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

28 February 2019

Carbonxt Group Limited – 1H18 Results

Carbonxt Group Ltd (ASX:CG1) has released its half-year result for the period ending 31 December 2018. All numbers are in A$.

OVERVIEW

- Revenue of $8.7m was recorded in 1H19 which is an increase of 186% on 1H18.
- EBITDA was affected by the unexpected start-up costs at the Arden Hills facility incurred which had a one-off impact of approximately $1.4m.
- The Company has seen a significant reduction in operating costs at both its Black Birch and Arden Hills manufacturing facilities which are continuing into the second half.

FINANCIAL OVERVIEW

	1H19 $'000	1H18 $'000
Revenue	**$8,671**	**$3,031**
Gross margin	**$577**	**$839**
Shipping costs	($1,032)	($565)
Operating costs	($3,740)	($2,304)
EBITDA	**($4,195)**	**($2,030)**
Depreciation and amortisation	($334)	($93)
EBIT	**($4,529)**	**($2,123)**
Net interest	($257)	($77)
Non-cash items (net)	(82)	($393)
IPO costs expensed	0	($374)
Net loss before tax	**($4,869)**	**($2,967)**

REVENUE

The Company's primary business is the production and sale of speciality activated carbon (AC) products, including Powdered Activated Carbon ("PAC") and AC pellets for the removal of pollutants and toxins in industrial processes.

The Company has been successful in extending all of its major utility supply contracts, including the extension this week for three years of a PAC contract to a power station in the South-West, USA.

The growth in revenue (+186%) is primarily from the commencement of AC pellet supply to the first ReACT ("Regenerative Activated Coke Technology") power station in the USA. Supply volumes for this contract are well above original expectations and this higher volume is expected to be maintained.

OPERATING COSTS

Shipping Costs as a percentage of Revenue has reduced from 18.6% in 1H18 to 11.9% in 1H19 due to the change in mix of customers and a move to supply contracts from our own facilities.

Operating costs of $3.7m are in line with those outlined in the Presentation released on 15 October, 2018 and are 70% higher than 1H18 due to staff increases to manage the new additional manufacturing facilities, as well as higher sales commissions as a result of the increase in sales revenue.

MANUFACTURING FACILITIES

The Company has successfully transitioned all but one of its major utility contracts to be supplied from its Black Birch powdered activated manufacturing facility. Discussions regarding the last contract being transitioned over the next few months have commenced.

Arden Hills' performance is much improved and additional manufacturing capability has been added to this facility.

The Company has decided based on the improved performance and additional capacity at its Arden Hills plant, and to preserve cash, to defer further capital expenditure at its new Prairie Point pellet facility. This action has the advantage of focusing management resources on further cost reductions and efficiencies at the Black Birch and Arden Hills facilities.

SUMMARY AND FINANCIAL OUTLOOK

The Company is now overcoming the start-up issues associated with the new production facilities and is targeting to be operating cash flow positive by June 2019.

For further information please contact:

Warren Murphy
Managing Director
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Carbonxt Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Carbonxt Group Limited
ABN:	59 097 247 464
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards have been applied retrospectively and comparatives have been restated, where applicable.

				$
Revenues from ordinary activities	up	186.1%	to	8,671,721
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	up	106.6%	to	(4,195,255)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	up	64.1%	to	(4,868,728)
Loss for the half-year attributable to the owners of Carbonxt Group Limited	up	64.1%	to	(4,868,728)

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 $4,868,728 (31 December 2017: $2,966,677).

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

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Revenue	8,671,721	3,031,095
Gross margin	576,540	838,527
Shipping and distribution costs	(1,032,334)	(564,632)
Cash operating expenses	(3,739,461)	(2,304,351)
Underlying EBITDA	(4,195,255)	(2,030,456)
Depreciation and amortisation	(333,957)	(92,934)
Underlying earnings before interest and tax ('EBIT')	(4,529,212)	(2,123,390)
Net interest expense	(257,129)	(76,907)
Share-based payment expense	(52,000)	(249,659)
Other non-cash items	(30,387)	(143,128)
Initial Public Offering costs	-	(373,593)
Loss before income tax expense	(4,868,728)	(2,966,677)

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

Carbonxt Group Limited
Appendix 4D
Half-year report

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.37	9.84

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report, which contains an Emphasis of Matter paragraph regarding preparation of the financial statements on a going concern basis, is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Carbonxt Group Limited for the half-year ended 31 December 2018 is attached.

