $
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	593,124	287,824
Share-based payments reserve	5,541,775	4,353,883
Convertible note equity reserve	563,131	563,131
	15,551,898	14,058,706

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.

Note 19. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Financial liability reserve $	Foreign currency translation reserve $	Share-based payments reserve $	Convertible note equity reserve $	Total $
Balance at 1 July 2017	8,853,868	157,860	2,772,127	563,131	12,346,986
Foreign currency translation	-	129,964	-	-	129,964
Share based payment expense	-	-	1,601,356	-	1,601,356
Issue of shares to staff	-	-	(19,600)	-	(19,600)
Balance at 30 June 2018	8,853,868	287,824	4,353,883	563,131	14,058,706
Foreign currency translation	-	305,300	-	-	305,300
Share based payment expense	-	-	52,000	-	52,000
Warrants issued	-	-	1,135,892	-	1,135,892
Balance at 30 June 2019	8,853,868	593,124	5,541,775	563,131	15,551,898

Note 20. Equity - dividends

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

Note 21. 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.

Note 21. Financial instruments (continued)

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

Consolidated	Assets 2019 $	Assets 2018 $
US dollars	735,848	2,435,394

The Group had assets denominated in US dollars of $735,848 as at 30 June 2019 (2018: $2,435,394). Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% (2018: 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 $73,585 lower/$73,585 higher (2018: $243,539 lower/$243,539 higher). The percentage change is the expected overall volatility of the significant currencies, 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 loss for the year ended 2019 was $4,816 (2018: gain of $239,110).

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.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

Consolidated	2019 Weighted average interest rate %	2019 Balance $	2018 Weighted average interest rate %	2018 Balance $
Cash at bank	0.68%	2,311,642	0.67%	5,105,068
Cash on deposit	0.10%	64,769	0.10%	61,457
Net exposure to cash flow interest rate risk		2,376,411		5,166,525

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

Consolidated - 2019	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Net exposure to cash flow interest rate risk	50	11,882	11,882	(50)	(11,882)	(11,882)

Consolidated - 2018	Basis points increase: Basis points change	Basis points increase: Effect on profit before tax	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on profit before tax	Basis points decrease: Effect on equity
Net exposure to cash flow interest rate risk	50	25,833	25,833	(50)	(25,833)	(25,833)

Note 21. Financial instruments (continued)

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.

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 - 2019	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						
Non-interest bearing						
Trade payables	-	2,954,888	-	-	-	2,954,888
Other payables	-	78,978	-	-	-	78,978
Other loans	-	73,333	-	-	-	73,333
Royalty payable	-	65,480	107,084	699,470	1,113,874	1,985,908
Interest-bearing - fixed rate						
Loan payable	9.50%	-	-	5,500,000	-	5,500,000
Lease liability*	6.07%	953,080	3,174,448	-	-	4,127,528
Total non-derivatives		4,125,759	3,281,532	6,199,470	1,113,874	14,720,635

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

Note 21. Financial instruments (continued)

Consolidated - 2018	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						
Non-interest bearing						
Trade payables	-	764,791	-	-	-	764,791
Customer deposits	-	903,125	-	-	-	903,125
Other payables	-	21,924	-	-	-	21,924
Other loans	-	73,333	-	-	-	73,333
Royalty payable	-	172,643	278,140	816,074	749,877	2,016,734
Interest-bearing - variable						
Convertible note	8.00%	-	-	2,500,000	-	2,500,000
Total non-derivatives		1,935,816	278,140	3,316,074	749,877	6,279,907

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

Note 22. 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 following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Royalty payable	-	-	1,985,908	1,985,908
Total liabilities	-	-	1,985,908	1,985,908

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Royalty payable	-	-	2,016,734	2,016,734
Total liabilities	-	-	2,016,734	2,016,734

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Royalties: Royalties payable are valued using a probability weighted discounted cash flow methodology.

Note 22. Fair value measurement (continued)

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

Consolidated	Royalty $
Balance at 1 July 2017	2,109,761
Losses recognised in profit or loss	(93,027)
Balance at 30 June 2018	2,016,734
Losses recognised in profit or loss	(30,826)
Balance at 30 June 2019	1,985,908

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

Description	Unobservable inputs	Sensitivity
Royalty	Sales price per ton: $1,000 - $3,000 per tonne (2018: $2,000 - $3,000 per tonne)	Significant increases/(decreases) in the sales price per ton would result in higher/(lower) fair value of the royalty payable.
	Sales tons: 3,000 - 20,000 tons p.a. (2018: 5,000 - 20,000 tons p.a.)	Significant increases/(decreases) in the tons sold would result in higher/(lower) fair value of the royalty payable.
	USA Discount rate: 1.91% (2018: 2.86%)	Significant increases/(decreases) in the discount rate would result in lower (higher) fair value of the

Note 23. 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 2019 $	Consolidated 2018 $
Audit services - Ernst & Young		
Audit or review of the financial statements	169,050	135,000

Note 24. Contingent liabilities

The Group had no contingent liabilities at 30 June 2019 and 30 June 2018.

