

Carbonxt Group Limited
Appendix 4D
Half-year report



1. Company details

| | |
|-------------------|--|
| Name of entity: | Carbonxt Group Limited |
| ABN: | 59 097 247 464 |
| Reporting period: | For the half-year ended 31 December 2023 |
| Previous period: | For the half-year ended 31 December 2022 |

2. Results for announcement to the market

| | | | \$ |
|--|------|----------|-------------|
| Revenues from ordinary activities | down | 5.5% to | 8,423,963 |
| Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') | up | 69.3% to | (285,759) |
| Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited | up | 26.4% to | (3,368,165) |
| Loss for the half-year attributable to the owners of Carbonxt Group Limited | up | 26.4% to | (3,368,165) |

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 \$3,368,165 (31 December 2022: \$2,664,912).

Revenues decreased 5.5% compared to 1H23 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 half-year period:

| | Consolidated 31 Dec 2023 \$ | 31 Dec 2022 \$ |
|--|--|---------------------------------|
| Revenue | 8,423,963 | 8,912,406 |
| Gross margin | 3,682,362 | 2,521,288 |
| Other income | 68,987 | 83,520 |
| Shipping and distribution costs | (1,095,887) | (972,329) |
| Operating expenses | (2,941,221) | (2,562,767) |
| Underlying EBITDA | (285,759) | (930,288) |
| Depreciation and amortisation | (1,209,209) | (1,226,459) |
| Underlying loss before interest and tax ('EBIT') | (1,494,968) | (2,156,747) |
| Net interest expense | (2,014,172) | (529,725) |
| Share based payment expense | - | (145,077) |
| Other non-cash items | 140,975 | 166,637 |
| Loss before income tax expense | (3,368,165) | (2,664,912) |

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

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------|--------------------------|
| Net tangible assets per ordinary security | 2.30 | 4.09 |

The net tangible assets calculation includes rights-of-use assets of \$5,171,643 (31 Dec 2022: \$4,082,790) and the lease liabilities of \$1,879,385 (31 Dec 2022: \$1,521,282).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

| 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% | - | - | - |
| <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 were subject to a review by the auditors and an unqualified opinion has been issued with a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Interim Report of Carbonxt Group Limited for the half-year ended 31 December 2023 is attached.

12. Signed

Authorised by the Board of Directors.



Signed _____

Date: 29 February 2024

Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Interim Report - 31 December 2023

Carbonxt Group Limited
Contents
31 December 2023



| | |
|--|----|
| Directors' report | 2 |
| Auditor's independence declaration | 4 |
| Statement of profit or loss and other comprehensive income | 5 |
| Statement of financial position | 6 |
| Statement of changes in equity | 7 |
| Statement of cash flows | 8 |
| Notes to the financial statements | 9 |
| Directors' declaration | 17 |
| Independent auditor's review report to the members of Carbonxt Group Limited | 18 |

Carbonxt Group Limited
Directors' report
31 December 2023



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Carbonxt Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

Directors

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

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

Principal activities

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

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

Review of operations

The loss for the Group after providing for income tax amounted to \$3,368,165 (31 December 2022: \$2,664,912).

Revenue for the half-year was \$8,423,963 representing a decrease of 5.5% on the prior half-year's revenue of \$8,912,406.

Revenues decreased 5.5% compared to 1H23 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 Loss Before Interest, Tax, Depreciation and Amortisation ('EBITDA') and Underlying EBIT to reflect the core earnings of the Group. Underlying EBITDA and underlying EBIT are financial measures which are not prescribed by Australian Accounting Standards ('AAS') and represent the profit or loss under AAS adjusted for non-cash and significant items. The following table summarises key reconciling items between statutory loss after income tax and underlying EBITDA for the current and previous half-year period:

