

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 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	2.2% to	15,124,618
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	21.5% to	(2,749,377)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	up	35.7% to	(8,118,499)
Loss for the year attributable to the owners of Carbonxt Group Limited	up	35.7% to	(8,118,499)

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 \$8,118,499 (30 June 2023: \$5,983,771).

The increase in loss for the Group compared to prior year is primarily due to the increase in net interest expense of \$1,794,493 associated with the funding of the investment in NewCarbon Processing, LLC.

Revenues decreased 2.2% compared to the prior year primarily due to reduced supply to the largest Activated Carbon pellet customer due to temporary plant outages at that customer's facility.

For personal use only

Carbonxt Group Limited
Appendix 4E
Preliminary final report



The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and Underlying EBIT to reflect the core earnings of the Group. Underlying EBITDA and underlying EBIT are financial measures which are not prescribed by Australian Accounting Standards ('AAS') and represent the profit or loss under AAS adjusted for non-cash and significant items. The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA for the current and previous year period:

	Consolidated	
	2024	2023
	\$	\$
Revenue	15,124,618	15,461,953
Gross margin	5,737,677	4,579,280
Other income	648,636	483,632
Shipping and distribution costs	(1,797,357)	(1,667,001)
Operating expenses	(7,338,333)	(5,658,258)
Underlying EBITDA	(2,749,377)	(2,262,347)
Depreciation and amortisation	(2,369,736)	(2,444,432)
Underlying Earnings before interest and tax ('EBIT')	(5,119,113)	(4,706,779)
Net Interest expense	(2,893,655)	(1,099,162)
Share-based payment expense	(73,533)	(177,830)
Share in losses of joint ventures	(32,198)	-
Loss before income tax expense	<u>(8,118,499)</u>	<u>(5,983,771)</u>

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	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>(0.68)</u>	<u>1.96</u>

The net tangible assets calculation does not include rights-of-use assets of \$7,328,237 (30 June 2023: \$5,101,083) but include the lease liabilities of \$3,353,324 (30 June 2023: \$2,132,186).

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.

For personal use only

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

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
NewCarbon Processing, LLC	35.48%	33.33%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

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 with a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Annual Report of Carbonxt Group Limited for the year ended 30 June 2024 is attached.

For personal use only

12. Signed

As authorised by the Board of Directors



Signed _____

Date: 30 August 2024

Warren Murphy
Managing Director
Sydney

For personal use only

Carbonxt Group Limited

ABN 59 097 247 464

Annual Report - 30 June 2024

For personal use only

Carbonxt Group Limited
Contents
30 June 2024



Corporate directory	2
Chairman's letter	4
Directors' report	6
Auditor's independence declaration	20
Consolidated statement of profit or loss and other comprehensive income	21
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the consolidated financial statements	25
Consolidated entity disclosure statement	58
Directors' declaration	59
Independent auditor's report to the members of Carbonxt Group Limited	60
Shareholder information	65

For personal use only

Carbonxt Group Limited
Corporate directory
30 June 2024



Directors	Matthew Driscoll - Chairman Warren Murphy - Managing Director David Mazyck - Director of Technology Imtiaz Kathawalla – Non-Executive Director Nicholas Andrews – Non-Executive Director
Company secretary	Laura Newell
Registered office	Level 8, Grosvenor Place 210 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 8, 210 George Street Sydney NSW 2000 Australia Tel: +61 2 9290 9600
Auditor	Ernst & Young 200 George Street Sydney NSW 2000 Australia
Solicitors	Thomson Geer Level 14 60 Martin Place Sydney NSW 2000 Australia
Stock exchange listing	Carbonxt Group Limited shares are listed on the Australian Securities Exchange (ASX code: CG1)
Website	www.cglimited.com.au
Business objectives	The development and sale of specialised Activated Carbon ('AC') products, including Powdered Activated Carbon ('PAC') and AC pellets for the removal of pollutants and toxins in industrial processes.

For personal use only

Corporate Governance Statement

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

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

For personal use only

Dear Shareholder,

I am pleased to present our Annual Report for the financial year ending 30 June 2024 ("FY24").

This financial year is somewhat of a transition year for the Company as we undertake construction of the new activated carbon manufacturing facility in Kentucky, alongside our investment partners, Kentucky Carbon Processing, LLC. The investment in our jointly owned company, NewCarbon Processing, LLC ("NewCarbon") is the Company's largest ever investment and I am pleased to note that we are in the final stages of construction of an initial 10,000 tons per annum plant, with operations to commence very shortly.

The investment is very timely. In April 2024, the United States Environmental Protection Agency ("EPA") announced the first ever national drinking water standards for the USA. The rules regulate the removal of PFAS (or per and polyfluoroalkyl substances), commonly known as "forever chemicals", such that municipal water authorities need to achieve a four parts per trillion level. The use of Granular Activated Carbon ("GAC") is considered best available technology by the EPA for the removal of these harmful chemicals. Market estimates from the likes of leading engineering consultants, Black & Veatch, estimate an increase in market size of over 150,000 tons per annum from the introduction of these rules. Clearly such market demand estimates far exceed the current and anticipated supply.

The removal of PFAS is of course an international problem, not just a U.S. phenomenon. Just this month, the Commonwealth Government of Australia announced a Senate enquiry into the dangers of "forever chemicals" following a series of investigative articles by the Sydney Morning Herald about the incidences of PFAS in Australian waterways.

It is important to note though that the investment in this new facility is not predicated on the introduction of the PFAS rules. We believe that the Kentucky facility will produce the highest quality activated carbon in the North American market. The new plant enables Carbonxt's entry into the liquid phase of the market and capitalizes on our position as the only U.S. domestic manufacturer of activated carbon pellets for the industrial markets.

Our financial results in FY24 demonstrate the improvement in our operating portfolio from the efforts to lift product prices and reduce operating costs. Despite a reduction in supplies to our largest AC pellet customer due to operational issues at their plant, we have seen relatively stable annual revenue (down 2.2%) whilst our gross margin has increased from 30% to 38%. We congratulate our operational team on these successes.

I noted before that we are in somewhat of a transition year and in a financial sense this is most notably seen in the increase in loss for the Group compared to the prior year. This increased loss is almost entirely due to the increase of \$1.7m in our net interest expense associated with the extra debt assumed as part of the financing package to fund the investment in NewCarbon.

We finished FY24 with some major accomplishments and the Company's existing operations are well setup leading into FY25. In May 2024, we announced a \$4.3 million forward sales contract with WPS of Wisconsin to supply our AC pellet product for WPS' ReACT (regenerative activated coke technology) emissions control system. WPS is a long-standing customer of the Group and we thank them for their support.

Post financial year-end, we secured a significant PAC contract with Reworld Waste, LLC, a provider of sustainable waste solutions. This contract is for four years and is expected to boost annual revenues by over 25% and lead to further improvements in our achieved gross margins.

Carbonxt Group Limited
Chairman's letter
30 June 2024



FY25 will be a transformative year for Carbonxt. It has been a long journey and we would not be on the verge of a step-change in our group's revenues and profits without the support of our shareholders, our lenders at Pure Asset Management, but most importantly the dedication and talent of our employees. We thank all of you for your support and look forward to being able to bring you some exciting operational updates in FY25.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M Driscoll", with a horizontal line underneath.

Matthew Driscoll
Chairman

30 August 2024

For personal use only

Carbonxt Group Limited
Directors' report
30 June 2024



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 2024.

Directors

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

Matthew Driscoll - Chairman
Warren Murphy
David Mazyck
Imtiaz Kathawalla (appointed 19 July 2023)
Nicholas Andrews (appointed 12 September 2023)

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 \$8,118,499 (30 June 2023: \$5,983,771).

The increase in loss for the Group compared to prior year is primarily due to the increase in net interest expense of \$1,794,493 associated with the funding of the investment in NewCarbon Processing, LLC.

Revenue for the year was \$15,124,618 (before other income) and \$15,773,254 (after other income) representing a decrease of 2.2% and 1.1% respectively on the prior year's revenue of \$15,461,953 (before other income) and \$15,945,585 (after other income). In US dollars, revenue was US\$9,915,700 (before other income) and US\$10,340,946 (after other income) representing a decrease of 4.8% and 4.1% respectively on the prior year's revenue of US US\$10,412,064 (before other income) and US\$10,784,213 (after other income).

Revenues decreased 2.2% compared to FY23 primarily due to reduced supply to the largest Activated Carbon pellet customer due to plant outages at that customer's facility.

The directors consider Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and Underlying EBIT to reflect the core earnings of the Group. Underlying EBITDA and underlying EBIT are financial measures which are not prescribed by Australian Accounting Standards ('AAS') and represent the profit or loss under AAS adjusted for non-cash and significant items. The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA for the current and previous year period:

	Consolidated	
	2024	2023
	\$	\$
Revenue	15,124,618	15,461,953
Gross margin	5,737,677	4,579,280
Other income	648,636	483,632
Shipping and distribution costs	(1,797,357)	(1,667,001)
Operating expenses	(7,338,333)	(5,658,258)
Underlying EBITDA	(2,749,377)	(2,262,347)
Depreciation and amortisation	(2,369,736)	(2,444,432)
Underlying Earnings before interest and tax ('EBIT')	(5,119,113)	(4,706,779)
Net Interest expense	(2,893,655)	(1,099,162)
Share-based payment expense	(73,533)	(177,830)
Share in losses of joint ventures	(32,198)	-
Loss before income tax expense	<u>(8,118,499)</u>	<u>(5,983,771)</u>

Liquidity

During the financial year ended 30 June 2024, the Group incurred a net loss after tax of \$8,118,499 (30 June 2023: \$5,983,771) and a cash inflow from operating activities of \$2,117,444 (30 June 2023: outflow of \$2,420,250). As at 30 June 2024, the Group had net assets of \$10,734,911 (30 June 2023: \$16,276,611), net current liability of \$12,687,391 (30 June 2023: \$4,906,484) and cash and cash equivalents of \$4,141,926 (30 June 2023: \$4,305,838).

