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

31 August 2018

Carbonxt Group Limited – FY18 Results

- Revenue of $6.4 million, up 68% on FY17.
- Gross margin 23.6%, up from 18.6% in FY17.
- AC (activated carbon) pellet sales commenced in June 2018 and have accelerated in FY19 – $200,000 of product a week currently being produced and sold from Arden Hills facility in Minnesota USA to ReACT customer.
- Rectification of initial production start-up issues at Arden Hills expected to be complete by 31 October 2018. Pellet gross margins impacted in short-term until resolved.
- Black Birch PAC (powdered activated carbon) production facility in Georgia USA is online and expected to significantly increase margins in FY19.
- Additional industrial AC pellet plant being developed near Gainesville, Florida USA. Discussions with major potential customers indicates initial demand over US$5 million a year.
- Strong start to FY19 – unaudited revenue of $2.7 million for the 2 months ended 31 August 2018, up over 400% on the previous corresponding period.
- Positive outlook with increasing demand for Carbonxt's proprietary pollutant removal and reduction technologies.
- Company remains on track to be cash flow positive during FY19. Exact timing depends on Arden Hills rectification and commissioning of Gainesville plant.

FINANCIAL OVERVIEW

	FY18 $'000	FY17 $'000
Revenue	**$6,352**	**$3,789**
Gross margin	**$1,499**	**$705**
Gross margin %	23.6%	18.6%
Shipping costs	($1,079)	($582)
Cash operating costs	($5,274)	($3,689)
EBITDA	**($4,854)**	**($3,566)**
Depreciation and amortisation	($217)	($182)
EBIT	**($5,071)**	**($3,748)**
Net interest	($206)	($210)
Non-cash employee options expense	($1,601)	
Other non-cash items (net)	$92	($308)
IPO costs expensed	($374)	-
Net loss	**($7,160)**	**($4,266)**

REVENUE

Carbonxt is achieving a strong revenue trajectory, with FY18 revenue 68% ahead of FY17 and over 600% ahead of FY16.

The revenue base was further diversified in FY18 with new customers in the cement, fertiliser and municipal potable water sectors.

The Company expects further revenue growth in FY19 through increased sales of AC pellets to the ReACT (Regenerative Activated Coke Technology) plant in Wisconsin USA and the significant latent demand for the Company's AC pellets for industrial toxin removal.

Carbonxt is one of a handful of USA AC industrial pellet producers at a time of increased import tariffs and international trade uncertainty. Soundings with potential customers indicate initial demand of over US$5 million a year, with significant further growth expected when the products are established in the market place.

The Company is adding additional pellet manufacturing capacity to meet this demand, with a new plant being developed near the Gainesville head office. This plant is expected to be commissioned by the end of 2018 to meet the initial demand and further capacity is planned in 2019.

Carbonxt has made a very positive start to FY19 with unaudited revenue of $2.7 million for the 2 months ended 31 August, up over 400% on the previous corresponding period.

MARGIN GROWTH

FY18 Gross margin was 23.6%, up from 18.6% in FY17 but below the 28% recorded in 1H18 due to the production start-up issues at Arden Hills, which are expected to be resolved by 31 October 2018. These costs are being fully expensed and will be separately disclosed in the next reporting period when the issues are resolved.

The new Black Birch PAC facility in Georgia has commenced operations and will initially produce around 250 tons per month for existing customers by 31 October 2018, with the capacity to produce up to 10,000 tons per annum when fully operational. PAC from Black Birch will also be shipped to Arden Hills for conversion into pellets for the ReACT contract, and first shipments are expected in November 2018.

Black Birch uses a very low-cost base material for manufacturing PAC and the Company expects to achieve significant margin expansion from this facility.

Product formulations for the industrial pellets to be produced at Gainesville are still being developed and costed, but preliminary results indicate good initial margins. The Company has a very strong Research and Development ('R&D') team with an excellent track record of achieving margin expansion over time as products are further refined.

OPERATING COSTS

Shipping costs to customers increased from 15.4% of revenue in FY17 to 17.0% in FY18 due to the remote location of several new customers. The Company expects to negotiate lower freight costs as it becomes more established, and the close proximity of Arden Hills to the ReACT customer is expected to lead to a lower overall unit shipping cost in FY19.

Operating costs of $5.3 million were 44% higher than FY17, significantly lower than the pace of revenue growth. Further economies of scale are expected in FY19. The increase in operating costs was predominantly due to additional employees in sales and product development.

STATEMENT OF FINANCIAL POSITION

Carbonxt had cash of $5.1 million as at 30 June 2018.

The Company has two liabilities in addition to normal trade creditors: a US$0.75 million customer advance that will be repaid out of cash flow by 31 December 2018, and A$2.5 million of convertible notes maturing in December 2021 with an interest rate of 8%. The Company can elect to repay the notes at any time, with the noteholders having the right to convert to ordinary shares at 50 cents per share if the Company makes the repayment election.

FURTHER GROWTH OPPORTUNITIES

New market segments in the USA

A full-scale trial commenced this month with a leading USA power utility for the Company's "water phase" product, WetJect™.

WetJect™ is a patented process for mercury removal through the injection of a customised absorbent directly into the wet flue gas desulphurisation ('WFGD') system.

This product has the potential to disrupt the existing MATS (Mercury and Air Toxic Standards) market, which primarily relies on the injection of PAC into the "air phase" of coal fired power stations. Initial pilot trials indicate that WetJect™ is far more effective in mercury removal than traditional air phase injection and it provides additional benefits for the utility to comply with ELGs (Effluent Limitation Guidelines) being imposed by the EPA (Environmental Protection Agency). The full-scale trial is due to be completed by 31 October 2018.

Around 60% of USA coal fired power plants have a WFGD.

Increasingly stringent pollution control regulation

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

International applications

Many of the Company's products, such as ReACT and industrial pellets have global application and the Company is at the early stages of investigating potential opportunities in Europe and Asia.

ENDS

For further information please contact:

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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 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	67.6%	to	6,351,913
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	36.1%	to	(4,854,142)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	up	67.8%	to	(7,159,859)
Loss for the year attributable to the owners of Carbonxt Group Limited	up	67.8%	to	(7,159,859)

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 $7,159,859 (30 June 2017: $4,266,090).