| | Consolidated | |
|--|---------------------------|---------------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Revenue | 8,423,963 | 8,912,406 |
| Gross margin | 3,682,362 | 2,521,288 |
| Other income | 68,987 | 83,520 |
| Shipping and distribution costs | (1,095,887) | (972,329) |
| Operating expenses | <u>(2,941,221)</u> | <u>(2,562,767)</u> |
| Underlying EBITDA | (285,759) | (930,288) |
| Depreciation and amortisation | <u>(1,209,209)</u> | <u>(1,226,459)</u> |
| Underlying loss before interest and tax ('EBIT') | (1,494,968) | (2,156,747) |
| Net interest expense | (2,014,172) | (529,725) |
| Share based payment expense | - | (145,077) |
| Other non-cash items | <u>140,975</u> | <u>166,637</u> |
| Loss before income tax expense | <u><u>(3,368,165)</u></u> | <u><u>(2,664,912)</u></u> |

As a result of the loss incurred for the half year ended 31 December 2023 and the liquidity available at the reporting date, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Significant changes in the state of affairs

Capital raising

On 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 are issued on 22 January 2024.

On 6 December 2023, the Company announced the successful completion to raise \$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.

As part of the capital raise, the Company made a further placement of 9,333,333 new fully paid ordinary shares at an issue price of \$0.06 to Pure Asset Management to raise an additional \$500,000. These shares were issued in January 2024 subsequent to year end.

Funds raised will be 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 31 December 2023 (30 June 2023: 33.33%).

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

Auditor's independence declaration

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

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

On behalf of the directors



Warren Murphy
Managing Director

29 February 2024
Sydney

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

As lead auditor for the review of the half-year financial report of Carbonxt Group Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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



Ernst & Young



Scott Nichols
Partner
Sydney
29 February 2024

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023



| | | Consolidated | |
|---|-------------|---------------------|--------------------|
| | Note | 31 Dec 2023 | 31 Dec 2022 |
| | | \$ | \$ |
| Revenue | | | |
| Sales revenue | 4 | 8,423,963 | 8,912,406 |
| Cost of goods sold | | (4,741,601) | (6,391,118) |
| Gross margin | | 3,682,362 | 2,521,288 |
| Other income | | 209,962 | 250,157 |
| Expenses | | | |
| Shipping and distribution costs | | (1,095,887) | (972,329) |
| Employee benefits expense | | (1,227,730) | (1,188,691) |
| Share-based payment expense | | - | (145,077) |
| Depreciation and amortisation expense | 5 | (1,209,209) | (1,226,459) |
| Selling and marketing expenses | | (222,773) | (206,821) |
| General and administrative expenses | | (907,047) | (959,659) |
| Other expenses | | (583,671) | (207,596) |
| Operating loss | | (1,353,993) | (2,135,187) |
| Interest revenue calculated using the effective interest method | | 49,373 | 4,246 |
| Finance costs | 5 | (2,063,545) | (533,971) |
| Loss before income tax expense | | (3,368,165) | (2,664,912) |
| Income tax expense | | - | - |
| Loss after income tax expense for the half-year attributable to the owners of Carbonxt Group Limited | | (3,368,165) | (2,664,912) |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | (964,181) | 255,505 |
| Other comprehensive income/(loss) for the half-year, net of tax | | (964,181) | 255,505 |
| Total comprehensive loss for the half-year attributable to the owners of Carbonxt Group Limited | | (4,332,346) | (2,409,407) |
| | | Cents | Cents |
| Basic loss per share | 14 | (1.22) | (1.27) |
| Diluted loss per share | 14 | (1.22) | (1.27) |