As a result of the loss incurred for the year ended 30 June 2024 and the liquidity at the reporting date, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Business risks

The following is a summary of material business risks that could adversely affect the Group's financial performance and growth potential in future years and how the Group proposes to mitigate such risks:

Climate Risk

The Group takes climate risk into account in its investment decisions. There is the possibility that such decisions have underestimated the severity of climate change. The bio-char input at Black Birch is a renewable source and has a lower footprint than most Activated Carbon manufacturing facilities, but it is feasible that climate change affects the availability of the input source.

Construction Risk

The NewCarbon investment is in construction phase. As with all construction activities there is the possibility of delays to completion or issues during the start-up phase. Given the plant has operated for a number of years as a waste-to-energy plant that risk is reduced, compared a a greenfields construction site, but nevertheless there is a potential for construction issues.

Competition risk

The Group operates in a dynamic AC market. There is a possibility that existing or new competitors may increase competitive pressure through technological advancements, volume increases or pricing and other strategies. Any significant advancements in technology for producing AC have the potential to change the competitive environment in which the Group operates.

Ability to retain existing clients or attract new clients

The Group's business depends on its ability to retain contracts with existing customers and to attract further business from existing customers or attract new customers. The loss of existing customers or the inability to attract new customers would have an adverse impact on the financial position of the Group.

Regulatory risk

The Group is heavily reliant on US environmental policies and regulation. Any change to or reversal of current legislation would have a significant negative effect on the Group's business model and financial performance.

Intellectual property risk

The Group relies on its intellectual property (including technology, know how, trademarks, designs and patents) and there can be no assurance that competitors or other parties will not imitate or develop technology and know-how that challenges or competes with the Group or supersedes the Group's intellectual property. In addition, any unauthorised use or disclosure of the Group's intellectual property may also have an adverse effect on the Group's financial performance.

Reliance on key personnel

The Group employs, or engages as consultants, a number of key management and scientific personnel. The inability of the Group to retain and attract highly qualified and experienced personnel could have a material adverse impact on the Group's business and financial performance.

Safety and industrial accidents

The manufacture and supply of the Group's products are subject to safety related risks, which are managed carefully by the Group. Despite the relevant safety guards there is no guarantee a serious accident will not occur in the future, which may negatively affect the financial performance of the Group.

Brand establishment and maintenance

Establishing and maintaining its brand in the industry is critical to growing the Group's customer base and product acceptance. Prior to entering into supply agreements, the Group is required to undertake vigorous testing of its Activated Carbon solutions. Any unsuccessful tests for potential customers could adversely affect the Group's brand, and its business and operating results could be adversely affected. The Group must also maintain and support its existing customer relationships to maintain its brand and attract further customers.

Offshore operations

While the Group's corporate management is in Australia, its operations are based in the United States. The global nature of the pollution control business, may result in the Group's activities extending to other countries in the future. Geographic diversity adds risk to the ability of the Group to manage its operations and employees, and introduces additional risks relating to the general economic, regulatory, legal, social and political environment in the jurisdictions in which it intends to operate, which may in turn adversely affect the Group's business and financial condition.

Exchange rate risk

The Group is exposed to movements in exchange rates as the vast majority of the Group's revenue and expenses are denominated in USD. Adverse movements in the AUD/USD exchange rate may have an adverse effect on the reported financial performance and/or financial position of the Group.

Product liability and uninsured risks

The Group is exposed to potential product liability risks, which are inherent in the research and development, manufacturing, marketing and use of its products or products that are developed in the future. Whilst the Group has liability insurance to help manage such risks, the Group may not be able to maintain insurance for product or service liability on reasonable terms in the future and/or the Group's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on any such claims.

Significant changes in the state of affairs

Capital raising

On 4 December 2023, the Company announced the non-renounceable pro-rata entitlement offer for the placement of 30,589,440 fully paid shares at \$0.06 per share before issue costs. The offer was completed and shares were issued on 22 January 2024.

On 6 December 2023, the Company announced the successful completion of a \$600,000 from the placement of 10,000,000 fully paid shares at \$0.06 per share before issue costs. The placement shares were issued on 18 December 2023.

In February 2024, the Company issued a further 700,000 shares at \$0.06 per share as part of the scale back of the fully subscribed rights issue which were accidentally under allocated to one of the placement participants.

As part of the capital raise, the Company made a placement of 8,333,333 new fully paid ordinary shares at an issue price of \$0.06 to Pure Asset Management to raise an additional \$500,000. The Company used \$395,753 to pay the penalty interest to Pure Asset Management, with the remaining \$104,247 received in cash. These shares were issued in February 2024.

Funds raised have been used to provide funding to the Company for the development of the Kentucky Facility and for working capital purposes.

Investment in NewCarbon

On 15 November 2023, the Company announced the additional US\$500,000 investment in NewCarbon which increased the ownership to 35.48% as at 30 June 2024 (30 June 2023: 33.33%).

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

In July 2024, the Company advanced US\$625,000 to NewCarbon.

No other matter or circumstance has arisen since 30 June 2024 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 expand its industrial AC pellet business in vapour control, liquid solvent recovery and other specific industrial uses of pellets. In line with this expansion, the Group shall make the remaining contributions of US\$4,500,000 in stages, subject to completion of milestones, to increase its ownership in NewCarbon to 50%. The expansion will significantly increase production capacity and gross margins and will allow existing capacity to be repositioned to produce more specialised technologies.

The Group will continue to provide its PAC solution for emission capture and wastewater treatment and will leverage the competitive advantage of its non-brominated PAC, that does not cause corrosion and damage to plant equipment. Furthermore, there is a renewed and continuing emphasis from a majority of US companies on ESG objectives. Carbonxt's PAC products made at its Black Birch plant utilise renewable feedstock and thus would satisfy the needs of those who are seeking focus on renewable feedstocks.

The Group's current and prospective customers continue to emphasise a desire for US-made pellets. Carbonxt is the only activated carbon industrial pellet developer and producer located in the United States, and this is expected to continue to drive both revenue and margin growth.

Environmental regulation

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

Information on directors

<p>Name:</p> <p>Title:</p> <p>Qualifications:</p> <p>Experience and expertise:</p>	<p>Matthew Driscoll</p> <p>Non-Executive Chairman</p> <p>BA, Dip Ed, Grad.Dip.App.Fin. SF Fin, MSAA, GAICD</p> <p>Matthew Driscoll is an agile, entrepreneurial thinker, with strong networks and significant experience across several industries, including manufacturing, online technologies, financial services, fintech, property and resources. Matthew has over 35 years' experience in capital markets and the financial services industry, with major financial institutions. Accomplished company Director in roles with listed and private companies, undertaking leadership positions on the Board (as Chairman) and on various committees (including audit and risk committees). Significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic political, financial, and commercial alliances. Passionate about high growth, innovative businesses, committed to ethical, commercial, and consumer-based outcomes. Clear, concise communicator able to grasp and disseminate complex issues effectively. A serial investor and strong supporter of start-ups providing seed and expansion capital with unique skills bringing private companies to the listed environment.</p>
<p>Other current directorships:</p>	<p>Chair of Smoke Alarms Holdings Limited, the market leader in servicing smoke alarm rental properties in Australia, Chair of Workspace Australia a multi-regional business incubator network in Central Victoria, Chair, Energy Technologies Limited (EGY) an investment company focused on Australian based manufacturing businesses, Mayor-Mount Alexander Shire, Victoria.</p>
<p>Former directorships (last 3 years):</p>	<p>Chair, Tennant Minerals (TMS)</p>
<p>Interests in shares:</p>	<p>2,315,424 ordinary shares</p>
<p>Interests in options:</p>	<p>2,000,000</p>
<p>Name:</p> <p>Title:</p> <p>Qualifications:</p> <p>Experience and expertise:</p>	<p>Warren Murphy</p> <p>Managing Director</p> <p>B.E. (Electrical and Electronic Engineering) (Hons), B.Com (Accounting and Economics)</p> <p>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 Australia's largest renewable energy company, Infigen Energy (and its unlisted predecessor, Global Wind Partners).</p>
<p>Other current directorships:</p>	<p>None</p>
<p>Former directorships (last 3 years):</p>	<p>None</p>
<p>Interests in shares:</p>	<p>1,528,033 ordinary shares</p>
<p>Interests in options:</p>	<p>6,000,000 options</p>
<p>Name:</p> <p>Title:</p> <p>Qualifications:</p> <p>Experience and expertise:</p>	<p>Dr David Mazyck</p> <p>Director of Technology</p> <p>Ph.D. from Penn State University in Environmental Engineering and Ph.D. minor in fuel science.</p> <p>David is a world-leading expert on AC and its applications. 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'). David is also the current president of JV NewCarbon Processing, LLC.</p>
<p>Other current directorships:</p>	<p>None</p>
<p>Former directorships (last 3 years):</p>	<p>None</p>
<p>Interests in shares:</p>	<p>426,062 ordinary shares</p>
<p>Interests in options:</p>	<p>5,250,000 options</p>

For personal use only

Name: Imtiaz Kathawalla (appointed 19 July 2023)
Title: Non-Executive Director
Experience and expertise: Dr Kathawalla has an extensive experience in the activated carbon and water purification industries. He was previously a Vice-President at NYSE-listed Cabot Corporation, a global chemical company where he had a 27-year career. He ran Cabot Corporation's global activated carbon business
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: None

Name: Nicholas Andrews
Title: Non-Executive Director (appointed 12 September 2023)
Experience and expertise: Nic was appointed as a Director of Carbonxt Group Limited in November 2023. He has a financial services background in investment management and investment banking. From 1996 to 2005 he was a Managing Director at UBS Investment Bank and responsible for global distribution of Australian and New Zealand Equity products. From 1989 to 1996 Nic was the Chief Investment Officer at LGT Investment Management in charge of the group's investment portfolios for the Australasian region. Nic has been appointed a Member of Carbonxt's Finance and Audit Committee.
Other current directorships: Executive Chairman, Magontec Limited (ASX: MGL) and Honorary Treasurer and Director of the International Magnesium Association
Former directorships (last 3 years): None
Interests in shares: None
Interests in options: None

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 secretary

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

For personal use only

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2024, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Audit Committee Attended	Audit Committee Held	Nomination and Remuneratio n Committee Attended	Nomination and Remuneratio n Committee Held	Risk Committee Attended	Risk Committee Held
Matthew Driscoll	8	8	3	3	3	3		
Warren Murphy	8	8	3	3	3	3	2	2
David Mazyck	8	8	-	-	-	-	2	2
Imtiaz Kathawalla (appointed 19 July 2023)	8	8	-	-	3	3	2	2
Nicholas Andrews (appointed 12 September 2023)	7	7	3	3	-	-		

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Audit Committee has been formalised with Nic Andrews as Chairman, Matthew Driscoll and Warren Murphy as members, Nomination and Remuneration Committee consisting of Matthew Driscoll as Chairman, Imtiaz Kathawalla and Warren Murphy as members and Risk Committee consisting of Imtiaz Kathawalla as Chairman, David Mazyck and Warren Murphy as members.