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

	Consolidated 2018 $	Consolidated 2017 $
Revenue	6,351,913	3,789,434
Gross margin	1,498,548	704,504
Shipping cost	(1,078,404)	(582,404)
Cash operating expenses	(5,274,286)	(3,689,410)
Underlying EBITDA	(4,854,142)	(3,565,310)
Depreciation and amortisation	(217,474)	(182,003)
Underlying earnings before interest and tax ('EBIT')	(5,071,616)	(3,747,313)
Net Interest expense	(206,321)	(210,160)
Share based payment expense	(1,601,356)	-
Other non-cash items	93,027	(308,617)
Initial Public Offering costs	(373,593)	-
Loss before income tax expense	(7,159,859)	(4,266,090)

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

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.99	(7.47)

The net tangible assets per ordinary security is calculated based on 73,622,836 ordinary shares on issue as at 30 June 2018 and 52,322,534 ordinary shares that would have been in existence had the 10:1 share consolidation occurred as at 30 June 2017.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

Carbonxt Group Limited
Appendix 4E
Preliminary final report

11. Attachments

Details of attachments (if any):

The Annual Report of Carbonxt Group Limited for the year ended 30 June 2018 is attached.

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12. Signed

Signed

Date: 31 August 2018



Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Annual Report - 30 June 2018

Carbonxt Group Limited
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Carbonxt Group Limited
Corporate directory
30 June 2018

Directors	Matthew Quinn - Chairman Warren Murphy - Managing Director David Mazyck - Director of Technology and Chief Executive Officer Carbonxt Inc.
Company secretary	Tom Bloomfield
Registered office	Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia Tel: +61 2 9290 8600
Principal place of business	Suite 111 3951 NW 48th Terrace Gainesville FL 32606 United States of America
Share register	Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia Tel: +61 2 9290 9600
Auditor	Ernst & Young 200 George Street Sydney NSW 2000 Australia
Solicitors	Thomson Geer Level 25 1 O'Connell Street Sydney NSW 2000 Australia
Stock exchange listing	Carbonxt Group Limited shares are listed on the Australian Securities Exchange (ASX code: CG1)
Website	www.carbonxt.com
Business objectives	Carbonxt Group Limited has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.
Corporate Governance Statement	The Company's directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations. The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation since listing, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations. The Company's Corporate Governance Statement and policies, which is approved at the same time as the Annual Report, can be found on its website: www.carbonxt.com

Carbonxt Group Limited
Chairman's letter
30 June 2018

Dear Shareholder

I am pleased to present our annual report for the year ended 30 June 2018 ('FY18'), the first as a listed company following our successful Initial Public Offering ('IPO') and debut on the Australian Securities Exchange ('ASX') in January 2018. The IPO raised $10 million of new capital enabling Carbonxt to progress a number of growth opportunities, including the development of our new powdered activated carbon ('PAC') manufacturing plant, Black Birch in Georgia USA.

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

Both of our two core products, PAC and activated carbon ('AC') pellets, have significant competitive advantages that appeal to a broad range of customers and we made significant progress in their commercialisation in FY18, increasing revenue by 68% to $6.4 million.

Margins improved in FY18 due to continuous improvement of product formulations and we expect further margin growth in the financial year ending 30 June 2019 ('FY19') as our Black Birch facility comes online.

An example of our technology and product development expertise is the awarding of a contract for Carbonxt to supply AC pellets to the first ReACT (regenerative activated coke technology) power station to be built in the USA. Supply under this contract commenced in June 2018 from our Arden Hills production facility in Minnesota USA. We did experience significant start up issues at this facility, but these are now under control and should be fully rectified by the end of October 2018.

The know how gained from development of this pellet product has enabled us to expand into other industrial pellet markets. This is an exciting opportunity as most AC pellets are currently imported from Asia and many customers are expressing concerns about tariffs and potential trade barriers. Our market scoping has identified initial demand for over US$5 million of pellets a year, with substantial upside when we become firmly established as a reliable local USA supplier.

To capitalise on this opportunity, we have commenced development of a new pellet plant near our head office in Gainesville Florida USA, and by the end of FY19 we expect to have three production facilities in full swing delivering high quality products to the market at low cost and healthy margins.

During FY18 we increased the size and capability of our team, resulting in higher operating costs. We now expect to achieve significant economies of scale and the company is on track to become profitable and cash flow positive during FY19 when all three facilities are on line.

I would like to thank our team for their hard work and commitment to put us in such a strong position and our shareholders for their support over many years culminating in the IPO. I am confident in our ability to achieve substantial growth over the coming years and look forward to sharing our future success with you.

Yours sincerely



Matthew Quinn
Chairman

31 August 2018
Sydney

Carbonxt Group Limited
Directors' report
30 June 2018

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 2018.

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 Quinn - Chairman
Warren Murphy
David Mazyck

Principal activities

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

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

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to $7,159,859 (30 June 2017: $4,266,090).

Revenue for the year was $6,351,913 representing an increase of 68% on the prior year's revenue of $3,789,434.

Underlying EBITDA (Earnings, before interest, taxation, depreciation and amortisation, adjusted for specific items) amounted to amounted to $4,854,142 (30 June 2017: $3,565,310).

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

	Consolidated	
	2018 $	2017 $
Revenue	6,351,913	3,789,434
Gross margin	1,498,548	704,504
Shipping cost	(1,078,404)	(582,404)
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Depreciation and amortisation	(217,474)	(182,003)
Underlying earnings before interest and tax ('EBIT')	(5,071,616)	(3,747,313)
Net Interest expense	(206,321)	(210,160)
Share based payment expense	(1,601,356)	-
Other non-cash items	93,027	(308,617)
Initial Public Offering costs	(373,593)	-
Loss before income tax expense	(7,159,859)	(4,266,090)

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

Growth of customer base
The Group's customer base has increased during the financial year. Key highlights include:

- securing extensions with two existing customers - to supply PAC to additional power stations;
- obtaining two new customer contracts - whilst the new contracts were relatively small (~200 tons per annum) the customer relationship established has extended the Group's presence in the industry and has the potential to lead to additional contracts in the future;
- diversifying the customer and revenue base - with new non-power station customer contracts with cement and fertiliser plants and industrial pellet customers;
- supplying two customers with AC pellet product, following commencement of AC pellet production at the Arden Hills facility; and
- securing the first contract with a municipal authority for potable water purification.

Significant changes in the state of affairs

Becoming a listed company
On 23 January 2018, the Company successfully listed on the ASX and as part of the initial public offering ('IPO') issued 14,285,715 ordinary shares raising $10,000,000, before transaction costs. Strong interest was received from institutional investors. The listing has provided the Group with the capital required to expand operations, including the development of a new manufacturing facility to increase capacity and lower production costs.