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

Carbonxt Group Limited
Statement of financial position
As at 31 December 2023



| | | Consolidated | |
|---|-------------|---------------------|---------------------|
| | Note | 31 Dec 2023 | 30 Jun 2023 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,648,882 | 4,305,838 |
| Trade and other receivables | | 1,466,474 | 1,425,107 |
| Inventories | | 2,169,031 | 3,305,507 |
| Other | | 130,091 | 206,467 |
| Total current assets | | <u>5,414,478</u> | <u>9,242,919</u> |
| Non-current assets | | | |
| Investments accounted for using the equity method | 6 | 8,360,959 | 7,835,571 |
| Property, plant and equipment | 7 | 5,329,079 | 5,851,072 |
| Right-of-use assets | 8 | 5,171,643 | 5,101,083 |
| Intangibles | 9 | 5,799,056 | 5,770,960 |
| Total non-current assets | | <u>24,660,737</u> | <u>24,558,686</u> |
| Total assets | | <u>30,075,215</u> | <u>33,801,605</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 2,200,460 | 2,286,193 |
| Borrowings | | 9,806,227 | 9,443,491 |
| Lease liabilities | | 1,372,057 | 1,962,737 |
| Royalty payable | | 707,238 | 277,469 |
| Employee benefits | | 147,015 | 179,513 |
| Total current liabilities | | <u>14,232,997</u> | <u>14,149,403</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 507,328 | 169,449 |
| Royalty payable | | 2,964,380 | 3,206,142 |
| Total non-current liabilities | | <u>3,471,708</u> | <u>3,375,591</u> |
| Total liabilities | | <u>17,704,705</u> | <u>17,524,994</u> |
| Net assets | | <u>12,370,510</u> | <u>16,276,611</u> |
| Equity | | | |
| Issued capital | 10 | 89,942,744 | 89,387,844 |
| Reserves | 11 | 19,755,799 | 20,848,635 |
| Accumulated losses | | <u>(97,328,033)</u> | <u>(93,959,868)</u> |
| Total equity | | <u>12,370,510</u> | <u>16,276,611</u> |

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

Carbonxt Group Limited
Statement of changes in equity
For the half-year ended 31 December 2023



| Consolidated | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total equity \$ |
|--|------------------------------|------------------------|----------------------------------|----------------------------|
| Balance at 1 July 2022 | 81,247,380 | 17,852,349 | (87,976,097) | 11,123,632 |
| Loss after income tax expense for the half-year | - | - | (2,664,912) | (2,664,912) |
| Other comprehensive income for the half-year, net of tax | - | 255,505 | - | 255,505 |
| Total comprehensive income/(loss) for the half-year | - | 255,505 | (2,664,912) | (2,409,407) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity, net of transaction costs | 8,024,183 | - | - | 8,024,183 |
| Shares issued to employees in lieu of compensation | 105,345 | 20,166 | - | 125,511 |
| Balance at 31 December 2022 | <u>89,376,908</u> | <u>18,128,020</u> | <u>(90,641,009)</u> | <u>16,863,919</u> |
| 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 half-year | - | - | (3,368,165) | (3,368,165) |
| Other comprehensive loss for the half-year, net of tax | - | (964,181) | - | (964,181) |
| Total comprehensive loss for the half-year | - | (964,181) | (3,368,165) | (4,332,346) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity net of transaction costs (note 10) | 554,900 | - | - | 554,900 |
| Share-based payments | - | (128,655) | - | (128,655) |
| Balance at 31 December 2023 | <u>89,942,744</u> | <u>19,755,799</u> | <u>(97,328,033)</u> | <u>12,370,510</u> |

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

Carbonxt Group Limited
Statement of cash flows
For the half-year ended 31 December 2023