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

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

Non-executive director remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

Group performance and link to remuneration

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

Use of remuneration consultants

During the financial year ended 30 June 2024, 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 2023 Annual General Meeting ('AGM')

At the 2023 Annual General Meeting, 99.82% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2023. The Company did not receive any specific feedback on its remuneration practices at the 2023 Annual General Meeting or during the financial year.

Details of remuneration

Amounts of remuneration

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

- Matthew Driscoll - Non-Executive Chairman
- Warren Murphy - Managing Director
- David Mazyck - Director of Technology
- Imtiaz Kathawalla - Non-Executive Director
- Nicholas Andrews - Non-Executive Director

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

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees ^(vi)	Non-monetary	Superannuation ⁽ⁱⁱ⁾	Long service leave	Equity-settled ⁽ⁱⁱⁱ⁾	
2024	\$	\$	\$	\$	\$	\$
<i>Non-Executive Director:</i>						
Matthew Driscoll	120,000	-	-	-	11,099	131,099
Imtiaz Kathawalla ^{(i)(iv)}	274,558	-	-	-	-	274,558
Nicholas Andrews ^{(i)(v)}	77,917	-	-	-	-	77,917
<i>Executive Directors:</i>						
Warren Murphy ⁽ⁱ⁾	519,000	-	-	-	33,298	552,298
David Mazyck ⁽ⁱ⁾	915,192	-	-	-	29,136	944,328
	<u>1,906,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,533</u>	<u>1,980,200</u>

Fees paid to consulting firms related to the relevant KMP.

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

The amounts represent the fair value of shares issued in FY24 as well as shares to be issued in lieu of directors fees and salary payments for KMP.

Represents remuneration from 19 July 2023 to 30 June 2024.

Represents remuneration from 12 September 2023 to 30 June 2024.

Cash salary and fees include incentive fees amounting to \$300,000 for Warren Murphy (accrued not paid as at 30 June 2024) and \$305,064 for David Mazyck (\$196,283 paid as at 30 June 2024) that were awarded during the year to recognise successful establishment of New Carbon Processing LLC.

For personal use only

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Non-monetary	Super-annuation ⁽ⁱⁱ⁾	Long service leave	Equity-settled ⁽ⁱⁱⁱ⁾	
2023	\$	\$	\$	\$	\$	\$
<i>Non-Executive Director:</i>						
Matthew Driscroll	120,000	-	-	-	-	120,000
Fadi Diab ^(iv)	11,399	-	-	-	-	11,399
<i>Executive Directors:</i>						
Warren Murphy ⁽ⁱ⁾	219,000	-	-	-	-	219,000
David Mazyck ⁽ⁱ⁾	544,666	-	-	-	54,299	598,965
<i>Other KMP:</i>						
Rebecca Prince ^(v)	92,648	-	-	-	31,697	124,345
	<u>987,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,996</u>	<u>1,073,709</u>

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

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

iii The amounts represent the fair value of shares issued in FY23 as well as shares to be issued in lieu of directors fees and salary payments for KMP.

iv Represents remuneration from 8 September 2022 to 29 November 2022.

v Represents remuneration from 1 July to 21 October 2022.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2024	2023	2024	2023	2024	2023
<i>Non-Executive Directors:</i>						
Matthew Driscroll	100%	100%	-	-	-	-
Imtiaz Kathawalla	100%	-	-	-	-	-
Nicholas Andrews	100%	-	-	-	-	-
<i>Executive Directors:</i>						
Warren Murphy	46%	100%	54%	-	-	-
David Mazyck	68%	100%	32%	-	-	-
<i>Other KMP:</i>						
Rebecca Prince	-	100%	-	-	-	-

Service agreements

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

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

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

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2024.

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
Matthew Driscoll	1,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$.30 per share over a 10-day period	20 October 2026	\$0.021	\$21,000
Matthew Driscoll	1,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$.45 per share over a 10-day period	20 October 2026	\$0.014	\$14,000
Warren Murphy	3,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$.30 per share over a 10-day period	20 October 2026	\$0.021	\$63,000
Warren Murphy	3,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$.45 per share over a 10-day period	20 October 2026	\$0.014	\$42,000
David Mazyck	2,250,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP	20 October 2026	\$0.021	\$47,250

For personal use only

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
David Mazyck	3,000,000	20 October 2023	of \$.30 per share over a 10-day period The options have no exercise price, will vest on the Company achieving a VWAP of \$.45 per share over a 10-day period	20 October 2026	\$0.014	\$42,000

Additional information

The earnings of the Group for the five years to 30 June 2024 are summarised below:

	2024	2023	2022	2021	2020
	\$	\$	\$	\$	\$
Sales revenue	15,124,618	15,461,953	18,363,422	12,327,092	15,786,160
Net loss after tax	(8,118,499)	(5,983,771)	(4,458,505)	(5,332,851)	(4,388,789)
Net (liabilities)/assets	10,734,911	16,276,611	11,123,632	8,378,608	6,821,945
	2024	2023	2022	2021	2020
Share price at financial year end (\$)	0.07	0.07	0.17	0.12	0.19
Basic loss per share (cents per share)	(2.73)	(2.47)	(2.53)	(3.97)	(4.41)

Additional disclosures relating to KMP

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Ordinary shares					
Matthew Driscoll	2,083,881	-	231,543	-	2,315,424
Warren Murphy	1,375,229	-	152,804	-	1,528,033
David Mazyck	426,062	-	-	-	426,062
Imtiaz Kathawalla	-	-	-	-	-
Nicholas Andrews	-	-	-	-	-
	<u>3,885,172</u>	<u>-</u>	<u>384,347</u>	<u>-</u>	<u>4,269,519</u>

Option holding

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

	Balance at the start of the year	Additions	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Matthew Driscroll	-	2,000,000	-	-	2,000,000
Warren Murphy	-	6,000,000	-	-	6,000,000
David Mazyck	-	5,250,000	-	-	5,250,000
Imtiaz Kathawalla	-	-	-	-	-
Nicholas Andrews	-	-	-	-	-
	-	13,250,000	-	-	13,250,000

	Vested and exercisable	Not-vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Matthew Driscroll	-	2,000,000	2,000,000
Warren Murphy	-	6,000,000	6,000,000
David Mazyck	-	5,250,000	5,250,000
Imtiaz Kathawalla	-	-	-
Nicholas Andrews	-	-	-
	-	13,250,000	13,250,000

Other transactions with KMP and their related parties

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

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
27 August 2021	27 August 2024	\$0.240	5,000,000
20 October 2023	20 October 2026	\$0.000	6,250,000
20 October 2023	20 October 2026	\$0.000	7,000,000
			<u>18,250,000</u>

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

Shares issued on the exercise of options

There were no ordinary shares of Carbonxt Group Limited issued on the exercise of options during the year ended 30 June 2024 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.

For personal use only

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.

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 2024
Sydney

For personal use only



**Building a better
working world**

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

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

Auditor's independence declaration to the directors of Carbonxt Group Limited

As lead auditor for the audit of the financial report of Carbonxt Group Limited for the financial year ended 30 June 2024, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Scott Nichols
Partner
30 August 2024

Carbonxt Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024



	Note	Consolidated 2024 \$	Consolidated 2023 \$
Revenue			
Sales revenue	5	15,124,618	15,461,953
Cost of goods sold		(9,386,941)	(10,882,673)
Gross margin		<u>5,737,677</u>	<u>4,579,280</u>
Share of losses of joint ventures	12	(32,198)	-
Other income	6	648,636	483,632
Expenses			
Shipping and distribution costs		(1,797,357)	(1,667,001)
Employee benefits expense		(2,871,850)	(2,231,410)
Share-based payment expense	33	(73,533)	(177,830)
Depreciation and amortisation expense	7	(2,369,736)	(2,444,432)
Selling and marketing expenses		(659,248)	(324,651)
General and administrative expenses		(2,690,837)	(1,939,155)
Other expenses	7	(1,116,398)	(1,163,042)
Operating loss		(5,224,844)	(4,884,609)
Interest revenue		70,921	51,265
Finance costs	7	(2,964,576)	(1,150,427)
Loss before income tax expense		(8,118,499)	(5,983,771)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Carbonxt Group Limited		(8,118,499)	(5,983,771)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(144,505)	614,845
Other comprehensive (loss)/income for the year, net of tax		(144,505)	614,845
Total comprehensive loss for the year attributable to the owners of Carbonxt Group Limited		<u>(8,263,004)</u>	<u>(5,368,926)</u>
		Cents	Cents
Basic loss per share	32	(2.73)	(2.47)
Diluted loss per share	32	(2.73)	(2.47)

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

Carbonxt Group Limited
Consolidated statement of financial position
As at 30 June 2024