In addition, 3,217,857 ordinary shares were issued on conversion of $1,802,000 of convertible notes.

Other significant capital changes
On 10 July 2017 and 17 August 2017, as part of the 2017 rights issue placement, the Company issued 120,000 and 29,820,000 ordinary shares raising a total of $1,497,000.

On 6 December 2017, the Company completed a consolidation of shares at 10:1, following approval by shareholders at the annual general meeting held on 30 November 2017.

New product development
During the financial year, the Group completed the development of its new AC pellet product for use in regenerative activated coke technology ('ReACT') power plants and in June 2018 the Group commenced producing and supplying the AC pellets to customers.

ReACT is an advanced multipollutant technology that achieves simultaneous capture of sulphur and nitrogen oxides and mercury. The technology is relatively new in the Unites States of America ('USA') market, however, the many advantages it brings, including reducing the amount of water required in the wet flue gas desulphurisation units, indicates that the technology's presence in the USA and other markets is expected to grow.

The Group also has developed its WetJect™ technology, a patented process to target air and water phase mercury through the injection of a customised sorbent directly into wet flue gas desulphurisation ('WFGD') systems. This process uses less PAC due to a recirculation in the WFGD system that allows for more contact time. The approach helps coal fired power plants achieve compliance limits. WetJect™ is now being marketed and promoted to customers. After the reporting date, the Group commenced a major trial with a leading USA utility company.

Expansion of operations
The Group developed two new manufacturing plants during the financial year, as follows.

Black Birch PAC facility located in Georgia, USA.	This facility, developed by a third party, has been leased by the Group on a 50-year term from commissioning on a variable rent based on volume sold from the plant. It has capacity to produce up to 10,000 tons of PAC per annum and is initially producing the equivalent of 3,000 tons per annum for existing customers. This new supply of PAC is expected to materially increase gross margins in future years. The facility began commissioning in June 2018. Final acceptance is expected in September 2018.
Arden Hills AC pellet plant facility located at Powder Technology, Inc. in Minnesota, USA.	This facility, after some initial production issues, is now producing and supplying AC pellets to customers. It has capacity to produce 7,500 tons of AC pellets per annum when fully optimised.

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

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

The opening of the Black Birch facility will enable the Group to enter the municipal potable water market and it is focused on securing new opportunities and customers in this sector - which is estimated to be a $155 million market in North America alone by 2020.

The market opportunity for the AC pellets has been ahead of expectations and as a result of high demand additional capacity is now being added at the Arden Hills facility.

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

Finally, the opening of the new production facilities is expected to increase gross margins across the Group and it is expected that the next financial year will result in increases in sales, gross margins and cash flow.

Environmental regulation

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

Information on directors

Name:	Matthew Quinn
Title:	Non-Executive Chairman
Qualifications:	First class honours degree in Chemistry and Management Science from Imperial College London, an associate of the Royal College of Science, and a Chartered Accountant.
Experience and expertise:	Matthew was formerly the Managing Director of Stockland, Australia's largest diversified property group and a top 50 ASX listed company, from 2000 to 2013. He was National President of the Property Council of Australia from 2003 to 2005 and a director of the Business Council of Australia in 2012. Matthew is involved in a number of not-for-profits and is on the board of the Australian Business and Community Foundation.
Other current directorships:	Non-Executive Director of CSR Limited (ASX: CSR) and Regis Limited (ASX: REG) and Chairman of Class Limited (ASX: CL1)
Former directorships (last 3 years):	None
Interests in shares:	2,700,000 ordinary shares
Interests in options:	1,000,000 options over ordinary shares

Name:	Warren Murphy
Title:	Managing Director
Qualifications:	B.E. (Electrical and Electronic Engineering)(Hons), B.Com (Accounting and Economics)
Experience and expertise:	Warren was previously Co-Head of the Australian Infrastructure & Project Finance Group and Head of Energy at Babcock & Brown based in the Sydney office. Warren led the development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the founding of Infigen Energy (and its unlisted predecessor, Global Wind Partners) where he served as a director from inception until June 2009.
Other current directorships:	Director of Alinta Limited (ASX: AA1) as well as the unlisted Coogee Resources Limited.
Former directorships (last 3 years):	None
Interests in shares:	200,000 ordinary shares
Interests in options:	1,500,000 options over ordinary shares

Name:	Dr David Mazyck
Title:	Director of Technology and Chief Executive Officer ('CEO') Carbonxt Inc.
Qualifications:	Ph.D. from Penn State University in Environmental Engineering and Ph.D. minor in fuel science.
Experience and expertise:	David is a world-leading expert on AC and its applications including mercury capture. He has developed AC products for the major multinational AC manufacturers and has regularly consulted for them on technical issues. David was Chairman of the Activated Carbon Standards Committee for the American Water Works Association ('AWWA') and has developed products for National Aeronautics and Space Administration ('NASA'). He is a member of the World Coal Association and appointee to the United Nations efforts on developing a global treaty for mercury.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	267,500 ordinary shares
Interests in options:	1,000,000 options over ordinary shares

'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

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Matthew Quinn	11	11
Warren Murphy	11	11
David Mazyck	11	11

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

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

Remuneration report (audited)

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

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

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

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

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

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

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

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

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

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

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

Group performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the Group. A cash bonus is dependent on sales targets being met. Any other additional cash bonuses and incentive payments are at the discretion of the Board. Refer to the section 'Additional information' below for details of the earnings and total shareholders return since listing.

Use of remuneration consultants
During the financial year ended 30 June 2018, 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 2017 Annual General Meeting ('AGM')
The Company did not receive any specific feedback on its remuneration practices at the 2017 Annual General Meeting or during the financial year.

Details of remuneration

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

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

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

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

Cash bonuses of $155,744 were paid to Key Management Personnel during the 2018 financial year (2017: nil). A cash bonus of AUD $90,744 (USD $70,000) was paid to David Mazyck in February 2018 in respect of the Group's sales performance for the 2017 year. A cash bonus of AUD $65,000 was paid to Warren Murphy in December 2017 in respect of achieving the Initial Public Offering of Carbonxt Group Limited on the ASX in January 2018.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Director:							
Matthew Quinn	131,886	-	-	1,900	-	-	133,786
Executive Directors:							
Warren Murphy *	157,490	-	-	-	-	-	157,490
David Mazyck *	520,405	-	-	-	-	-	520,405
	809,781	-	-	1,900	-	-	811,681

* Fees paid to consulting firms related to the relevant key management personnel.