| | | Consolidated | |
|---|-------------|---------------------|--------------------|
| | Note | 31 Dec 2023 | 31 Dec 2022 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 8,382,596 | 9,061,384 |
| Payments to suppliers and employees (inclusive of GST) | | (8,898,217) | (10,316,323) |
| Interest received | | 49,373 | 3,039 |
| Government grants received | | - | 83,520 |
| Interest and other finance costs paid | | (506,373) | (263,397) |
| Net cash used in operating activities | | (972,621) | (1,431,777) |
| Cash flows from investing activities | | | |
| Payments for investment in NewCarbon | | (730,994) | - |
| Payments for property, plant and equipment | | - | (206,072) |
| Payments for intangible assets | | (402,365) | (436,881) |
| Net cash used in investing activities | | (1,133,359) | (642,953) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares and exercise of options | 10 | 600,000 | 8,497,188 |
| Share issue transaction costs | 10 | (45,100) | (473,005) |
| Repayment of lease liability | | (1,063,445) | (895,352) |
| Net cash (used in)/from financing activities | | (508,545) | 7,128,831 |
| Net (decrease)/increase in cash and cash equivalents | | (2,614,525) | 5,054,101 |
| Cash and cash equivalents at the beginning of the financial half-year | | 4,305,838 | 1,090,450 |
| Effects of exchange rate changes on cash and cash equivalents | | (42,431) | 20,637 |
| Cash and cash equivalents at the end of the financial half-year | | <u>1,648,882</u> | <u>6,165,188</u> |

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

Note 1. General information

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

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

Registered office

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

Principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 February 2024.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under Australian Securities Exchange Listing Rules and the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2023 and are not expected to have significant impact for the full financial year ending 30 June 2024.

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

Going concern

The financial statements for the half year have been prepared on the going concern basis, which assumes 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.

During the half year ended 31 December 2023, the Group reported a net loss of \$3,368,165 (31 December 2022: \$2,664,912) and operating cash outflows of \$972,621 (31 December 2022: outflows of \$1,431,777). At 31 December 2023, cash and cash equivalents were \$1,648,882 (30 June 2023: \$4,305,838) and net current liabilities of \$8,818,519 (30 June 2023: net current liabilities of \$4,906,484).

Note 2. Material accounting policy information (continued)

Net current liabilities include \$9,806,227 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 half year 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 November 2023 providing a grace period until 31 March 2024.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the half year financial statements, have prepared a cash flow forecast through to 31 March 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 investment in NewCarbon Processing LLC per assumed timelines, improvements in its existing operations such that positive net cash flows are achieved or 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 investment in NewCarbon Processing LLC's operations and/or 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.

Comparative information

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

Geographical information

| | Sales to external customers | | Geographical non-current assets | |
|--------------------------|------------------------------------|--------------------|--|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ | \$ | \$ |
| Australia | - | - | 385,548 | 429,719 |
| United States of America | 8,423,963 | 8,912,406 | 24,275,189 | 24,128,967 |
| | <u>8,423,963</u> | <u>8,912,406</u> | <u>24,660,737</u> | <u>24,558,686</u> |

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

Note 4. Revenue

Disaggregation of revenue

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

| | Consolidated | |
|--------------------------------------|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| <i>Major product lines</i> | | |
| Sale of activated carbon | 8,423,963 | 8,899,654 |
| Consultancy fees | - | 12,752 |
| | <u>8,423,963</u> | <u>8,912,406</u> |
| <i>Geographical regions</i> | | |
| United States of America | <u>8,423,963</u> | <u>8,912,406</u> |
| <i>Timing of revenue recognition</i> | | |
| Goods transferred at a point in time | <u>8,423,963</u> | <u>8,912,406</u> |

Note 5. Expenses

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Loss before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Plant and equipment | 358,828 | 367,015 |
| Plant and equipment right-of-use assets | 595,449 | 554,747 |
| Total depreciation | <u>954,277</u> | <u>921,762</u> |
| <i>Amortisation</i> | | |
| Development | 157,968 | 153,549 |
| Engineering Performance Solutions ('EPS') patents | 48,199 | 105,457 |
| Other patents | 48,765 | 45,691 |
| Total amortisation | <u>254,932</u> | <u>304,697</u> |
| Total depreciation and amortisation | <u>1,209,209</u> | <u>1,226,459</u> |
| <i>Finance costs</i> | | |
| Interest and finance charges paid/payable on borrowings | 1,994,637 | 268,045 |
| Interest and finance charges paid/payable on lease liabilities | 68,908 | 82,505 |
| Warrant costs | - | 183,421 |
| Finance costs expensed | <u>2,063,545</u> | <u>533,971</u> |