	Note	Consolidated 2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	9	4,141,926	4,305,838
Trade and other receivables	10	927,861	1,425,107
Inventories	11	958,585	3,305,507
Other		130,770	206,467
Total current assets		<u>6,159,142</u>	<u>9,242,919</u>
Non-current assets			
Investments accounted for using the equity method	12	8,550,681	7,835,571
Property, plant and equipment	13	5,201,389	5,851,072
Right-of-use assets	14	7,328,237	5,101,083
Intangibles	15	5,611,755	5,770,960
Total non-current assets		<u>26,692,062</u>	<u>24,558,686</u>
Total assets		<u>32,851,204</u>	<u>33,801,605</u>
Liabilities			
Current liabilities			
Trade and other payables	16	2,516,658	2,286,193
Contract liabilities	17	2,703,140	-
Borrowings	18	10,322,007	9,443,491
Lease liabilities	19	2,925,321	1,962,737
Royalty payables	20	188,459	277,469
Employee benefits		190,948	179,513
Total current liabilities		<u>18,846,533</u>	<u>14,149,403</u>
Non-current liabilities			
Lease liabilities	19	428,003	169,449
Royalty payables	20	2,841,757	3,206,142
Total non-current liabilities		<u>3,269,760</u>	<u>3,375,591</u>
Total liabilities		<u>22,116,293</u>	<u>17,524,994</u>
Net assets		<u>10,734,911</u>	<u>16,276,611</u>
Equity			
Issued capital	21	92,164,270	89,387,844
Reserves	22	20,649,008	20,848,635
Accumulated losses		(102,078,367)	(93,959,868)
Total equity		<u>10,734,911</u>	<u>16,276,611</u>

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

Carbonxt Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2024



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	81,247,380	17,852,349	(87,976,097)	11,123,632
Loss after income tax expense for the year	-	-	(5,983,771)	(5,983,771)
Other comprehensive income for the year, net of tax	-	614,845	-	614,845
Total comprehensive (loss)/income for the year	-	614,845	(5,983,771)	(5,368,926)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	8,024,183	-	-	8,024,183
Share-based payments (note 33)	116,281	2,381,441	-	2,497,722
Balance at 30 June 2023	89,387,844	20,848,635	(93,959,868)	16,276,611

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	89,387,844	20,848,635	(93,959,868)	16,276,611
Loss after income tax expense for the year	-	-	(8,118,499)	(8,118,499)
Other comprehensive loss for the year, net of tax	-	(144,505)	-	(144,505)
Total comprehensive loss for the year	-	(144,505)	(8,118,499)	(8,263,004)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 21)	2,776,426	-	-	2,776,426
Share-based payments (note 22)	-	(55,122)	-	(55,122)
Balance at 30 June 2024	92,164,270	20,649,008	(102,078,367)	10,734,911

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

For personal use only

Carbonxt Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2024



	Note	Consolidated 2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers		18,375,762	15,210,954
Payments to suppliers and employees (inclusive of GST)		(16,371,948)	(17,807,209)
Interest received		70,921	51,265
Receipts of government grants	6	<u>42,709</u>	<u>124,740</u>
Net cash from/(used in) operating activities	31	<u>2,117,444</u>	<u>(2,420,250)</u>
Cash flows from investing activities			
Payments for investment in NewCarbon	12	(730,994)	(7,835,571)
Payments for plant and equipment	13	(45,401)	(410,044)
Payments for intangible assets	15	<u>(320,905)</u>	<u>(812,835)</u>
Net cash used in investing activities		<u>(1,097,300)</u>	<u>(9,058,450)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	2,581,613	8,497,188
Proceeds from borrowings	31	-	9,050,000
Share issue transaction costs	21	(200,940)	(473,005)
Repayment of lease liabilities	31	(2,158,900)	(1,763,108)
Interest on lease liabilities	31	(131,090)	(136,053)
Interest and other finance costs paid		<u>(1,218,873)</u>	<u>(497,532)</u>
Net cash (used in)/from financing activities		<u>(1,128,190)</u>	<u>14,677,490</u>
Net (decrease)/increase in cash and cash equivalents		(108,046)	3,198,790
Cash and cash equivalents at the beginning of the financial year		4,305,838	1,090,450
Effects of exchange rate changes on cash and cash equivalents		<u>(55,866)</u>	<u>16,598</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>4,141,926</u></u>	<u><u>4,305,838</u></u>

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

For personal use only

Note 1. General information

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

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

Registered office

Level 8, 210 George Street
Sydney NSW 2000
Australia

Principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2024. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policies

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the full financial year ended 30 June 2024.

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

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 was issued in March 2021 and is applicable to annual periods beginning on or after 1 January 2023. This standard amends AASB Standards to improve accounting policy disclosures so that they provide more useful information to investors and users of the financial statements and clarifies the distinction between accounting policies and accounting estimates. Specifically, AASB 2021-2 amends:

- AASB 7 Financial Instruments: Disclosures, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.
- AASB 101 Presentation of Financial Statements, to require entities to disclose their material accounting policy information rather than their significant accounting policies.
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates.
- AASB 134 Interim Financial Reporting, to identify material accounting policy information as a component of a complete set of financial statements.
- AASB Practice Statement 2 Making Materiality Judgements, to provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

Going Concern

The financial statements have been prepared on the going concern basis, which assume that the Group will be able to realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

Note 2. Material accounting policies (continued)

During the financial year ended 30 June 2024, the Group incurred a net loss after tax of \$8,118,499 (30 June 2023: \$5,983,771) and had a net operating cash inflows of \$2,117,444 (30 June 2023: outflows of \$2,420,250). At 30 June 2024, the cash and cash equivalents were \$4,141,926 (30 June 2023: \$4,305,838) and net current liabilities of \$12,687,391 (30 June 2023: \$4,906,484).

Net current liabilities include \$10,322,007 relating to the Pure Loan Facility which has a maturity date of 31 May 2027. The loan balance has been classified as current as during the year-ended 30 June 2024 the Minimum Cash Balance financial covenant that requires the Group to maintain a minimum cash balance of \$5,500,000 at all times was breached. The Group received a Waiver from the Lender in August 2024 providing a grace period until 18 October 2024.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have prepared a cash flow forecast through to 31 December 2025. In order to continue as a going concern the Group requires a combination of ongoing support from its lenders, commercialization and generation of positive net cash inflows from the NewCarbon Processing LLC per assumed timelines, improvements in its existing operations such that positive net cash flows are achieved and successfully raising new capital in order to have sufficient cash to continue as a going concern. The Group's ability to obtain additional support from its lenders, generate positive cash inflows from the NewCarbon Processing LLC's operations and raise additional capital represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and, whether, it will realise its assets and extinguish its liabilities other than in the normal course of business.

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

- proactively manage the cash flow requirements and improve the operating performance of the business to ensure that no loan covenant breaches occur;
- continue to monitor the progress of the NewCarbon Processing LLC and proactively engage prospective customers;
- deferral of certain capital expenditures; and
- raising equity funds in capital markets, noting that the Group has a history of successful equity raisings.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carbonxt Group Limited as at 30 June 2024 and the results of all subsidiaries for the year then ended.

Note 2. Material 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.

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

Note 2. Material 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 income

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

Cost of goods sold

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

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.

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.

Note 2. Material accounting policies (continued)

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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
---------------------	------------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. Depreciation is calculated as follows:

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred within the cost of goods sold.

Note 2. Material accounting policies (continued)

Intangible assets

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

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 20 years.

Engineering Performance Solutions ('EPS') patents

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

Other patents

Significant costs associated with owned, pending and licensed patents are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 20 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

Trade and other payables 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.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Warrants

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

Warrants issued to compensate the lender for the set-up of the loan are recognised as share-based payment transaction.

Note 2. Material accounting policies (continued)

Lease liabilities

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

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

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

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

Share-based payments

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

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

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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.

Note 2. Material accounting policies (continued)

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.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Comparatives

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group has assessed that there will be no significant impact on adoption of these new or amended Accounting Standards and Interpretations, except for AASB 18, as explained below. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The standard replaces AASB 101 'Presentation of Financial Statements', although many of the requirements have been carried forward unchanged and is accompanied by limited amendments to the requirements in AASB 107 'Statement of Cash Flows'. The standard requires income and expenses to be classified into five categories: 'Operating' (residual category if income and expenses are not classified into another category), 'Investing', 'Financing', 'Income taxes' and 'Discontinued operations'. The standard introduces two mandatory sub-totals: 'Operating profit' and 'Profit before finance and income taxes'. There are also new disclosure requirements for 'management-defined performance measures', such as earnings before interest, taxes, depreciation and amortisation ('EBITDA') or 'adjusted profit'. The standard provides enhanced guidance on how to organise and group information (aggregation and disaggregation) in the financial statements and whether to provide it in the primary financial statements or in the notes. The Group will adopt this standard from 1 July 2027 and it is expected that there will be a significant change to the layout of the statement of profit or loss.

Note 2. Material accounting policies (continued)

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

AASB 2020-1 was issued in March 2020 and is applicable to annual periods beginning on or after 1 January 2024, as extended by AASB 2020-6. Early adoption is permitted. AASB 2022-6 was issued in December 2022 and is applicable to annual periods beginning on or after 1 January 2024. Early adoption is permitted where AASB 2020-1 is also early adopted.

These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified. The Group does not expect these amendments to have a material 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.

Share-based payment transactions

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

Royalty payable

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

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when the product has consistently met the defined specifications at commercial-scale throughputs. At 30 June 2024, the carrying amount of capitalised development costs was \$3,858,256 (2023: \$3,884,210).

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

Impairment of non-financial assets

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

Identifying cash generating units (CGU's)

Identifying CGUs involves dividing the entity into clearly identifiable components. Because the CGU definition is based on cash inflows, the division process focused on the Group's sources of revenue and how assets are utilised in generating the revenues. Management considered various factors including how it monitors the Group's operations (such as by product lines, businesses, individual locations, districts or regional areas) and how management makes decisions about continuing or disposing of the Group's assets and operations.