Service agreements

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

Name:	Matthew Quinn
Title:	Non-Executive Chairman
Agreement commenced:	8 May 2017
Term of agreement:	Ongoing - no fixed minimum term
Details:	Annual fees of $131,400 including superannuation.
Name:	Warren Murphy
Title:	Managing Director and Chief Executive Officer
Agreement commenced:	22 March 2013
Term of agreement:	Ongoing - no fixed minimum term
Details:	Annual fees of $219,000 via consultancy agreement.
Name:	David Mazyck
Title:	Director of Technology and CEO Carbonxt Inc.
Agreement commenced:	10 May 2013
Term of agreement:	Ongoing - no fixed minimum term
Details:	Annual fees US$400,000 via contractor agreement.

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

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Date	Shares	Issue price	$
David Mazyck *	14 November 2017	675,000	$0.05	33,750

* Remuneration issued as shares in lieu of cash.

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 Quinn	1,000,000	30 November 2017	30 November 2017	30 November 2021	$0.50	$0.350
Warren Murphy	1,500,000	30 November 2017	30 November 2017	30 November 2021	$0.50	$0.350
David Mazyck	1,000,000	30 November 2017	30 November 2017	30 November 2021	$0.50	$0.350

The above options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2018, following approval by shareholders at the AGM on 30 November 2017. Options granted carry no dividend or voting rights.

Additional information
The earnings of the Group since listing are summarised below:

	2018 $
Sales revenue	6,351,913
Net loss after tax	(7,159,859)
Net Assets	4,467,306

	2018
Share price at financial year end ($)	0.40
Basic earnings per share (cents per share)	(11.05)

Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	On market purchase	Consolidation of shares 10:1	Balance at the end of the year
Ordinary shares					
Matthew Quinn	26,200,000	-	80,000	(23,580,000)	2,700,000
Warren Murphy	2,000,000	-	-	(1,800,000)	200,000
David Mazyck	2,000,000	675,000	-	(2,407,500)	267,500
	30,200,000	675,000	80,000	(27,787,500)	3,167,500

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

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

Other transactions with key management personnel and their related parties
Warren Murphy and David Mazyck provide consultancy services through their consultancy firms. The amount of fees has been disclosed in the 'Details of remuneration' section above.

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
30 November 2017	30 November 2021	$0.50	3,500,000
8 June 2018	8 June 2020	$0.60	500,000
28 February 2018	30 November 2021	$0.50	300,000
28 February 2018	30 November 2021	$0.70	475,000
			4,775,000

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 2018 and up to the date of this report.

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

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

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

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

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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

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

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

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

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Warren Murphy
Managing Director

31 August 2018
Sydney

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

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Fax: +61 2 9248 5959
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Building a better working world

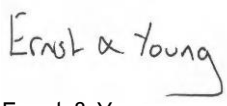
Auditor's Independence Declaration to the Directors of Carbonxt Group Limited and its controlled entities

As lead auditor for the audit of Carbonxt Group Limited and its subsidiaries for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

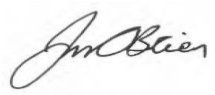
a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Carbonxt Group Limited and its subsidiaries during the financial year.



Ernst & Young



Julian M. O'Brien
Partner
31 August 2018

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue			
Sales revenue	5	6,351,913	3,789,434
Cost of goods sold		(4,853,365)	(3,084,930)
Gross margin		1,498,548	704,504
Net foreign exchange gain		239,110	-
Expenses			
Shipping and distribution costs		(1,078,404)	(582,404)
Employee benefits expense		(2,563,352)	(1,600,843)
Share-based payment expense	31	(1,601,356)	-
Depreciation and amortisation expense	6	(217,474)	(182,003)
Selling and marketing expenses		(964,258)	(557,983)
General and administrative expenses		(1,224,019)	(752,661)
Other expenses	6	(1,042,333)	(1,084,540)
Operating loss		(6,953,538)	(4,055,930)
Interest income		37,855	2,526
Finance costs	6	(244,176)	(212,686)
Loss before income tax expense		(7,159,859)	(4,266,090)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Carbonxt Group Limited		(7,159,859)	(4,266,090)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		129,964	(132,648)
Other comprehensive income for the year, net of tax		129,964	(132,648)
Total comprehensive income for the year attributable to the owners of Carbonxt Group Limited		(7,029,895)	(4,398,738)
		Cents	**Cents**
Basic earnings per share	30	(11.05)	(9.18)
Diluted earnings per share	30	(11.05)	(9.18)

Refer to note 19 for detailed information on Restatement of comparatives.

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

Carbonxt Group Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Assets			
Current assets			
Cash and cash equivalents	8	5,166,545	520,522
Trade and other receivables	9	787,331	477,941
Inventories	10	780,197	227,038
Other	11	341,439	62,417
Total current assets		7,075,512	1,287,918
Non-current assets			
Property, plant and equipment	12	2,058,909	1,567,493
Intangibles	13	1,530,776	1,509,908
Total non-current assets		3,589,685	3,077,401
Total assets		10,665,197	4,365,319
Liabilities			
Current liabilities			
Trade and other payables	14	1,772,340	2,151,768
Borrowings	15	73,333	2,474,867
Employee benefits		66,169	29,381
Total current liabilities		1,911,842	4,656,016
Non-current liabilities			
Borrowings	16	2,269,315	-
Other liabilities	17	2,016,734	2,109,761
Total non-current liabilities		4,286,049	2,109,761
Total liabilities		6,197,891	6,765,777
Net assets/(liabilities)		4,467,306	(2,400,458)
Equity			
Issued capital	18	57,532,631	45,216,728
Reserves	19	14,058,706	12,346,986
Accumulated losses		(67,124,031)	(59,964,172)
Total equity/(deficiency)		4,467,306	(2,400,458)

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

Carbonxt Group Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2016	41,505,387	12,479,634	(55,698,082)	(1,713,061)
Loss after income tax expense for the year	-	-	(4,266,090)	(4,266,090)
Other comprehensive income for the year, net of tax	-	(132,648)	-	(132,648)
Total comprehensive income for the year	-	(132,648)	(4,266,090)	(4,398,738)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 18)	3,711,341	-	-	3,711,341
Balance at 30 June 2017	45,216,728	12,346,986	(59,964,172)	(2,400,458)