12. Signed



Signed _____ Date: 28 February 2019

Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Interim Report - 31 December 2018

Carbonxt Group Limited
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31 December 2018

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Carbonxt Group Limited
Directors' report
31 December 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 half-year ended 31 December 2018.

Directors

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

Bruce Hancox - Chairman (appointed 30 November 2018)
Warren Murphy
David Mazyck
Matthew Quinn (retired 30 November 2018)

Principal activities

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

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

Review of operations

The loss for the Group after providing for income tax amounted to $4,868,728 (31 December 2017: $2,966,677).

Revenue for the half-year was $8,671,721 representing an increase of 186% on the prior half-year's revenue of $3,031,095.

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

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Revenue	8,671,721	3,031,095
Gross margin	576,540	838,527
Shipping and distribution costs	(1,032,334)	(564,632)
Cash operating expenses	(3,739,461)	(2,304,351)
Underlying EBITDA	(4,195,255)	(2,030,456)
Depreciation and amortisation	(333,957)	(92,934)
Underlying earnings before interest and tax ('EBIT')	(4,529,212)	(2,123,390)
Net interest expense	(257,129)	(76,907)
Share-based payment expense	(52,000)	(249,659)
Other non-cash items	(30,387)	(143,128)
Initial Public Offering costs	-	(373,593)
Loss before income tax expense	(4,868,728)	(2,966,677)

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.

1H19 saw a significant increase in revenue (+186%), primarily as a result of the commencement of the contract to supply pellets to the first ReACT power station to be built in the USA.

Gross margins have been detrimentally affected by the start-up issues at the Arden Hills facility. The management of the Company is confident that these issues are being addressed with the operating performance in January 2019 having achieved demonstrably lower operating costs.

Significant changes in the state of affairs

Capital raising

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

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

Manufacturing capacity

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

Auditor's independence declaration

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

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

On behalf of the directors



Warren Murphy
Managing Director

28 February 2019
Sydney

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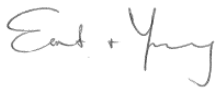
Auditor's Independence Declaration to the Directors of Carbonxt Group Limited

As lead auditor for the review of the half-year financial report of Carbonxt Group Limited for the half-year ended 31 December 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 review; and

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

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



Ernst & Young



Scott Jarrett
Partner
28 February 2019

Carbonxt Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Revenue			
Sales revenue	4	8,671,721	3,031,095
Cost of goods sold		(8,095,181)	(2,192,568)
Gross margin		576,540	838,527
Net foreign exchange gain		36,490	-
Expenses			
Shipping and distribution costs		(1,032,334)	(564,632)
Employee benefits expense		(1,628,985)	(1,162,154)
Share-based payment expense		(52,000)	(249,659)
Depreciation and amortisation expense	5	(333,957)	(92,934)
Selling and marketing expenses		(642,747)	(403,904)
General and administrative expenses		(706,941)	(506,057)
Other expenses		(827,665)	(748,957)
Operating loss		(4,611,599)	(2,889,770)
Interest revenue calculated using the effective interest method		14,461	1,931
Finance costs	5	(271,590)	(78,838)
Loss before income tax expense		(4,868,728)	(2,966,677)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Carbonxt Group Limited		(4,868,728)	(2,966,677)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		191,112	(35,548)
Other comprehensive income for the half-year, net of tax		191,112	(35,548)
Total comprehensive income for the half-year attributable to the owners of Carbonxt Group Limited		(4,677,616)	(3,002,225)
		Cents	**Cents**
Basic loss per share	14	(5.95)	(5.09)
Diluted loss per share	14	(5.95)	(5.09)