Where it is not possible to estimate the recoverable amount of the asset, the Group estimate the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs or otherwise they are allocated to smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Major customers

During the year ended 30 June 2024 approximately 53% (2023: 51% from one customer) of the Group's external revenue was derived from sales to two customers.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2024	2023	2024	2023
	\$	\$	\$	\$
Australia	-	-	616,758	429,719
United States of America	15,124,618	15,461,953	26,075,304	24,128,967
	<u>15,124,618</u>	<u>15,461,953</u>	<u>26,692,062</u>	<u>24,558,686</u>

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

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated	
	2024	2023
	\$	\$
<i>Major product lines</i>		
Sale of activated carbon	15,124,618	15,433,812
Consultancy fees	-	28,141
	<u>15,124,618</u>	<u>15,461,953</u>
<i>Geographical regions</i>		
United States of America	<u>15,124,618</u>	<u>15,461,953</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>15,124,618</u>	<u>15,461,953</u>

Note 6. Other income

	Consolidated	
	2024	2023
	\$	\$
Net foreign exchange gain	68,987	-
Net remeasurement gain on license royalty (note 20)	384,408	54,072
Government grants	42,709	124,740
Insurance recoveries	-	304,820
Other income	152,532	-
Other income	<u>648,636</u>	<u>483,632</u>

Government grants

The Group also received cash receipts of \$42,709 (US\$28,000) (2023: \$124,740 (US\$84,000)) for a Florida State Grant through the Florida Red Tide Mitigation and Technology Development Initiative.

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

For personal use only

Note 7. Expenses

	Consolidated	
	2024	2023
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	707,176	741,433
Plant right-of-use assets	1,097,788	1,078,986
Equipment right-of-use assets	75,796	34,636
Total depreciation	<u>1,880,760</u>	<u>1,855,055</u>
<i>Amortisation</i>		
Development	280,518	344,168
Engineering Performance Solutions ('EPS') patents	96,397	153,655
Other patents	112,061	91,554
Total amortisation	<u>488,976</u>	<u>589,377</u>
Total depreciation and amortisation	<u>2,369,736</u>	<u>2,444,432</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	2,816,393	1,014,374
Interest and finance charges paid/payable on lease liabilities	131,090	136,053
Other finance charges	17,093	-
Finance costs expensed	<u>2,964,576</u>	<u>1,150,427</u>
<i>Other expenses</i>		
Insurance costs	826,446	773,315
Legal costs	94,068	74,928
Technical feasibility expense	123,486	210,638
Other occupancy expense	70,793	104,161
Other expenses	1,605	-
Total other expenses	<u>1,116,398</u>	<u>1,163,042</u>

Note 8. Income tax

	Consolidated	
	2024	2023
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(8,118,499)	(5,983,771)
Tax at the statutory tax rate of 30%	(2,435,550)	(1,795,131)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax assets not recognised	2,093,285	1,476,184
Difference in overseas tax rates	342,265	318,947
Income tax expense	<u>-</u>	<u>-</u>

Note 8. Income tax (continued)

	Consolidated	Consolidated
	2024	2023
	\$	\$
<i>Tax losses not recognised</i>		
Unused Australian tax losses for which no deferred tax asset has been recognised	31,577,993	27,262,442
Potential tax benefit @ 30%	9,473,398	8,178,733
Unused United States tax losses for which no deferred tax asset has been recognised	66,886,593	63,083,645
Potential tax benefit @ 21.0%	14,046,185	13,247,565

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 to the extent taxable profits are available and other conditions, as applicable in Australia or the USA, are met.

As of 30 June 2024, the Group also has capital losses of \$3,000,000 (2023: \$3,000,000).

Note 9. Cash and cash equivalents

	Consolidated	Consolidated
	2024	2023
	\$	\$
<i>Current assets</i>		
Cash on hand	20	20
Cash at bank	4,141,906	4,237,098
Cash on deposit	-	68,720
	<u>4,141,926</u>	<u>4,305,838</u>

Note 10. Trade and other receivables

	Consolidated	Consolidated
	2024	2023
	\$	\$
<i>Current assets</i>		
Trade receivables	877,103	1,425,107
Related party receivables	50,758	-
	<u>927,861</u>	<u>1,425,107</u>

Allowance for expected credit losses

The Group assessed that the allowance for expected credit losses is not material for the year ended 30 June 2024 and 30 June 2023.

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

For personal use only

Note 11. Inventories

	Consolidated	
	2024	2023
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	629,238	1,486,769
Activated carbon finished goods - at cost	329,347	1,818,738
	<u>958,585</u>	<u>3,305,507</u>

Cost of inventories sold to customers amounting to \$7,885,667 was recognised as an expense during the year (30 June 2023: \$8,783,882).

During the year \$354,637 (30 June 2023: \$60,083) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Note 12. Investments accounted for using the equity method

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Investment in joint venture	<u>8,550,681</u>	<u>7,835,571</u>

Reconciliation

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

Opening carrying amount	7,835,571	-
Share in losses after income tax	(32,198)	-
Additions	730,994	7,540,724
Capitalised cost	-	200,213
Foreign exchange difference	16,314	94,634
Closing carrying amount	<u>8,550,681</u>	<u>7,835,571</u>

Interests in NewCarbon

On 31 May 2023, the Group executed an agreement with KCP to establish a new state-of-the art activated carbon plant in Kentucky, USA which resulted to a formation of a Kentucky limited liability named NewCarbon Processing, LLC ("NewCarbon"). The Group has agreed to contribute US\$10,000,000 in cash to NewCarbon while KCP agreed to contribute US\$10,000,000 in value of assets, infrastructure and equipment. The contributions will result to a 50-50 ownership between the two parties.

As at 30 June 2023, the Group had made an initial contribution of US\$5,000,000 which resulted in a 33.33% ownership in NewCarbon and shall make the remaining contributions in stages subject to completion of milestones to increase its ownership to 50%.

On 15 November 2023, the Company announced the additional US\$500,000 investment in NewCarbon which increased the ownership to 35.48% as at 30 June 2024 (30 June 2023: 33.33%). The future contributions are disclosed as commitment in note 27.

Note 12. Investments accounted for using the equity method (continued)

The Group's interest in NewCarbon is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in NewCarbon:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024 %	2023 %
NewCarbon Processing, LLC	USA	35.48%	33.33%
<i>Summarised financial information</i>			
		2024 \$	2023 \$
<i>Summarised statement of financial position</i>			
Cash and cash equivalents		7,740	-
Non-current assets		23,399,758	22,624,434
Total assets		23,407,498	22,624,434
Current liabilities		97,558	-
Total liabilities		97,558	-
Net assets		23,309,940	22,624,434
<i>Summarised statement of profit or loss and other comprehensive income</i>			
Expenses		(90,750)	-
Loss before income tax		(90,750)	-
Other comprehensive income		-	-
Total comprehensive loss		(90,750)	-

NewCarbon has just been established and has not started operations during the period from 1 July 2023 to 30 June 2024, thus has no share in profit or loss recorded from the date of investment.

Note 13. Property, plant and equipment

	Consolidated	
	2024 \$	2023 \$
<i>Non-current assets</i>		
Plant and equipment - at cost	9,765,672	9,711,941
Less: Accumulated depreciation	(4,741,179)	(4,037,605)
	5,024,493	5,674,336
Construction in progress	176,896	176,736
	5,201,389	5,851,072

Note 13. Property, plant and equipment (continued)

Reconciliations

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

Consolidated	Plant and equipment \$	Construction in progress \$	Total \$
Balance at 1 July 2022	5,067,984	887,044	5,955,028
Additions	-	410,044	410,044
Reclassification from construction in progress	1,143,499	(1,143,499)	-
Exchange differences	204,286	23,147	227,433
Depreciation expense	(741,433)	-	(741,433)
Balance at 30 June 2023	5,674,336	176,736	5,851,072
Additions	-	45,401	45,401
Exchange differences	11,932	160	12,092
Transfers in/(out)	45,401	(45,401)	-
Depreciation expense	(707,176)	-	(707,176)
Balance at 30 June 2024	5,024,493	176,896	5,201,389

The carrying amount of plant and equipment pledged as security for contract liabilities amounted to \$3,208,461 as of 30 June 2024.

Note 14. Right-of-use assets

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Plant - right-of-use	11,576,848	8,185,364
Less: Accumulated depreciation	(4,411,114)	(3,321,587)
	<u>7,165,734</u>	<u>4,863,777</u>
Equipment - right-of-use	422,566	422,184
Less: Accumulated depreciation	(260,063)	(184,878)
	<u>162,503</u>	<u>237,306</u>
	<u><u>7,328,237</u></u>	<u><u>5,101,083</u></u>

The Group has entered into a non-cancellable lease agreement for office space that will remain in effect until 31 March 2026.

Additionally, the Group is leasing two industrial facilities and equipment necessary for producing activated carbon at its site. These facilities have the capability to produce up to 17,000 tons of activated carbon products annually. The first industrial facility's lease spans an initial period of 50 years, with the option to extend for three subsequent 10-year periods. Operations began in July 2018, and the Group started making monthly lease payments from 15 July 2018. For the initial five years, the lease payments include both fixed and variable components. After the first five years, the payments will solely be variable. These variable lease payments are not recorded as assets or liabilities for right-of-use. For the year ended 30 June 2024, variable lease payments amounted to \$nil (2023: \$110,703). The initial term of the second industrial lease is for five years with one additional term of five years. The lease commenced on 1 January 2019.