Refer to note 19 for detailed information on Restatement of comparatives

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

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

Carbonxt Group Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,084,770	3,821,609
Payments to suppliers and employees (inclusive of GST)		(12,986,593)	(6,677,294)
		(6,901,823)	(2,855,685)
Interest received		37,855	2,526
Interest and other finance costs paid		(34,395)	(18,878)
Net cash used in operating activities	29	(6,898,363)	(2,872,037)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(508,537)	(566,526)
Payments for intellectual property	13	(129,477)	(149,546)
Proceeds from disposal of property, plant and equipment		-	4,155
Net cash used in investing activities		(638,014)	(711,917)
Cash flows from financing activities			
Proceeds from issue of shares	18	13,224,000	3,948,008
Share issue transaction costs	18	(1,312,735)	(236,667)
Net cash from financing activities		11,911,265	3,711,341
Net increase in cash and cash equivalents		4,374,888	127,387
Cash and cash equivalents at the beginning of the financial year		520,522	402,648
Effects of exchange rate changes on cash and cash equivalents		271,135	(9,513)
Cash and cash equivalents at the end of the financial year	8	5,166,545	520,522

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

Carbonxt Group Limited
Notes to the financial statements
30 June 2018

Note 1. General information

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

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

Registered office	Principal place of business
Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Australia	Suite 111 3951 NW 48th Terrace Gainesville FL 32606 United States of America

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss and convertible notes payable.

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carbonxt Group Limited as at 30 June 2018 and the results of all subsidiaries for the year then ended.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of activated carbon

Revenue from the sale of activated carbon is recognised in the period when the activated carbon is produced or purchased and sold or delivered in accordance with agreements with customers. Amounts disclosed as revenue are inclusive of freight costs and net of discounts.

Consultancy fees

Consultancy fees which includes on site testing are recognised as the service has been provided.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. These receivables represent management fees that are accrued daily and paid monthly by the funds. They are usually recoverable within 20 business days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

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

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

Property, 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 property, plant and equipment over their expected useful lives as follows:

Plant and equipment	5 - 10 years

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

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

Note 2. Significant accounting policies (continued)

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. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

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

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

Finance costs

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

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

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

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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

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

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

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

Comparative information

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

Note 2. Significant accounting policies (continued)

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 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is currently being assessed.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018, and the impact of its adoption is currently being assessed.

Note 2. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. Had the standard been adopted from 1 July 2018, and using the transitional rules available, the Group would have recognised a lease liability being the present value of the operating lease commitments as disclosed in note 25 with a corresponding increase in property, plant and equipment. However, the Group will adopt this standard from 1 July 2019 and the actual impact will depend on the operating leases held by the Group as at 1 July 2019 and the transitional elections made at that time.

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.

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

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

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

Specifically, for the convertible note liability, management judgement is applied in determining the key assumptions that are used in the valuation of the convertible notes liability. Key assumptions include: market price of the underlying asset; prevailing level of interest rate; and probability of notes held being converted to shares or repaid.

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

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

Note 4. Operating segments

Identification of reportable operating segments
The Group only has one reportable segment being the development and sale of specialised Activated Carbon ('AC') products, principally in the United States of America.

Major customers
During the year ended 30 June 2018 approximately 36% (2017: 49%) of the Group's external revenue was derived from sales to one customer.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2018 $	2017 $	2018 $	2017 $
Australia	-	-	948,842	1,039,203
United States of America	6,351,913	3,789,434	2,640,843	2,038,198
	6,351,913	3,789,434	3,589,685	3,077,401

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 5. Revenue

	Consolidated	
	2018 $	2017 $
Revenue		
Sale of activated carbon	6,279,379	3,574,020
Consultancy fees	72,534	215,414
	6,351,913	3,789,434

Note 6. Expenses

	Consolidated 2018 $	Consolidated 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	98,874	56,991
Amortisation		
Engineering Performance Solutions ('EPS) patents	90,360	90,360
Other patents	28,240	34,652
Total amortisation	118,600	125,012
Total depreciation and amortisation	217,474	182,003
Finance costs		
Interest and finance charges paid/payable	34,395	20,563
Convertible note imputed interest	209,781	192,123
Finance costs expensed	244,176	212,686
Other expenses		
Insurance costs	287,652	244,906
Legal costs	208,503	205,755
Fair value movement on license royalty	(93,027)	232,784
Other expenses	24,484	82,864
Technical feasibility expense	417,118	176,920
Minimum lease rental payments	128,113	116,942
Other occupancy expense	69,490	24,369
Total other expenses	1,042,333	1,084,540

Note 7. Income tax

	Consolidated 2018 $	Consolidated 2017 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(7,159,859)	(4,266,090)
Tax at the statutory tax rate of 27.5%	(1,968,961)	(1,173,175)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax assets not recognised	1,968,961	1,173,175
Income tax expense	-	-

Note 7. Income tax (continued)

	Consolidated 2018 $	Consolidated 2017 $
Tax losses not recognised		
Unused Australian tax losses for which no deferred tax asset has been recognised	18,347,672	15,896,788
Potential tax benefit @ 27.5%	5,045,610	4,371,617
Unused United States tax losses for which no deferred tax asset has been recognised	39,429,527	35,188,890
Potential tax benefit @ 21.0%	8,280,201	7,389,667

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

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

Note 8. Current assets - cash and cash equivalents

	Consolidated 2018 $	Consolidated 2017 $
Cash on hand	20	20
Cash at bank	5,105,068	462,000
Cash on deposit	61,457	58,502
	5,166,545	520,522

Note 9. Current assets - trade and other receivables

	Consolidated 2018 $	Consolidated 2017 $
Trade receivables	787,331	477,941

Impairment of receivables
The Group has recognised a loss of $nil (2017: $nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2018.