Note 6. Investments accounted for using the equity method

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Investment in associate | 8,360,959 | 7,835,571 |
| <i>Reconciliation</i> | | |
| Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below: | | |
| Opening carrying amount | 7,835,571 | - |
| Additions | 730,994 | 7,540,724 |
| Capitalised cost | - | 200,213 |
| Foreign exchange difference | (205,606) | 94,634 |
| Closing carrying amount | 8,360,959 | 7,835,571 |

Interest 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 31 December 2023 (30 June 2023: 33.33%).

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---------------------------|---|---------------------------|--------------------|
| | | 31 Dec 2023 | 30 Jun 2023 |
| | | % | % |
| NewCarbon Processing, LLC | USA | 35.48% | 33.33% |

Note 7. Property, plant and equipment

| | Consolidated | |
|--------------------------------|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Plant and equipment - at cost | 9,413,768 | 9,711,941 |
| Less: Accumulated depreciation | (4,255,999) | (4,037,605) |
| | 5,157,769 | 5,674,336 |
| Construction in progress | 171,310 | 176,736 |
| | 5,329,079 | 5,851,072 |

Note 7. Property, plant and equipment (continued)

Reconciliations

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

| | Plant and equipment \$ | Construction in progress \$ | Total \$ |
|-----------------------------|------------------------------|-----------------------------------|------------------|
| Consolidated | | | |
| Balance at 1 July 2023 | 5,674,336 | 176,736 | 5,851,072 |
| Exchange differences | (157,739) | (5,426) | (163,165) |
| Depreciation expense | (358,828) | - | (358,828) |
| Balance at 31 December 2023 | <u>5,157,769</u> | <u>171,310</u> | <u>5,329,079</u> |

Note 8. Right-of-use assets

| | Consolidated | |
|------------------------------------|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Plant and equipment - right-of-use | 8,729,345 | 8,185,364 |
| Less: Accumulated depreciation | (3,751,398) | (3,321,587) |
| | <u>4,977,947</u> | <u>4,863,777</u> |
| Equipment - right-of-use | 409,222 | 422,184 |
| Less: Accumulated depreciation | (215,526) | (184,878) |
| | <u>193,696</u> | <u>237,306</u> |
| | <u>5,171,643</u> | <u>5,101,083</u> |

Reconciliations

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

| | Plant right-of- use \$ | Equipment right-of-use \$ | Total \$ |
|-----------------------------|------------------------------|---------------------------------|------------------|
| Consolidated | | | |
| Balance at 1 July 2023 | 4,863,777 | 237,306 | 5,101,083 |
| Additions | 810,644 | - | 810,644 |
| Exchange differences | (139,100) | (5,535) | (144,635) |
| Depreciation expense | (557,374) | (38,075) | (595,449) |
| Balance at 31 December 2023 | <u>4,977,947</u> | <u>193,696</u> | <u>5,171,643</u> |

Note 9. Intangibles

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| <i>Non-current assets</i> | | |
| Development - at cost | 4,865,269 | 4,604,261 |
| Less: Accumulated amortisation | (848,661) | (720,051) |
| | <u>4,016,608</u> | <u>3,884,210</u> |
| Engineering Performance Solutions ('EPS') patents - at cost | 1,445,822 | 1,445,822 |
| Less: Accumulated amortisation | (1,060,274) | (1,012,075) |
| | <u>385,548</u> | <u>433,747</u> |
| Other patents and development - at cost | 2,233,057 | 2,256,660 |
| Less: Accumulated amortisation | (836,157) | (803,657) |
| | <u>1,396,900</u> | <u>1,453,003</u> |
| | <u><u>5,799,056</u></u> | <u><u>5,770,960</u></u> |