Note 14. Right-of-use assets (continued)

Reconciliations

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

Consolidated	Plant-right-of use \$	Equipment- right-of use \$	Total \$
Balance at 1 July 2022	4,480,867	26,533	4,507,400
Additions	1,283,640	241,135	1,524,775
Exchange differences	178,256	4,274	182,530
Depreciation expense	<u>(1,078,986)</u>	<u>(34,636)</u>	<u>(1,113,622)</u>
Balance at 30 June 2023	4,863,777	237,306	5,101,083
Lease modifications	3,380,038	-	3,380,038
Exchange differences	19,707	993	20,700
Depreciation expense	<u>(1,097,788)</u>	<u>(75,796)</u>	<u>(1,173,584)</u>
Balance at 30 June 2024	<u>7,165,734</u>	<u>162,503</u>	<u>7,328,237</u>

For other AASB 16 disclosures refer to:

- note 7 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- note 19 for lease liabilities at year end;
- note 24 for maturity analysis of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

Note 15. Intangibles

	Consolidated	
	2024	2023
	\$	\$
<i>Non-current assets</i>		
Development - at cost	4,856,597	4,604,261
Less: Accumulated amortisation	<u>(998,341)</u>	<u>(720,051)</u>
	3,858,256	3,884,210
Engineering Performance Solutions ('EPS') patents - at cost	1,445,822	1,445,822
Less: Accumulated amortisation	<u>(1,108,472)</u>	<u>(1,012,075)</u>
	337,350	433,747
Other patents and development - at cost	2,331,130	2,256,660
Less: Accumulated amortisation	<u>(914,981)</u>	<u>(803,657)</u>
	1,416,149	1,453,003
	<u>5,611,755</u>	<u>5,770,960</u>

Note 15. Intangibles (continued)

Reconciliations

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

Consolidated	Development costs \$	EPS patents \$	Other patents \$	Total \$
Balance at 1 July 2022	3,370,373	587,402	1,401,443	5,359,218
Additions	723,031	-	89,804	812,835
Exchange differences	134,974	-	53,310	188,284
Amortisation expense	(344,168)	(153,655)	(91,554)	(589,377)
Balance at 30 June 2023	3,884,210	433,747	1,453,003	5,770,960
Additions	248,165	-	72,740	320,905
Exchange differences	6,399	-	2,467	8,866
Amortisation expense	(280,518)	(96,397)	(112,061)	(488,976)
Balance at 30 June 2024	<u>3,858,256</u>	<u>337,350</u>	<u>1,416,149</u>	<u>5,611,755</u>

Engineering Performance Solutions ('EPS') patent

The Group has an exclusive license to a patent owned by EPS for magnetic activated carbon technology that maximises mercury capture from flue gas. As part of the agreement, EPS is entitled to royalties based on a percentage of revenue from the sale of products by the Group that uses the EPS technology. The liability is held at amortised cost and is recognised in the statement of financial position. Refer to note 20.

Note 16. Trade and other payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,443,057	1,920,046
Accrued expenses	988,067	297,056
Other payables	85,534	69,091
	<u>2,516,658</u>	<u>2,286,193</u>

Refer to note 24 for further information on financial instruments.

Note 17. Contract liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	2,703,140	-

Reconciliation

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

Opening balance	-	-
Payments received in advance	4,237,410	-
Revenue recognised	(1,581,208)	-
Exchange differences	46,938	-
Closing balance	2,703,140	-

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$2,703,140 as at 30 June 2024 (\$nil as at 30 June 2023) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2024	2023
	\$	\$
Within 12 months	2,703,140	-

Note 18. Borrowings

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Pure loan payable	10,322,007	9,443,491

Pure loan payable

On 24 May 2019, the Group entered into a finance facility of \$5,500,000. The interest rate is 9.5% per annum with a term of 4 years. The lender was issued warrant shares at 60 cents per share. Total number of warrants issued is 9,166,670 with expiry date of 24 May 2023 which have been recognised as transaction cost of \$1,135,892 capitalised against the loan. Transaction costs are amortising over the term of the loan. As a result of capital raisings during the 30 June 2021 financial year, the anti-dilution provisions of the Warrant Deed with Pure Asset Management and its co-investors was triggered resulting in the warrant exercise price reducing from \$0.52 to \$0.17, being 110% of the issue price of \$0.15 in the most recent capital raising. On 30 May 2023, the warrants expired without the exercise of conversion.

Note 18. Borrowings (continued)

The Group entered into an agreement with Pure Asset Management Pty Ltd ("Pure") on 23 May 2023 to amend and restate the Facility Agreement dated 24 May 2019 with effect on and from 31 May 2023. Under the amended and restated loan facility agreement, the existing loan of \$5,500,000 was refinanced and an additional \$9,500,000 was drawn from the facility which will be used to fund the NewCarbon Processing LLC, acquisitions and product development, and for working capital purposes. In consideration of entering the amended and restated facility agreement, the Group paid establishment fee of \$450,000 which resulted to a proceeds from borrowings of \$9,050,000 and subject to the Shareholders' Approval, the Group was required to issue warrant shares of 64,000,000 in different tranches to Pure (see note 33) which have been recognised as transaction cost of \$2,339,000 and capitalised against the loan. The Group also agreed to pay Pure a royalty which the present value of future cash flows is \$nil and was recorded against the loan (see note 20). As at 30 June 2024, the loan balance is \$10,322,007 which includes accretion of interest expense of \$982,995 (2023: \$189,089).

The new facility is payable on 31 May 2027, which 48 months after the date of utilisation . The facility is accruing an interest of 9.5% per annum (14% per annum at the event of default).

The financial covenant includes the following:

- (a) Minimum cash balance of \$3,000,000 at any time.
- (b) Minimum cash balance of \$5,500,000 during certain periods.
- (c) Beginning 30 June 2024, event of default will occur if at the end of each quarter, the net debt divided by 6-month Trailing Underlying EBITDA is greater than 8 times and review event will occur if greater than 6 times.
- (d) Trailing 12-month EBITDA greater than \$7 million as at 30 July 2025.

During the year, an event of default under the terms of the amended and restated facility agreement with Pure occurred as a result of the Group's cash balance falling below AU\$5,500,000. An event of default provides the Lender to demand full repayment of the loan. As at 30 June 2024 and up to the date of this report, the Lender or its agent has not notified the Group for the full repayment of the loan and continued to be supportive to the Group. Nonetheless, the loan has been classified as current as at 30 June 2024 as the Group does not have the unconditional right to defer settlement of the liability for at least twelve months after the reporting period as a result of the event of default.

Assets pledged as security

The loan is secured by first mortgage over the Group's assets.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2024	2023
	\$	\$
Total facilities		
Pure Loan facility	15,000,000	15,000,000
Used at the reporting date		
Pure Loan facility	15,000,000	15,000,000
Unused at the reporting date		
Pure Loan facility	-	-

The effective interest rate of the facility is 24.88%.

For personal use only

Note 19. Lease liabilities

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Lease liability	2,925,321	1,962,737
<i>Non-current liabilities</i>		
Lease liability	428,003	169,449
	<u>3,353,324</u>	<u>2,132,186</u>

Refer to note 24 for maturity analysis of lease liabilities.

Refer to note 31 for the reconciliation of the carrying value.

Note 20. Royalty payables

	Consolidated	
	2024	2023
	\$	\$
<i>Current liabilities</i>		
Royalty payables	188,459	277,469
<i>Non-current liabilities</i>		
Royalty payables	2,841,757	3,206,142
	<u>3,030,216</u>	<u>3,483,611</u>

Reconciliation

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

Opening balance	3,483,611	587,265
Net gains recognised in profit or loss	(354,957)	(54,072)
Payments	(29,451)	(6,180)
Royalty payable to Pure (note 18)	-	2,956,598
Foreign currency differences	(68,987)	-
Closing balance	<u>3,030,216</u>	<u>3,483,611</u>

Royalty payable from EPS licence

The Group has an exclusive licence from EPS to use its patented technology up to 17 March 2028. 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; and
- sale price above US\$3,000 per ton - 4% of revenue.

The royalty payable balance as of 30 June 2024 from EPS license is \$64,164 (2023: \$458,026).

Note 20. Royalty payables (continued)

Royalty payable with Pure Asset Management

In prior year, the Company signed the agreement with Pure as disclosed in note 18. The term of the royalty is from 31 May 2023 until the royalty is bought out. The Group may only elect to purchase the royalty if the loan obtained from Pure including any unpaid royalty is less than \$7,500,000 on the earlier of the date that is any point in time after 31 May 2026 and the date on which a board recommended takeover occurs in respect of the Group. During the term of the loan, the Company must pay Pure 5% of all cash and cash equivalents received by the Group in relation to the Group's entitlement under the investment in NewCarbon. The estimated present value of the royalty payable as of 30 June 2024 is \$2,996,052 (2023: \$3,025,585).

Note 21. Issued capital

		Consolidated		
	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>324,921,646</u>	<u>275,298,873</u>	<u>92,164,270</u>	<u>89,387,844</u>
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue price	\$
Balance	1 July 2022	189,367,985		81,247,380
Shares issued to employees in lieu of compensation ^(v)	7 July 2022	99,118	\$0.190	18,644
Shares issued under the Retail Entitlement Offer ^(iv)	10 August 2022	2,863,483	\$0.140	400,888
Shares issued to employees in lieu of compensation ^(v)	11 August 2022	118,100	\$0.160	19,132
Shares placement - tranche 1 ^(iv)	30 September 2022	13,114,383	\$0.100	1,311,719
Shares issued under share purchase plan ^(iv)	3 November 2022	16,103,000	\$0.100	1,610,300
Shares issued for nil consideration ⁽ⁱⁱⁱ⁾	8 December 2022	1,145,393	\$0.000	-
Shares placement - tranche 2 ^(iv)	8 December 2022	43,442,810	\$0.100	4,344,281
Shares placement - tranche 2 ^(iv)	16 December 2022	8,300,000	\$0.100	830,000
Shares issued to employees in lieu of compensation ^(v)	19 December 2022	152,890	\$0.120	18,805
Shares issued to employees in lieu of compensation ^(v)	19 December 2022	184,157	\$0.110	19,521
Shares issued to employees in lieu of compensation ^(v)	19 December 2022	175,759	\$0.100	18,103
Shares issued to employees in lieu of compensation ^(v)	19 December 2022	106,095	\$0.100	11,140
Shares issued to employees in lieu of compensation ^(v)	1 February 2023	125,700	\$0.090	10,936
Share issue costs ^(iv)				(473,005)
Balance	30 June 2023	275,298,873		89,387,844
Shares placement	18 December 2023	10,000,000	\$0.060	600,000
Shares issued under the Non-Renounceable Entitlement Offer	23 January 2024	30,589,440	\$0.060	1,835,366
Shares placement under allocated shares	6 February 2024	700,000	\$0.060	42,000
Share-based payment to Pure Asset Management ^(vi)	6 February 2024	8,333,333	\$0.060	500,000
Issue costs				(200,940)
Balance	30 June 2024	<u>324,921,646</u>		<u>92,164,270</u>

(i) Total value of shares issued was \$4,194,034 net of transaction costs.