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

Note 10. Current assets - inventories

	Consolidated 2018 $	Consolidated 2017 $
Raw materials - at cost	549,515	182,998
Activated carbon finished goods - at cost	230,682	44,040
	780,197	227,038

Note 11. Current assets - other

	Consolidated 2018 $	Consolidated 2017 $
Prepayments	332,819	21,600
GST receivable	8,620	40,817
	341,439	62,417

Note 12. Non-current assets - property, plant and equipment

	Consolidated 2018 $	Consolidated 2017 $
Plant and equipment - at cost	2,724,526	2,108,190
Less: Accumulated depreciation	(665,617)	(540,697)
	2,058,909	1,567,493

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

Consolidated	Plant and equipment $
Balance at 1 July 2016	1,120,451
Additions	566,526
Disposals	(24,974)
Exchange differences	(37,519)
Depreciation expense	(56,991)
Balance at 30 June 2017	1,567,493
Additions	508,537
Revaluation decrements	81,753
Depreciation expense	(98,874)
Balance at 30 June 2018	2,058,909

Note 13. Non-current assets - intangibles

	Consolidated 2018 $	Consolidated 2017 $
Engineering Performance Solutions ('EPS) patents - at cost	1,445,822	1,445,822
Less: Accumulated amortisation	(496,980)	(406,620)
	948,842	1,039,202
Other patents - at cost	1,049,565	892,216
Less: Accumulated amortisation	(467,631)	(421,510)
	581,934	470,706
	1,530,776	1,509,908

Note 13. Non-current assets - intangibles (continued)

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

Consolidated	EPS patents $	Other patents $	Total $
Balance at 1 July 2016	1,129,562	458,143	1,587,705
Additions	-	149,546	149,546
Exchange differences	-	(102,331)	(102,331)
Amortisation expense	(90,360)	(34,652)	(125,012)
Balance at 30 June 2017	1,039,202	470,706	1,509,908
Additions	-	129,477	129,477
Exchange differences	-	9,991	9,991
Amortisation expense	(90,360)	(28,240)	(118,600)
Balance at 30 June 2018	948,842	581,934	1,530,776

Engineering Performance Solutions ('EPS') patent
The Group has an exclusive license to a patent owned by EPS for magnetic activated carbon technology that maximises mercury capture from flue gas. As part of the agreement, EPS is entitled to royalties based on a percentage of revenue from the sale of products by the Group that uses the EPS' technology. The fair value of this liability is recognised in the statement of financial position. Refer to note 17.

Note 14. Current liabilities - trade and other payables

	Consolidated 2018 $	Consolidated 2017 $
Trade payables	764,791	724,211
Accrued expenses	82,500	368,065
Customer deposits	903,125	975,039
Other payables	21,924	84,453
	1,772,340	2,151,768

Refer to note 21 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Loans	73,333	73,333
Convertible notes payable	-	2,401,534
	73,333	2,474,867

Refer to note 21 for further information on financial instruments.

The convertible notes mature on 1 January 2022 (extended from 31 December 2019 on the completion of the IPO in January 2018) and have been therefore reclassified as a non-current liability as at 30 June 2018. Refer to note 16.

Note 16. Non-current liabilities - borrowings

	Consolidated 2018 $	Consolidated 2017 $
Convertible notes payable	2,269,315	-

Refer to note 21 for further information on financial instruments.

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

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

	Consolidated 2018 $	Consolidated 2017 $
Beginning balance	2,401,534	2,133,578
Additions	2,002,000	670,000
Repayments	(200,000)	-
Conversion	(1,802,000)	(670,000)
Modification costs	(342,000)	75,833
Interest	209,781	192,123
	2,269,315	2,401,534

Note 17. Non-current liabilities - other liabilities

	Consolidated 2018 $	Consolidated 2017 $
Royalty payable	2,016,734	2,109,761

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

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

The liability above is valued using a probability weighted discounted cash flow methodology. The movement in the valuation of the liability of $93,027 from 2017 has been taken to profit or loss. The patent has been recognised as an intangible asset, refer to note 13.

Note 18. Equity - issued capital

	Consolidated 2018 Shares	Consolidated 2017 Shares	Consolidated 2018 $	Consolidated 2017 $
Ordinary shares - fully paid	73,622,836	523,223,795	57,532,631	45,216,728

Note 18. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2016	432,348,065		41,505,387
Share placement	September 2016	37,810,802	$0.04	1,512,432
Share placement	March 2017	5,000,000	$0.04	200,000
Conversion of convertible notes	June 2017	16,750,000	$0.04	670,000
Shares issued in lieu of payment for convertible note Interest	June 2017	42,125	$0.04	1,685
Share placement	June 2017	75,000	$0.05	4,000
Entitlements offer share issue	June 2017	31,197,803	$0.05	1,559,891
Issue costs		-	$0.00	(236,667)
Balance	30 June 2017	523,223,795		45,216,728
Shares issued as payment for interest to convertible note holders	July 2017	74,658	$0.04	2,986
2017 rights issue placement	July 2017	120,000	$0.05	6,000
2017 rights issue placement	August 2017	29,820,000	$0.05	1,491,000
Shares issued as payment for interest to convertible note holders	October 2017	157,534	$0.04	6,302
Shares issued as payment to convertible note holder to extend maturity date of convertible note	November 2017	6,839,999	$0.05	342,000
Shares issued as remuneration (share-based payment)	November 2017	675,000	$0.05	33,750
Share consolidation at 10:1	December 2017	(504,819,722)	$0.00	-
Shares issued at Initial Public Offering	December 2017	14,285,715	$0.70	10,000,000
Conversion of convertible notes	December 2017	3,217,857	$0.56	1,802,000
Shares issued to employees	February 2018	28,000	$0.70	19,600
Issue costs		-	$0.00	(1,387,735)
Balance	30 June 2018	73,622,836		57,532,631

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

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

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

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

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

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

Note 18. Equity - issued capital (continued)

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

There are no externally imposed capital requirements.

The capital risk management policy has been enhanced from the 30 June 2017 Annual Report, which stated that "the Group's objective is to ensure it has sufficient funds to meet its obligations over the next 12 months. The Company aims to achieve positive cash flow within 12 months".

Note 19. Equity - reserves

	Consolidated 2018 $	Consolidated 2017 $
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	287,824	157,860
Share-based payments reserve	4,353,883	2,772,127
Convertible note equity reserve	563,131	563,131
	14,058,706	12,346,986

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

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

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

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

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

Consolidated	Financial liability reserve $	Foreign currency translation reserve $	Share-based payments reserve $	Convertible note equity reserve * $	Total $
Balance at 1 July 2016	8,853,868	290,508	2,772,127	563,131	12,479,634
Foreign currency translation	-	(132,648)	-	-	(132,648)
Balance at 30 June 2017	8,853,868	157,860	2,772,127	563,131	12,346,986
Foreign currency translation	-	129,964	-	-	129,964
Share based payment expense	-	-	1,601,356	-	1,601,356
Issue of shares to staff	-	-	(19,600)	-	(19,600)
Balance at 30 June 2018	8,853,868	287,824	4,353,883	563,131	14,058,706

Note 19. Equity - reserves (continued)

* The 30 June 2017 convertible note equity reserve balance has been adjusted to remove the fair value movement and reflect the equity component of the convertible notes at the 12 November 2015 issue date with corresponding adjustment to profit or loss.

