

1. Company details

Name of entity:	Carbonxt Group Limited
ABN:	59 097 247 464
Reporting period:	For the year ended 30 June 2025
Previous period:	For the year ended 30 June 2024

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	7.1% to	16,195,340
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	down	85.2%	(462,563)
Loss from ordinary activities after tax attributable to the owners of Carbonxt Group Limited	down	16.7% to	(6,761,392)
Loss for the year attributable to the owners of Carbonxt Group Limited	down	16.7% to	(6,761,392)

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$6,761,392 (30 June 2024: \$8,118,499).

The decrease in loss for the Group compared to prior year is primarily due to the increase in revenue by 7.1% and due to the \$2,743,321 improvement in gross margins achieved from a concerted effort to increase prices across the portfolio and to operate the manufacturing plants on reduced shifts.

Revenues increased 7.1% compared to prior year primarily due to the recovery in volumes to the Group's largest customer following unplanned outages at the customer's facility.

Carbonxt Group Limited
Appendix 4E
Preliminary final report



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

	Consolidated	
	2025	2024
	\$	\$
Revenue	16,195,340	15,124,618
Gross margin	8,480,998	5,737,677
Other income	268,697	264,228
Shipping and distribution costs	(1,984,496)	(1,797,357)
Operating expenses	(7,227,762)	(7,338,333)
Underlying EBITDA	(462,563)	(3,133,785)
Depreciation and amortisation	(2,275,195)	(2,369,736)
Underlying Earnings before interest and tax ('EBIT')	(2,737,758)	(5,503,521)
Net Interest expense	(3,335,026)	(2,893,655)
Share-based payment expense	(103,811)	(73,533)
Share in losses of joint ventures	(2,515)	(32,198)
Net remeasurement (loss)/gain on royalty payables	(582,282)	384,408
Loss before income tax expense	<u>(6,761,392)</u>	<u>(8,118,499)</u>

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

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>(0.55)</u>	<u>(0.68)</u>

The net tangible assets calculation does not include rights-of-use assets of \$6,230,823 (30 June 2024: \$7,328,237) but include the lease liabilities of \$1,263,774 (30 June 2024: \$3,353,324).

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
NewCarbon Processing, LLC	43.66%	35.48%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued with a paragraph addressing material uncertainty related to going concern.

11. Attachments

Details of attachments (if any):

The Annual Report of Carbonxt Group Limited for the year ended 30 June 2025 is attached.

12. Signed

As authorised by the Board of Directors

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

Signed _____

Date: 29 August 2025

Warren Murphy
Managing Director
Sydney

Carbonxt Group Limited

ABN 59 097 247 464

Annual Report - 30 June 2025

Carbonxt Group Limited
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30 June 2025



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Directors	Matthew Driscoll - Chairman Warren Murphy - Managing Director David Mazyck - Director of Technology Nicholas Andrews – Non-Executive Director
Company secretary	Laura Newell
Registered office	Level 37, 180 George Street Sydney NSW 2000 Australia Tel: +61 2 8072 8271
Principal place of business	Suite 111 3951 NW 48th Terrace Gainesville FL 32606 United States of America
Share register	Boardroom Pty Limited Level 8, 210 George Street Sydney NSW 2000 Australia Tel: +61 2 9290 9600
Auditor	Ernst & Young 200 George Street Sydney NSW 2000 Australia
Solicitors	Thomson Geer Level 14 60 Martin Place Sydney NSW 2000 Australia
Stock exchange listing	Carbonxt Group Limited shares are listed on the Australian Securities Exchange (ASX code: CG1)
Website	www.cglimited.com.au
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of Carbonxt Group Limited in an ethical manner and in accordance with the highest standards of corporate governance. Carbonxt Group Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance Manual can be found on the Company's website at www.cglimited.com.au</p>

Dear Shareholders,

FY25 has been a year of significant progress for Carbonxt – one that has seen the Company strengthen its operational foundations, advance a transformational growth project, and position itself to capitalise on powerful regulatory and market tailwinds in the years ahead.

Kentucky Facility – Entering the Liquid-Phase Market

Our flagship activated carbon facility in Kentucky, developed alongside our investment partners at Kentucky Carbon Processing via our jointly owned company NewCarbon Processing, is now in the final stages of construction. During the year we increased our ownership to 43.7% through an additional US\$2.25 million investment, with two further tranches available at our discretion to reach 50%.