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

Carbonxt Group Limited
Statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		2,708,726	5,166,545
Trade and other receivables	6	1,625,103	787,331
Inventories		1,746,626	780,197
Other		411,841	341,439
Total current assets		6,492,296	7,075,512
Non-current assets			
Property, plant and equipment	7	8,959,027	2,058,909
Intangibles		1,641,964	1,530,776
Total non-current assets		10,600,991	3,589,685
Total assets		17,093,287	10,665,197
Liabilities			
Current liabilities			
Trade and other payables		2,644,052	1,772,340
Borrowings	8	915,558	73,333
Employee benefits		202,325	66,169
Total current liabilities		3,761,935	1,911,842
Non-current liabilities			
Borrowings	9	5,767,143	2,269,315
Other liabilities		2,044,908	2,016,734
Total non-current liabilities		7,812,051	4,286,049
Total liabilities		11,573,986	6,197,891
Net assets		5,519,301	4,467,306
Equity			
Issued capital	10	63,210,242	57,532,631
Reserves		14,301,818	14,058,706
Accumulated losses		(71,992,759)	(67,124,031)
Total equity		5,519,301	4,467,306

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

Carbonxt Group Limited
Statement of changes in equity
For the half-year ended 31 December 2018

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 half-year	-	-	(2,966,677)	(2,966,677)
Other comprehensive income for the half-year, net of tax	-	(35,548)	-	(35,548)
Total comprehensive income for the half-year	-	(35,548)	(2,966,677)	(3,002,225)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	12,397,366	-	-	12,397,366
Share-based payments (note 15)	-	249,659	-	249,659
Balance at 31 December 2017	57,614,094	12,561,097	(62,930,849)	7,244,342

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	57,532,631	14,058,706	(67,124,031)	4,467,306
Loss after income tax expense for the half-year	-	-	(4,868,728)	(4,868,728)
Other comprehensive income for the half-year, net of tax	-	191,112	-	191,112
Total comprehensive income for the half-year	-	191,112	(4,868,728)	(4,677,616)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 10)	5,677,611	-	-	5,677,611
Share-based payments (note 15)	-	52,000	-	52,000
Balance at 31 December 2018	63,210,242	14,301,818	(71,992,759)	5,519,301

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

Carbonxt Group Limited
Statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		7,870,439	2,809,733
Payments to suppliers and employees (inclusive of GST)		(12,841,782)	(5,438,865)
		(4,971,343)	(2,629,132)
Interest received		14,461	1,931
Interest and other finance costs paid		(132,887)	(21,057)
Net cash used in operating activities		(5,089,769)	(2,648,258)
Cash flows from investing activities			
Payments for property, plant and equipment	7	(2,522,118)	(277,105)
Payments for intellectual property		(180,823)	(77,955)
Net cash used in investing activities		(2,702,941)	(355,060)
Cash flows from financing activities			
Proceeds from issue of shares	10	6,071,780	13,299,000
Share issue transaction costs	10	(394,169)	(1,447,292)
Repayment of lease liability		(342,720)	-
Net cash from financing activities		5,334,891	11,851,708
Net increase/(decrease) in cash and cash equivalents		(2,457,819)	8,848,390
Cash and cash equivalents at the beginning of the financial half-year		5,166,545	520,522
Effects of exchange rate changes on cash and cash equivalents		-	3,381
Cash and cash equivalents at the end of the financial half-year		2,708,726	9,372,293

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

Carbonxt Group Limited
Notes to the financial statements
31 December 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 half-year (referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Carbonxt Group Limited's functional and presentation currency.

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

Registered office	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 28 February 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

Going concern

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

As at 31 December 2018, the Group had net assets of $5,519,301 (30 June 2018: $4,467,306) and cash and cash equivalents of $2,708,726 (30 June 2018: $5,166,545). The loss before income tax expense of $4,868,728 (31 December 2017: $2,966,677) in the period exceeds the cash on hand.

The above matters indicate a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

The Group will defer some capital expenditure and has significantly improved the operating performance of the business post 31 December 2018. The Group continues to proactively manage cash flow requirements to ensure that funds are available, as and when required. The Group is expecting to be cash flow positive by June 2019.