Note 25. Commitments

	Consolidated 2019 $	Consolidated 2018 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	297,105	76,213
One to five years	603,243	-
	900,348	76,213
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	1,177,092	-
One to five years	3,476,404	-
Total commitment	4,653,496	-
Less: Future finance charges	(525,968)	-
Net commitment recognised as liabilities	4,127,528	-
Representing:		
Lease liability - current (note 15)	953,080	-
Lease liability - non-current (note 16)	3,174,448	-
	4,127,528	-

Operating lease commitments includes contracted amounts for offices under a non-cancellable operating leases expiring within one year.

Finance lease
On 24 October 2017, the Group, as a lessee, entered into a lease arrangement with a Louisiana Limited Liability company, to operate an industrial facility and equipment for the manufacture of activated carbon from its premises. The facility has the capacity to manufacture up to 10,000 tons per annum of activated carbon. The initial term of the lease is for 50 years. The lease commenced upon launch of operations in July 2018. Monthly rent payments began on 15 July 2018.

The Group is required to make variable monthly rental payments based on a fixed amount per ton of activated carbon manufactured and sold during the preceding month to customers, with a minimum rent established for a 5 year period. Based on the expected product volumes, the variable rent should exceed the minimum rent. The lease liability represents only minimum rent payments. Variable rent exceeding the minimum rent is expensed in the period incurred

Note 26. Related party transactions

Parent entity
Carbonxt Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Note 26. Related party transactions (continued)

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

Note 27. 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	
	2019 $	2018 $
Short-term employee benefits	1,247,807	953,114
Post-employment benefits	4,750	11,400
Share-based payments	52,000	1,250,997
	1,304,557	2,215,511

Note 28. 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:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2019 %	2018 %
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 29. Cash flow information

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

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax expense for the year	(6,671,921)	(7,159,859)
Adjustments for:		
Depreciation and amortisation	692,749	217,474
Net loss on disposal of property, plant and equipment	95,375	-
Share-based payments	52,000	1,601,356
Non-cash interest expense	289,349	209,781
Remeasurement movement on license royalty	(30,826)	(93,027)
Other non-cash items	-	(189,878)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(910,617)	(309,390)
Increase in inventories	(1,287,631)	(553,159)
Increase in other current assets	(305,073)	(279,022)
Increase/(decrease) in trade and other payables	1,692,066	(342,639)
Increase in employee benefits	107,820	-
Net cash used in operating activities	(6,276,709)	(6,898,363)

Non-cash investing and financing activities

	Consolidated 2019 $	Consolidated 2018 $
Acquisition of plant and equipment by means of finance leases	4,992,561	-

Changes in liabilities arising from financing activities

Consolidated	Loan payable $	Convertible notes $	Royalty payable $	Lease liability $	Other loan $	Total $
Balance at 1 July 2017	-	2,401,534	2,109,761	-	73,333	4,584,628
Changes in fair values	-	(342,000)	(93,027)	-	-	(435,027)
Other changes	-	209,781	-	-	-	209,781
Balance at 30 June 2018	-	2,269,315	2,016,734	-	73,333	4,359,382
Net cash from/(used in) financing activities	5,423,000	(2,500,000)	-	(869,198)	-	2,053,802
Accrued interest	54,500	-	-	4,165	-	58,665
Acquisition of plant and equipment by means of finance leases	-	-	-	4,992,561	-	4,992,561
Changes in fair values	-	-	(30,826)	-	-	(30,826)
Other changes	(1,135,892)	230,685	-	-	-	(905,207)
Balance at 30 June 2019	4,341,608	-	1,985,908	4,127,528	73,333	10,528,377

Note 30. Earnings per share

	Consolidated 2019 $	2018 $
Loss after income tax attributable to the owners of Carbonxt Group Limited	(6,671,921)	(7,159,859)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	86,918,297	67,364,403
Weighted average number of ordinary shares used in calculating diluted earnings per share	86,918,297	67,364,403
	Cents	Cents
Basic earnings per share	(7.68)	(10.63)
Diluted earnings per share	(7.68)	(10.63)

The weighted average number of ordinary shares for 2018 has been restated for the effect of the 1:4 rights issue completed in November 2018, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	64,773,464
Adjustment required by AASB 133 'Earnings per share'	2,590,939
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	67,364,403

14,141,670 (2018: 4,775,000) options were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 31. 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.

500,000 unlisted options were granted in June 2018 to Shaw and Partners as payment for services rendered during the financial year.

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

The share-based payment expense for 2019 is $52,000 (2018: $1,601,356).