(ii) Total value of shares issued to employees in lieu of compensation was \$249,180.

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

(iv) Total value of shares issued was \$8,024,183 net of transaction costs.

(v) Total value of shares issued to employees in lieu of compensation was \$116,281.

(vi) The Company used \$395,753 to pay the penalty interest to Pure Asset Management, with the remaining \$104,247 received in cash.

Note 21. Issued capital (continued)

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

There are no externally imposed capital requirements.

The capital risk management policy has not changed from the 30 June 2023 Annual Report.

Note 22. Reserves

	Consolidated	
	2024	2023
	\$	\$
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	1,208,946	1,353,451
Share-based payments reserve	10,023,063	10,078,185
Convertible note equity reserve	563,131	563,131
	<u>20,649,008</u>	<u>20,848,635</u>

Financial liability reserve

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

Foreign currency translation reserve

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

Share-based payments reserve

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

Convertible note equity reserve

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

Note 22. 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 2022	8,853,868	738,606	7,696,744	563,131	17,852,349
Foreign currency translation	-	614,845	-	-	614,845
Shares issued to employees in lieu of compensation	-	-	42,441	-	42,441
Warrants issued	-	-	2,339,000	-	2,339,000
Balance at 30 June 2023	8,853,868	1,353,451	10,078,185	563,131	20,848,635
Foreign currency translation	-	(144,505)	-	-	(144,505)
Share-based payment expense	-	-	73,533	-	73,533
Modification of options from equity settled to cash settled	-	-	(128,655)	-	(128,655)
Balance at 30 June 2024	8,853,868	1,208,946	10,023,063	563,131	20,649,008

Note 23. Dividends

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

Note 24. 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 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 Company's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Note 24. 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		Liabilities		
	2024 \$	2023 \$	2024 \$	2023 \$	
US dollars	-	-	3,030,216	3,483,611	
Consolidated - 2024	% change	AUD strengthened Effect on profit before tax	% change	AUD weakened Effect on profit before tax	Effect on equity before tax
US Dollars	10%	<u>303,000</u>	-	<u>(303,000)</u>	<u>(212,100)</u>
Consolidated - 2023	% change	AUD strengthened Effect on profit before tax	% change	AUD weakened Effect on profit before tax	Effect on equity before tax
US Dollars	10%	<u>348,400</u>	(10%)	<u>(348,400)</u>	<u>(135,300)</u>

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 cash and cash equivalents outstanding:

Consolidated	2024		2023	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash at bank	1.40%	4,141,906	1.20%	4,237,098
Cash on deposit	0.01%	-	0.01%	68,720
Net exposure to cash flow interest rate risk		<u>4,141,906</u>		<u>4,305,818</u>

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

Consolidated - 2024	Basis points change	Basis points increase Effect on		Basis points decrease Effect on	
		profit before tax	Effect on equity	profit before tax	Effect on equity
Net exposure to cash flow interest rate risk	50	<u>20,710</u>	<u>20,710</u>	(50)	<u>(20,710)</u>

Note 24. Financial instruments (continued)

Consolidated - 2023	Basis points increase			Basis points decrease		
	Basis points change	Effect on profit before tax	Effect on equity	Basis points change	Effect on profit before tax	Effect on equity
Net exposure to cash flow interest rate risk	50	<u>21,529</u>	<u>16,147</u>	(50)	<u>(21,529)</u>	<u>(16,147)</u>

Credit risk

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

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

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

Liquidity risk

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

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

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 - 2024	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,443,057	-	-	-	1,443,057
Other payables	-	85,534	-	-	-	85,534
<i>Interest-bearing</i>						
Pure loan payable	9.50%	-	-	15,000,000	-	15,000,000
Pure Royalty Payable	-	208,138	642,064	5,268,220	-	6,118,422
EPS Royalty Payable	-	20,713	18,720	28,080	-	67,513
Lease liability*	8.17%	2,716,255	428,003	-	-	3,144,258
Lease liability - Interest	-	196,791	-	-	-	196,791
Total non-derivatives		<u>4,670,488</u>	<u>1,088,787</u>	<u>20,296,300</u>	-	<u>26,055,575</u>

Note 24. Financial instruments (continued)

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

Consolidated - 2023	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,920,046	-	-	-	1,920,046
Customer deposits	-	69,091	-	-	-	69,091
<i>Interest-bearing</i>						
Pure loan payable	9.50%	-	-	15,000,000	-	15,000,000
Pure loan payable - Interest	-	947,913	947,913	1,895,827	-	3,791,653
Pure Royalty Payable	-	194,542	594,082	7,021,949	-	7,810,573
EPS Royalty Payable	-	59,581	95,555	302,891	-	458,027
Lease liability*	8.32%	551,058	-	-	-	551,058
Lease liability - Interest	-	17,730	-	-	-	17,730
Total non-derivatives		<u>3,759,961</u>	<u>1,637,550</u>	<u>24,220,667</u>	<u>-</u>	<u>29,618,178</u>

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

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

Note 25. Fair value measurement

Fair value hierarchy

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

Note 26. 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	
	2024	2023
	\$	\$
<i>Audit services - Ernst & Young</i>		
Audit or review of the financial statements	<u>298,383</u>	<u>240,000</u>

Note 27. Contingent liabilities and capital commitments

Contingent liabilities

The Group had no contingent liabilities at 30 June 2024 and 30 June 2023.

Note 27. Contingent liabilities and capital commitments (continued)

Capital commitments

The Group's share of the capital commitments of its associate, NewCarbon, is as follows:

	Consolidated	
	2024	2023
	\$	\$
Committed at the reporting date but not recognised as liabilities:		
Investment in NewCarbon	<u>6,793,478</u>	<u>7,541,478</u>

Note 28. Related party transactions

Parent entity

Carbonxt Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Equity accounted investment

Interests in NewCarbon are set out in note 12.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2024	2023
	\$	\$
Other income:		
Other income from other related party	152,532	-

Other income from other related parties represent rental income on lease of computer equipment.

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

Receivable from and payable to related parties

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

	Consolidated	
	2024	2023
	\$	\$
Current receivables:		
Receivables from joint venture	50,758	-

Loans to/from related parties

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

Terms and conditions

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

Note 29. 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	
	2024	2023
	\$	\$
Short-term employee benefits	1,906,667	987,713
Share-based payments	73,533	85,996
	<u>1,980,200</u>	<u>1,073,709</u>

Note 30. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2024	2023
		%	%
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 31. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated	
	2024	2023
	\$	\$
Loss after income tax expense for the year	(8,118,499)	(5,983,771)
Adjustments for:		
Depreciation and amortisation	2,369,736	2,444,432
Share of loss - joint ventures	32,198	-
Share-based payments	73,533	177,830
Items classified as investing and financing activities	2,348,966	1,111,635
Change in operating assets and liabilities:		
Decrease in trade and other receivables	497,246	615,896
Decrease/(increase) in inventories	2,346,922	(183,243)
Decrease in other current assets	75,697	115,550
Increase/(decrease) in trade and other payables	230,465	(403,520)
Increase in contract liabilities	2,703,140	-
Increase in employee benefits	11,435	42,418
Decrease in other operating liabilities	(453,395)	(357,477)
Net cash from/(used in) operating activities	<u>2,117,444</u>	<u>(2,420,250)</u>

Note 31. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated	2023
	2024	2023
	\$	\$
Additions/modifications to the right-of-use assets	<u>3,380,038</u>	<u>1,524,775</u>

Changes in liabilities arising from financing activities

Consolidated	Pure loan payable	Lease liability	Total
	\$	\$	\$
Balance at 1 July 2022	4,850,813	2,284,992	7,135,805
Net cash from/(used in) financing activities	9,050,000	(1,899,161)	7,150,839
Royalty payable	(2,956,598)	-	(2,956,598)
Warrant cost	(2,339,000)	-	(2,339,000)
Interest expense	999,843	136,053	1,135,896
Acquisition of leases	-	1,524,775	1,524,775
Other changes	(161,567)	85,527	(76,040)
Balance at 30 June 2023	9,443,491	2,132,186	11,575,677
Net cash used in financing activities	(1,185,874)	(2,289,990)	(3,475,864)
Interest expense	2,816,393	131,090	2,947,483
Lease modifications	-	3,380,038	3,380,038
Other changes	(752,003)	-	(752,003)
Balance at 30 June 2024	<u>10,322,007</u>	<u>3,353,324</u>	<u>13,675,331</u>

Other changes in Pure Loan payable include the effect of accrued but not yet paid interest of \$356,250 and penalty interest of \$395,753 due to event of default related to Pure Loan which was paid through the issuance of shares as detailed in note 21.

Note 32. Earnings per share

	Consolidated	2023
	2024	2023
	\$	\$
Loss after income tax attributable to the owners of Carbonxt Group Limited	<u>(8,118,499)</u>	<u>(5,983,771)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>297,629,958</u>	<u>242,456,050</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>297,629,958</u>	<u>242,456,050</u>
	Cents	Cents
Basic loss per share	(2.73)	(2.47)
Diluted loss per share	(2.73)	(2.47)

82,250,000 (2023: 7,400,000) options and warrants were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 33. 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.