The ability of the Group to continue as a going concern and meet its debts and commitments as they fall due is dependent on continued improvements to operating performance and/or the ability to raise additional capital. Should this not occur or additional capital not be available, the Group may be unable to continue as a going concern.

Note 2. Significant accounting policies (continued)

The directors are, as a result of the improving trading performance, confident of raising any required additional capital and, accordingly, have prepared the financial report on a going concern basis. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The main standards are AASB 9 'Financial Instruments' and AASB 15 'Revenue with Contracts with Customers' and their impact is detailed below.

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

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 9 Financial Instruments

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

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

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

AASB 15 Revenue from Contracts with Customers

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

Initial adoption of AASB 9

The Group has adopted AASB 9 from 1 July 2018. The Group has determined that the adoption of AASB 9 did not have any significant impact on the financial performance or position of the Group at transition date and during the half-year ended 31 December 2018 and therefore there was no impact on opening retained earnings.The main financial assets recognised by the Group represents cash and cash equivalents and trade receivables that do not carry a significant financing component and involve a single cash flow representing the repayment of principal, which in the case of trade receivables is the transaction price.

Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

The Group has determined that the adoption of AASB 15 did not have any significant impact on the financial performance or position of the Group at transition date and during the half-year ending 31 December 2018.

Revenue recognition
The Group recognises revenue as follows:

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

Sale of activated carbon
Revenue from the sale of activated carbon is recognised at a point in time when the activated carbon is delivered in accordance with agreements with customers.

Consultancy fees
Consultancy fees which includes on site testing are recognised at a point in time as the service has been provided.

Note 2. Significant accounting policies (continued)

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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

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

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. The Group will adopt this standard from 1 July 2019. The Group will continue to assess the potential effect of AASB 16 which is subject to the resolution of the following key matters:

- finalisation of choice transition method;
- identification of all leases at the date of transition; and
- consideration of the impact of practical expedients.

Note 3. Operating segments

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

The operating segment information is therefore the same as the financial statements.

Note 4. Revenue

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

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Major product lines		
Sale of activated carbon	8,532,588	2,981,130
Consultancy fees	139,133	49,965
	8,671,721	3,031,095
Geographical regions		
United States of America	8,671,721	3,031,095
Timing of revenue recognition		
Goods transferred at a point in time	8,671,721	3,031,095

Note 5. Expenses

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	151,248	33,947
Plant and equipment under lease	113,074	-
Total depreciation	264,322	33,947
Amortisation		
Engineering Performance Solutions ('EPS) patents	45,180	45,180
Other patents	24,455	13,807
Total amortisation	69,635	58,987
Total depreciation and amortisation	333,957	92,934
Finance costs		
Interest and finance charges paid/payable	132,887	4,454
Convertible note imputed interest	138,703	74,384
Finance costs expensed	271,590	78,838

Note 6. Current assets - trade and other receivables

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Trade receivables	1,625,103	787,331

Allowance for expected credit losses
The Group has recognised a loss of $nil (31 December 2017: $nil) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2018.

Note 7. Non-current assets - property, plant and equipment

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Plant and equipment - at cost	5,283,036	2,724,526
Less: Accumulated depreciation	(851,976)	(665,617)
	4,431,060	2,058,909
Plant and equipment under lease	4,644,069	-
Less: Accumulated depreciation	(116,102)	-
	4,527,967	-
	8,959,027	2,058,909

Note 7. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Plant and equipment $	Plant and equipment under lease $	Total $
Balance at 1 July 2018	2,058,909	-	2,058,909
Additions	2,522,118	4,644,069	7,166,187
Exchange differences	1,281	(3,028)	(1,747)
Depreciation expense	(151,248)	(113,074)	(264,322)
Balance at 31 December 2018	4,431,060	4,527,967	8,959,027

Property, plant and equipment secured under finance leases
The lease is to operate an industrial facility and equipment for the manufacture of activated carbon from the premises. The initial lease term is for 50 years with three additional terms of 10 years each. The Lessee is required to make variable monthly payments based on a fixed amount per ton of activated carbon manufactured and sold by the Lessee. The parties agreed to a minimum rent amount until the earlier of the third anniversary of the initial lease term, the date that the financing that the lessor used to construct and furnish the Facility has been repaid and the date of closing under the purchase option extended to the Lessee. During the first 3 years of the Initial term, the Lessee has the option to purchase the Facility and the equipment. The Lessee has a right of first refusal to purchase the Premises (or any portion thereof) upon receiving a bona fide offer from a third party.