Note 31. Share-based payments (continued)

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

2019

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	$0.60	-	9,166,670	-	-	9,166,670
			4,775,000	9,366,670	-	-	14,141,670
Weighted average exercise price			$0.53	$0.00	$0.00	$0.00	$0.58

2018

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
			-	4,775,000	-	-	4,775,000
Weighted average exercise price			$0.00	$0.53	$0.00	$0.00	$0.53

The weighted average remaining contractual life of options and warrants outstanding at the end of the financial year was 3.33 years (2018: 3.24 years).

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
19/09/2018	30/11/2021	$0.56	$0.56	66.40%	-	2.56%	$0.263
24/05/2019	24/05/2023	$0.30	$0.60	77.00%	-	1.17%	$0.124

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 **$**	**2018** **$**
Loss after income tax	(11,504,380)	(9,316,228)
Total comprehensive income	(11,504,380)	(9,316,228)

Note 32. Parent entity information (continued)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	2,054,766	4,490,475
Total assets	2,913,248	5,439,317
Total current liabilities	265,833	184,637
Total liabilities	6,593,348	4,470,686
Equity		
Issued capital	62,662,835	56,995,079
Financial liability reserve	8,853,868	8,853,868
Share-based payments reserve	5,541,776	4,353,883
Convertible note equity reserve	563,131	563,131
Accumulated losses	(81,301,710)	(69,797,330)
Total equity/(deficiency)	(3,680,100)	968,631

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 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

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 33. Events after the reporting period

On 5 August 2019, Bruce Hancox resigned as Chairman. On 5 August 2019, Matthew Driscoll was appointed as Chairman.

No other matter or circumstance has arisen since 30 June 2019 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 2019

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 2019 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

Warren Murphy
Managing Director

30 August 2019
Sydney

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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 2019, the consolidated statement of profit or loss and other 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 2019 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 (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.

Building a better working world

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.

Recognition of revenue

Why significant	How our audit addressed the key audit matter
The Group generates revenue from sales of activated carbon products which represents 98.5% of total revenue. The Group has adopted AASB 15: Revenue from contract with customers ("AASB 15") from 1 July 2018. The Group's policy is to recognize revenue from the sale of activated carbon at the point in time when the activated carbon is delivered in accordance with agreements with customers. There was no impact on adoption of the new standard. Given the quantitative importance of revenue in the context of the financial report, this was considered to be a Key Audit Matter. Disclosure of revenue is included in note 2 and 5 of the financial report.	Our audit procedures included the following: • Assessed whether the Group recognised revenue in accordance with Australian Accounting Standard AASB15. • 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. • Assessed the adequacy of the financial statement disclosures regarding revenue recognition and adoption of AASB 15.

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 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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 10 to 14 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Carbonxt Group Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

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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
30 August 2019

The shareholder information set out below was applicable as at 14 August 2019.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	84	-
1,001 to 5,000	302	-
5,001 to 10,000	175	-
10,001 to 100,000	551	8
100,001 and over	146	6
	1,258	14
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
Werft Pty Ltd	9,788,603	11.023
Walker Group Holdings Pty Ltd	5,500,000	6.194
Beville Investments (No 9) Pty	3,980,364	4.482
Washington H Soul Pattinson	2,988,973	3.366
Super Quinn Pty Ltd	2,399,675	2.702
Drnewnham Super Pty Ltd	1,537,292	1.731
Auckland Trust Company Ltd	1,281,126	1.443
Bevilles Executives Super Fund	1,232,362	1.388
Sargon Ct Pty Ltd	1,125,000	1.267
Cardy & Company Pty Limited	1,071,429	1.207
Skye Alba Pty Ltd	878,868	0.990
HSBC Custody Nominees	823,237	0.927
Chaleyer Holdings Pty Ltd	750,000	0.845
Avanteos Investments Limited	684,723	0.771
MCTF Pty Ltd	625,000	0.704
Spo Equities Pty Ltd	600,000	0.676
Yungaburra Pty Ltd	600,000	0.676
Super Quinn Pty Ltd	535,497	0.603
Station Capital Pty Ltd	527,178	0.594
Wealthhub Securities Noms P/L	506,011	0.570
	37,435,338	42.159

Ordinary shares held include escrowed shares.

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	4,975,000	14

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares Number held	% of total shares issued
Werft Pty Ltd	9,788,603	11.023
Walker Group Holdings Pty Ltd	5,500,000	6.194

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.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	Held in escrow for 24 months from date of ASX listing, 23 January 2018	3,623,774

Class	Expiry date	Number of options
Unlisted options - expiry date 30 November 2021, exercise price $0.50	Held in escrow for 24 months from date of ASX listing, 23 January 2018	3,500,000
Unlisted options - expiry date 8 June 2020, exercise price $0.60	Held in escrow for 24 months from date of ASX listing, 23 January 2018	500,000
		4,000,000

Share buy-back

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