Note 20. Equity - dividends

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

Note 21. Financial instruments

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

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

Market risk

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

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

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

	Assets	
	2018	2017
Consolidated	$	$
US dollars	2,435,394	-

The Group had assets denominated in US dollars of $2,435,394 as at 30 June 2018 (2017: $nil). Based on this exposure, had the Australian dollars weakened by 10%/strengthened by 10% (2017: 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year and equity would have been $243,539 lower/$243,539 higher (2017: $nil lower/$nil higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 2018 was $239,110 (2017: $nil).

Price risk
The Group is not exposed to any significant price risk.

Note 21. Financial instruments (continued)

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

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

	2018		2017	
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash at bank	0.67%	5,105,068	1.01%	462,000
Cash on deposit	10.00%	61,457	10.00%	58,502
Net exposure to cash flow interest rate risk		5,166,525		520,502

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

	Basis points increase			Basis points decrease		
Consolidated - 2018	**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	25,833	25,833	(50)	(25,833)	(25,833)

	Basis points increase			Basis points decrease		
Consolidated - 2017	**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	2,603	2,603	(50)	(2,603)	(2,603)

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.

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

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

Note 21. Financial instruments (continued)

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

Consolidated - 2018	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	764,791	-	-	-	764,791
Customer deposits	-	903,125	-	-	-	903,125
Other payables	-	21,924	-	-	-	21,924
Other loans	-	73,333	-	-	-	73,333
Royalty payable	-	-	-	-	2,016,734	2,016,734
Interest-bearing - variable						
Convertible note	8.00%	-	-	2,500,000	-	2,500,000
Total non-derivatives		1,763,173	-	2,500,000	2,016,734	6,279,907

Consolidated - 2017	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	724,211	-	-	-	724,211
Customer deposits	-	975,039	-	-	-	975,039
Other payables	-	84,453	-	-	-	84,453
Other loans	-	73,333	-	-	-	73,333
Royalty payable	-	-	-	-	2,109,761	2,109,761
Interest-bearing - variable						
Convertible notes	8.00%	-	2,500,000	-	-	2,500,000
Total non-derivatives		1,857,036	2,500,000	-	2,109,761	6,466,797

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

Note 22. Fair value measurement

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

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Royalty payable	-	-	2,016,734	2,016,734
Convertible notes payable	-	2,269,315	-	2,269,315
Total liabilities	-	2,269,315	2,016,734	4,286,049

Consolidated - 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Royalty payable	-	-	2,109,761	2,109,761
Convertible notes payable	-	2,401,534	-	2,401,534
Total liabilities	-	2,401,534	2,109,761	4,511,295

There were no transfers between levels during the financial year.

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

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

Consolidated	Royalty $
Balance at 1 July 2016	1,876,976
Gains recognised in profit or loss	232,785
Balance at 30 June 2017	2,109,761
Losses recognised in profit or loss	(93,027)
Balance at 30 June 2018	2,016,734

Note 22. Fair value measurement (continued)

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

Description	Unobservable inputs	Sensitivity
Royalty	Sales price per ton: $2,000 - $3,000 per tonne (2017: $2,000 - $3,000 per tonne)	Significant increases/(decreases) in the sales price per ton would result in higher/(lower) fair value of the royalty payable.
	Sales tons: 5,000 - 20,000 tons p.a. (2017: 5,000 - 20,000 tons p.a.)	Significant increases/(decreases) in the tons sold would result in higher/(lower) fair value of the royalty payable.
	USA Discount rate: 2.86% (2017: 2.30%)	Significant increases/(decreases) in the discount rate would result in lower (higher) fair value of the

Note 23. Remuneration of auditors

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

	Consolidated 2018 $	Consolidated 2017 $
Audit services - Ernst & Young		
Audit or review of the financial statements	135,000	130,295

Note 24. Contingent liabilities

The Group had no contingent liabilities at 30 June 2018 and 30 June 2017.

Note 25. Commitments

	Consolidated 2018 $	Consolidated 2017 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	76,213	102,841
One to five years	-	73,231
	76,213	176,072

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

Finance lease
On 24 October 2017, the Group, as a lessee, entered into a lease arrangement with a Louisiana Limited Liability company, to operate an industrial facility and equipment for the manufacture of activated carbon from its premises. The facility has the capacity to manufacture up to 10,000 tons per annum of activated carbon. The initial term of the lease is for 50 years, commencing 7 days after the lessor delivers written notice to the Group that the facility is ready for occupancy.

At the reporting date, the lease has not been deemed to have commenced as the facility is still undergoing technical acceptance testing procedures and therefore the lease has not been recognised in the statement of financial position. The expected date of completion is September 2018.

Note 25. Commitments (continued)

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

Note 26. Related party transactions

Parent entity
Carbonxt Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

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

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

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

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

Note 27. Key management personnel disclosures

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

	Consolidated	
	2018 $	2017 $
Short-term employee benefits	953,114	809,781
Post-employment benefits	11,400	1,900
Share-based payments	1,250,997	-
	2,215,511	811,681

Note 28. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Carbonxt Inc.	United States of America	100%	100%
Clear Carbon Innovations LLC	United States of America	100%	100%
Carbonxt Group Holdings LLC	United States of America	100%	100%

Note 29. Cash flow information

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

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax expense for the year	(7,159,859)	(4,266,090)
Adjustments for:		
Depreciation and amortisation	217,474	182,003
Share-based payments	1,601,356	-
Interest expense on convertible notes	209,781	192,123
Remeasurement movement on license royalty	(93,027)	232,784
Other non-cash items	(189,878)	213,623
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(309,390)	51,938
Increase in inventories	(553,159)	(25,461)
Decrease in other current assets	(279,022)	25,038
Increase/(decrease) in trade and other payables	(342,639)	522,005
Net cash used in operating activities	(6,898,363)	(2,872,037)

Changes in liabilities arising from financing activities

Consolidated	Borrowings $	Royalty payable $	Total $
Balance at 1 July 2016	2,206,911	1,876,976	4,083,887
Changes in fair values	75,833	232,785	308,618
Other changes	192,123	-	192,123
Balance at 30 June 2017	2,474,867	2,109,761	4,584,628
Changes in fair values	(342,000)	(93,027)	(435,027)
Other changes	209,781	-	209,781
Balance at 30 June 2018	2,342,648	2,016,734	4,359,382

Note 30. Earnings per share

	Consolidated 2018 $	Consolidated 2017 $
Loss after income tax attributable to the owners of Carbonxt Group Limited	(7,159,859)	(4,266,090)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	64,773,464	46,467,317
Weighted average number of ordinary shares used in calculating diluted earnings per share	64,773,464	46,467,317

Note 30. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(11.05)	(9.18)
Diluted earnings per share	(11.05)	(9.18)

The weighted average number of ordinary shares for 2017 has been restated for the effect of the 10:1 consolidation completed in December 2018, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	464,671,810
Adjustment required by AASB 133 'Earnings per share'	(418,204,218)
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	46,467,592

4,775,000 (2017: nil) options were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 31. Share-based payments

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

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

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

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

The share-based payment expense for 2018 is $1,601,356 (2017: $nil).