Note 8. Current liabilities - borrowings

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Loans	73,333	73,333
Lease liability	842,225	-
	915,558	73,333

Note 9. Non-current liabilities - borrowings

	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Convertible notes payable	2,308,018	2,269,315
Lease liability	3,459,125	-
	5,767,143	2,269,315

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.

Note 9. Non-current liabilities - borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 Dec 2018 $	30 Jun 2018 $
Lease liability	4,301,350	-

Assets pledged as security
The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
Ordinary shares - fully paid	88,802,285	73,622,836	63,210,242	57,532,631

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2018	73,622,836		57,532,631
Shares placement	22 October 2018	7,500,000	$0.40	3,000,000
Share rights issue	7 November 2018	7,679,449	$0.40	3,071,780
Issue costs		-	$0.00	(394,169)
Balance	31 December 2018	88,802,285		63,210,242

Note 11. Equity - dividends

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

Note 12. 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 - 31 Dec 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Royalty payable	-	-	2,044,908	2,044,908
Convertible notes payable	-	2,308,018	-	2,308,018
Total liabilities	-	2,308,018	2,044,908	4,352,926

Note 12. Fair value measurement (continued)

Consolidated - 30 Jun 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

There were no transfers between levels during the financial half-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
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: 2.61% (2017: 2.30%)	Significant increases/(decreases) in the discount rate would result in lower (higher) fair value of the royalty payable.

Note 13. Contingent liabilities

The Group had no contingent liabilities at 31 December 2018 and 30 June 2018.

Note 14. Earnings per share

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Loss after income tax attributable to the owners of Carbonxt Group Limited	(4,868,728)	(2,966,677)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	81,873,019	58,320,120
Weighted average number of ordinary shares used in calculating diluted loss per share	81,873,019	58,320,120
	Cents	**Cents**
Basic loss per share	(5.95)	(5.09)
Diluted loss per share	(5.95)	(5.09)

The weighted average number of ordinary shares for 31 December 2017 has been restated for the effect of the 1:4 rights issue completed in November 2018, in accordance with AASB 133 'Earnings per share'.

Note 14. Earnings per share (continued)

4,975,000 (31 December 2017: 3,500,000) options were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 15. 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.

Total expense arising from share-based payment transactions recognised during the financial half-year was $52,000 (31 December 2017: $249,659).

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

31 Dec 2018

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
30/11/2017	30/11/2021	$0.50	3,500,000	-	-	-	3,500,000
08/06/2018	08/06/2020	$0.60	500,000	-	-	-	500,000
28/02/2018	30/11/2021	$0.50	300,000	-	-	-	300,000
28/02/2018	30/11/2021	$0.70	475,000	-	-	-	475,000
19/09/2018	30/11/2021	$0.56	-	200,000	-	-	200,000
			4,775,000	200,000	-	-	4,975,000

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/09/2018	30/11/2021	$0.56	$0.56	66.40%	-	2.56%	$0.263

Note 16. Events after the reporting period

No matter or circumstance has arisen since 31 December 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
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Warren Murphy
Managing Director

28 February 2019
Sydney

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Building a better working world

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Carbonxt Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises of the interim consolidated statement of financial position as at 31 December 2018, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of description of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubts about the entity's ability to continue as a going concern. These conditions along with other matters disclosed in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

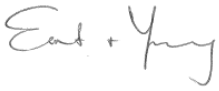
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and

consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Scott Jarrett
Partner
Sydney
28 February 2019