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

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

On or around the date of the share-based payment transaction entered into with Sixty Two Capital Pty Ltd outlined above, the Company accrued \$96,000 for options to be issued to Sanlam Private Wealth as consideration for corporate advisory services. The options have an exercise price of \$0.24 and expire three years from the date of issue. These options were not issued as at 30 June 2022.

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

The Company is required to issue warrants as part of the Pure loan agreement as disclosed in note 18. The terms of the warrants are as follows:

Number of warrants	64,000,000
Exercise price	(i) Tranche 1 - 18,000,000 exercisable at \$0.18 (ii) Tranche 2 - 16,000,000 exercisable at \$0.22 (iii) Tranche 3 - 15,000,000 exercisable at \$0.26 (iv) Tranche 4 - 15,000,000 exercisable at \$0.30
Exercise period	From issue date of the warrant to 30 November 2026
Expiry date	30 November 2026
Issue date of warrants	20 September 2023

On 20 October 2023, the Company issued 6,250,000 options to the directors: Warren Murphy (3,000,000 options), David Mazyck (2,250,000) and Matthew Driscoll (1,000,000). The options have no exercise price, will vest on the Company achieving a VWAP of \$.30 per share over a 10-day period and will expire after 3 years on 20 October 2026.

On 20 October 2023, the Company issued 7,000,000 options to the directors: Warren Murphy (3,000,000 options), David Mazyck (3,000,000) and Matthew Driscoll (1,000,000). The options have no exercise price, will vest on the Company achieving a VWAP of \$.45 per share over a 10-day period and will expire after 3 years on 20 October 2026.

The share-based payment in relation to the warrants for 2024 is \$nil (2023: \$nil). Total expense arising from share-based payment transactions during the financial the year was \$73,533 (30 June 2023: \$177,830).

Note 33. Share-based payments (continued)

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

2024

Grant date	Expiry date	Exercise price	Balance at the start of the year	Additions*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
13/07/2020	13/07/2023	\$0.170	800,000	-	-	(800,000)	-
13/07/2020	13/07/2023	\$0.200	800,000	-	-	(800,000)	-
13/07/2020	13/07/2023	\$0.220	800,000	-	-	(800,000)	-
27/08/2021	27/08/2024	\$0.240	5,000,000	-	-	-	5,000,000
31/05/2023	31/05/2027	\$0.180	18,000,000	-	-	-	18,000,000
31/05/2023	31/05/2027	\$0.220	16,000,000	-	-	-	16,000,000
31/05/2023	31/05/2027	\$0.260	15,000,000	-	-	-	15,000,000
31/05/2023	31/05/2027	\$0.300	15,000,000	-	-	-	15,000,000
20/10/2023	20/10/2026	\$0.021	-	6,250,000	-	-	6,250,000
20/10/2023	20/10/2026	\$0.014	-	7,000,000	-	-	7,000,000
			<u>71,400,000</u>	<u>13,250,000</u>	<u>-</u>	<u>(2,400,000)</u>	<u>82,250,000</u>
Weighted average exercise price			\$0.240	\$0.017	\$0.000	\$0.197	\$0.202

* The options issued will vest on the Company achieving a VWAP of \$0.30 and \$0.45 per share over a 10-day period

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Additions	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/05/2019	24/05/2023	\$0.170	9,166,670	-	-	(9,166,670)	-
13/07/2020	13/07/2023	\$0.170	800,000	-	-	-	800,000
13/07/2020	13/07/2023	\$0.200	800,000	-	-	-	800,000
13/07/2020	13/07/2023	\$0.220	800,000	-	-	-	800,000
27/08/2021	27/08/2024	\$0.240	5,000,000	-	-	-	5,000,000
31/05/2023	31/05/2027	\$0.180	-	18,000,000	-	-	18,000,000
31/05/2023	31/05/2027	\$0.220	-	16,000,000	-	-	16,000,000
31/05/2023	31/05/2027	\$0.260	-	15,000,000	-	-	15,000,000
31/05/2023	31/05/2027	\$0.300	-	15,000,000	-	-	15,000,000
			<u>16,566,670</u>	<u>64,000,000</u>	<u>-</u>	<u>(9,166,670)</u>	<u>71,400,000</u>
Weighted average exercise price			\$0.200	\$0.240	\$0.000	\$0.170	\$0.240

The weighted average remaining contractual life of options and warrants outstanding at the end of the financial year was 2.65 years (2023: 3.6 years).

For the options 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
20/10/2023	20/10/2026	\$0.051	\$0.021	80.00%	-	4.19%	\$131,250
20/10/2023	20/10/2026	\$0.051	\$0.014	80.00%	-	4.19%	\$98,000

Note 34. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2024	2023
	\$	\$
Loss after income tax	(7,156,648)	(2,439,912)
Total comprehensive loss	(7,156,648)	(2,439,912)

Statement of financial position

	Parent	
	2024	2023
	\$	\$
Total current assets	792,215	4,057,878
Total assets	2,552,875	16,638,740
Total current liabilities	11,521,589	10,004,727
Total liabilities	14,363,346	13,210,869
Equity		
Issued capital	91,626,718	88,850,292
Financial liability reserve	8,853,868	8,853,868
Share-based payments reserve	10,023,063	10,078,185
Convertible note equity reserve	563,131	563,131
Accumulated losses	(122,877,251)	(104,917,605)
Total (deficiency)/equity	(11,810,471)	3,427,871

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 2024 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policy information

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 35. Events after the reporting period

In July 2024, the Company advanced US\$625,000 to NewCarbon.

No other matter or circumstance has arisen since 30 June 2024 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.

For personal use only

Carbonxt Group Limited
Consolidated entity disclosure statement
As at 30 June 2024



Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Carbonxt Group Limited	Body corporate	Australia	n/a	Australia
Carbonxt Inc	Body corporate	United States of America	100	United States of America
Clear Carbon Innovations LLC	Body corporate	United States of America	100	United States of America
Carbonxt Group Holdings LLC	Body corporate	United States of America	100	United States of America

For personal use only

Carbonxt Group Limited
Directors' declaration
30 June 2024



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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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 2024
Sydney

For personal use only

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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section above, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Revenue Recognition

Why significant	How our audit addressed the key audit matter
<p>For the year ended 30 June 2024, the Group’s revenue from sales of activated carbon products totalled \$15.12 million which represents 100% of total revenue as disclosed in Notes 2 and 5 of the financial report.</p> <p>The Group’s policy is to recognise revenue from the sale of activated carbon at the point in time when the activated carbon is delivered in accordance with agreements with customers.</p> <p>Given the quantitative importance this was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the revenue recognition process and read relevant agreements to understand the terms and conditions. • Assessed whether the Group recognised revenue in accordance with the requirements of Australian Accounting Standards. • Analysed the relationship between revenue, receivables and cash through the use of data analytics. • Selected a sample of revenue transactions and agreed the revenue recognised with reference to customer agreements, date of delivery and customer payment. • Selected a sample of cash journals and traced the receipts from bank statements back to individual transactions. • Selected a sample of pre and post year-end credit notes and assessed the reason for reversal of sales transactions to confirm the validity of sales recognised prior to year-end. • Selected a sample of revenue transactions before and after year end to confirm revenue was recorded in the correct period. • For unearned revenue, obtained and understood the terms and conditions of the agreement with the customer and ensured that any payments received prior to satisfying the performance obligations were deferred appropriately and in accordance with the Group’s revenue recognition policy. • Assessed the adequacy of the disclosures included in the Notes to the financial statements.

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 2024 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 (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- ▶ The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and

for such internal control as the directors determine is necessary to enable the preparation of:

- ▶ The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ▶ The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Carbonxt Group Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



Scott Nichols
Partner
Sydney
30 August 2024

Carbonxt Group Limited
Shareholder information
30 June 2024



The shareholder information set out below was applicable as at 20 August 2024.

Distribution of equitable securities

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	106	0.01	-	-
1,001 to 5,000	286	0.24	-	-
5,001 to 10,000	161	0.38	-	-
10,001 to 100,000	439	5.33	-	-
100,001 and over	346	94.04	16	100.00
	1,338	100.00	16	100.00
Holding less than a marketable parcel	461	0.38	-	-

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
BNP PARIBAS NOMINEES PTY LTD	20,416,422	6.28
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	16,690,544	5.14
MR CRAIG GRAEME CHAPMAN	13,219,863	4.07
CITICORP NOMINEES PTY LIMITED	8,006,384	2.46
LA ANDREWS INVESTMENTS PTY LTD	7,830,000	2.41
STEWLAND HOLDING PTY LTD	7,000,000	2.15
DIXSON TRUST PTY LIMITED	6,500,000	2.00
TRANTER (SA) PTY LTD	6,166,667	1.90
MR VICTOR LORUSSO	6,000,000	1.85
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,942,638	1.83
MR LUKE ALEXANDER ANDREWS & MRS DANAE ELISE ANDREWS	5,500,000	1.69
STATION CAPITAL PTY LTD	4,598,000	1.42
CHALEYER HOLDINGS PTY LTD	4,400,000	1.35
SPO EQUITIES PTY LTD	4,166,667	1.28
HI FIVE INVESTMENTS PTY LTD	3,980,364	1.23
SUTTERBY INVESTMENTS PTY LTD	3,900,000	1.20
MR JOSHUA LEIGH SWEETMAN & MRS CAROLINE SWEETMAN	3,764,542	1.16
SGI PTY LTD	3,500,000	1.08
ZANYA NOMINEES PTY LTD	3,453,141	1.06
APPWAM PTY LTD	3,300,000	1.02
	138,335,232	42.58

Ordinary shares held include escrowed shares.

Carbonxt Group Limited
Shareholder information
30 June 2024



Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	82,250,000	16

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares % of total shares issued
Number held	
MR CRAIG GRAEME CHAPMAN	17,719,863 5.45

Ordinary shares held include escrowed shares.

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Share buy-back

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

For personal use only