Reconciliations

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

| | Development costs | EPS patents | Other patents | Total |
|------------------------|--------------------------|--------------------|----------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| Balance at 1 July 2023 | 3,884,210 | 433,747 | 1,453,003 | 5,770,960 |
| Additions | 402,365 | - | - | 402,365 |
| Exchange differences | (111,999) | - | (7,338) | (119,337) |
| Amortisation expense | (157,968) | (48,199) | (48,765) | (254,932) |
| | <u>4,016,608</u> | <u>385,548</u> | <u>1,396,900</u> | <u>5,799,056</u> |

Note 10. Issued capital

| | Consolidated | | | |
|------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 | 31 Dec 2023 | 30 Jun 2023 |
| | Shares | Shares | \$ | \$ |
| Ordinary shares - fully paid | <u>285,298,873</u> | <u>275,298,873</u> | <u>89,942,744</u> | <u>89,387,844</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|-------------------|------------------|--------------------|--------------------|-------------------|
| Balance | 1 July 2023 | 275,298,873 | | 89,387,844 |
| Shares placement | 18 December 2023 | 10,000,000 | \$0.06 | 600,000 |
| Share issue costs | | | | (45,100) |
| Balance | 31 December 2023 | <u>285,298,873</u> | | <u>89,942,744</u> |

Note 11. Reserves

| | Consolidated | |
|--------------------------------------|---------------------|--------------------|
| | 31 Dec 2023 | 30 Jun 2023 |
| | \$ | \$ |
| Financial liability reserve | 8,853,868 | 8,853,868 |
| Foreign currency translation reserve | 389,270 | 1,353,451 |
| Share-based payments reserve | 9,949,530 | 10,078,185 |
| Convertible note equity reserve | 563,131 | 563,131 |
| | <u>19,755,799</u> | <u>20,848,635</u> |

Movements in reserves

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

| | Financial liability reserve \$ | Foreign currency translation reserve \$ | Share-based payments reserve \$ | Convertible note equity reserve \$ | Total \$ |
|------------------------------|---|---|--|---|-------------------|
| Consolidated | | | | | |
| Balance at 1 July 2023 | 8,853,868 | 1,353,451 | 10,078,185 | 563,131 | 20,848,635 |
| Foreign currency translation | - | (964,181) | - | - | (964,181) |
| Share based payments | - | - | (128,655) | - | (128,655) |
| Balance at 31 December 2023 | <u>8,853,868</u> | <u>389,270</u> | <u>9,949,530</u> | <u>563,131</u> | <u>19,755,799</u> |

Note 12. Dividends

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

Note 13. Contingent liabilities

The Group had no contingent liabilities at 31 December 2023 and 30 June 2023.

Note 14. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2023 | 31 Dec 2022 |
| | \$ | \$ |
| Loss after income tax attributable to the owners of Carbonxt Group Limited | <u>(3,368,165)</u> | <u>(2,664,912)</u> |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic loss per share | <u>276,059,743</u> | <u>210,169,888</u> |
| Weighted average number of ordinary shares used in calculating diluted loss per share | <u>276,059,743</u> | <u>210,169,888</u> |
| | Cents | Cents |
| Basic loss per share | (1.22) | (1.27) |
| Diluted loss per share | (1.22) | (1.27) |

18,250,000 options and 64,000,000 warrants (31 December 2022: 27,375,140 options and 9,166,670 warrants) were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Carbonxt Group Limited
Directors' declaration
31 December 2023



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

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

Warren Murphy
Managing Director

29 February 2024
Sydney

Independent auditor's review report to the members of Carbonxt Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Carbonxt Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2023, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

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

Basis for conclusion

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

Material uncertainty related to going concern

We draw attention to Note 2 of the financial report which describes the principal conditions that raise doubts about the Group's ability to continue as a going concern. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Ernst & Young



Scott Nichols
Partner
Sydney
29 February 2024