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

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2017	30/11/2021	$0.50	-	3,500,000	-	-	3,500,000
08/06/2018	08/06/2020	$0.60	-	500,000	-	-	500,000
28/02/2018	30/11/2021	$0.50	-	300,000	-	-	300,000
28/02/2018	30/11/2021	$0.70	-	475,000	-	-	475,000
			-	4,775,000	-	-	4,775,000
Weighted average exercise price			$0.00	$0.53	$0.00	$0.00	$0.53

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.24 years (2017: nil years).

Note 31. Share-based payments (continued)

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
30/11/2017	30/11/2021	$0.50	$0.50	100.00%	-	2.05%	$0.348
08/06/2018	08/06/2020	$0.45	$0.60	100.00%	-	1.88%	$0.204
28/02/2018	30/11/2021	$0.59	$0.50	100.00%	-	2.12%	$0.388
28/02/2018	30/11/2021	$0.59	$0.70	100.00%	-	2.12%	$0.350

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2018 $	Parent 2017 $
Loss after income tax	(9,316,228)	(4,350,490)
Total comprehensive income	(9,316,228)	(4,350,490)

Statement of financial position

	Parent 2018 $	Parent 2017 $
Total current assets	4,490,475	374,519
Total assets	5,439,317	1,413,722
Total current liabilities	184,637	2,916,761
Total liabilities	4,470,686	5,026,522
Equity		
Issued capital	56,995,079	44,679,176
Financial liability reserve	8,853,868	8,853,868
Share-based payments reserve	4,353,883	2,772,127
Convertible note equity reserve	563,131	563,131
Accumulated losses	(69,797,330)	(60,481,102)
Total equity/(deficiency)	968,631	(3,612,800)

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 2018 and 30 June 2017.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Note 32. Parent entity information (continued)

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

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

Note 33. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Carbonxt Group Limited
Directors' declaration
30 June 2018

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 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Warren Murphy
Managing Director

31 August 2018
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carbonxt Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Repor*t 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.

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Recognition of revenue

Why significant	How our audit addressed the key audit matter
The Group generates revenue from sales of activated carbon products to various customers including power utilities in the United States of America. The Group's policy is to recognise revenue when the significant risks, rewards and ownership and effective control has been transferred to the buyer. This is generally considered to be at the point the product has been shipped from the Group's premises to the customer in accordance with the terms of the arrangements with the customer. Given the importance of revenue in the context of the financial report, this was considered to be a Key Audit Matter. Disclosure of revenue is included in note 5 of the financial report.	Our audit procedures included the following: • Assessed whether the Group recognised revenue in accordance with Australian Accounting Standards and in accordance with sales terms contained in the contract agreements. • Selected a sample of revenue transactions and agreed the revenue recognised to the relevant delivery documents and purchase orders to determine whether revenue was recorded at the time of delivery. • Selected a sample of revenue transactions which occurred prior to year end and after year end and determined if the revenue has been recognised in the correct period by reference to delivery documentation.

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 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

Building a better working world

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.

Building a better working world

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

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

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

Report on the Audit of the Remuneration Report

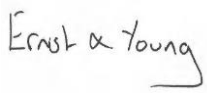
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Carbonxt Group Limited for the year ended 30 June 2018, 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



Julian M. O'Brien
Partner
Sydney
31 August 2018

Carbonxt Group Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 26 August 2018.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	81	-
1,001 to 5,000	335	-
5,001 to 10,000	201	-
10,001 to 100,000	564	8
100,001 and over	103	5
	1,284	13
Holding less than a marketable parcel	67	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Werft Pty Ltd	8,602,889	11.685
Beville Investments (No 9) Pty Limited (Beville Investments No 9 A/C)	3,718,959	5.051
United Conveyor Corporation	2,836,000	3.852
Washington H Soul Pattinson and Company Limited	2,321,429	3.153
Walker Group Holdings Pty Ltd	2,142,857	2.911
Auckland Trust Company Ltd (Second Pacific Master SF AC)	1,966,784	2.671
Super Quinn Pty Ltd (Quinn Investments A/C)	1,553,943	2.111
Bevilles Executives Super Fund Pty Ltd (Bevilles Executives SF A/C)	1,493,767	2.029
Bentale Pty Ltd (Allambi Road Family A/C)	1,133,631	1.540
Cardy & Company Pty Limited	1,071,429	1.455
Skye Alba Pty Ltd	878,868	1.194
HSBC Custody Nominees (Australia) Limited	707,871	0.961
SPO Equities Pty Ltd (March Street Equity A/C)	600,000	0.815
Super Quinn Pty Ltd (Quinn Super Fund A/C)	535,497	0.727
Station Capital Pty Ltd	527,178	0.716
HSBC Custody Nominees (Australia) Limited - A/C 2	428,572	0.582
Avanteos Investments Limited (Encircle Ima A/C)	420,005	0.570
Noel Prowse Pty Ltd (Superannuation Fund No 2 A/C)	400,000	0.543
One Managed Investment Funds Limited (Technical Investing Absolute Return A/C)	395,834	0.538
Metohes Pty Ltd	372,948	0.507
	32,108,461	43.611

Carbonxt Group Limited
Shareholder information
30 June 2018

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	4,775,000	13

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Werft Pty Ltd	8,602,889	11.685
Beville Investments (No 9) Pty Limited (Beville Investments No 9 A/C)	3,718,959	5.051

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares	Held in escrow for 12 months from date of issue, 31 October 2017.	157,534
Ordinary shares	Held in escrow for 24 months from date of ASX listing, 23 January 2018	3,623,774
		3,781,308

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

Share buy-back

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