Mechanical completion has been achieved and major electrical, control, and kiln works are now finalised, with kiln insulation set for completion in the coming weeks. The commencement of production will mark Carbonxt's entry into the high-value liquid-phase activated carbon market – a sector several times larger than our current air-phase focus – and is expected to materially expand both revenue and margins from FY26 onwards.

Operational Performance and Cost Discipline

Our existing operations delivered solid results throughout the year, supported by strong Powdered Activated Carbon (PAC) sales under long-term contracts with ReWorld Waste and Wisconsin Public Service (WPS). These relationships underpinned stable volumes despite external market volatility.

Activated Carbon Pellet (ACP) volumes rebounded in the second half following the resolution of operating issues at a key customer's facility. This recovery, combined with ongoing cost optimisation – including a major lease restructure at our Black Birch PAC facility – contributed to a leaner cost base and positive EBITDA in each month of the second half of FY25.

Operating cash outflows were reduced quarter-on-quarter, margins improved to 52%, and creditor levels have been brought now to the low end of historical ranges. These improvements provide a stronger financial footing as we move into FY26.

Strategic Positioning – Regulatory and Market Tailwinds

The U.S. EPA has reaffirmed strict maximum contaminant levels for key PFAS chemicals, with compliance deadlines in the next decade driving significant investment in water treatment infrastructure. Carbonxt, as a vertically integrated U.S. producer, is well-positioned to supply utilities and industrial clients seeking tariff-free, reliable supply chains.

We continue to see growing engagement from water utilities and distributors, reflecting both the regulatory certainty around PFAS removal and the need for high-performance activated carbon products. Combined with a projected 5–9% CAGR in global activated carbon demand through 2030, these trends support a long-term growth runway for Carbonxt.

Outlook for FY26

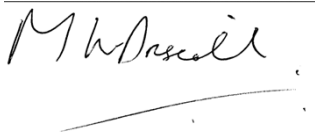
With three U.S. production facilities either operational or nearing commissioning, a reduced and more efficient cost base, and supportive market dynamics, FY26 is set to be a pivotal year. The focus will be on:

- Bringing the Kentucky facility into full production and moving into the liquid-phase market.
- Leveraging our PAC and GAC capabilities to capture a larger share of the PFAS treatment segment.
- Maintaining operational discipline to sustain positive cash flow and profitability.

On behalf of the Board, I would like to thank our shareholders for their continued support, our lenders at Pure Asset Management for their partnership, and most importantly our employees for their dedication and expertise.

FY25 has laid the groundwork for a period of material growth, and we look forward to updating you as we deliver on the opportunities ahead.

Yours sincerely,

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

Matthew Driscoll
Chairman

29 August 2025

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 2025.

Directors

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

Matthew Driscoll - Chairman
Warren Murphy
David Mazyck
Nicholas Andrews
Imtiaz Kathawalla (resigned 02 July 2025)

Principal activities

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

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

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$6,761,392 (30 June 2024: \$8,118,499).

The decrease in loss for the Group compared to prior year is primarily due to the increase in revenue by 7.1% and due to the \$2,743,321 improvement in gross margins achieved from a concerted effort to increase prices across the portfolio and to operate the manufacturing plants on reduced shifts.

Revenue for the year was \$16,195,340 (before other income) and \$16,464,037 (after other income) representing an increase of 7.1% and 7.0% respectively on the prior year's revenue of \$15,124,618 (before other income) and \$15,509,026 (after other income). In US dollars, revenue was US\$10,497,810 (before other income) and US\$10,671,988 (after other income) representing an increase of 5.9% and 5.8% respectively on the prior year's revenue of US\$9,915,700 (before other income) and US\$10,088,928 (after other income).

Revenues increased 7.1% compared to prior year primarily due to the recovery in volumes to the Group's largest customer following unplanned outages at the customer's facility.

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

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Liquidity

During the financial year ended 30 June 2025, the Group incurred a net loss after tax of \$6,761,392 (30 June 2024: \$8,118,499) and a cash outflow from operating activities of \$4,752,205 (30 June 2024: inflow of \$2,117,444). As at 30 June 2025, the Group had net assets of \$9,222,494 (30 June 2024: \$10,734,911), net current liability of \$15,121,670 (30 June 2024: \$12,687,391) and cash and cash equivalents of \$480,687 (30 June 2024: \$4,141,926).

As a result of the loss incurred for the year ended 30 June 2025 and the liquidity at the reporting date, there is a material uncertainty on whether the Group can continue as a going concern. The directors consider that the Group will continue as a going concern, as explained in note 2 to the financial statements.

Business risks

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

Climate Risk

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

Construction Risk

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

Competition risk

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

Ability to retain existing clients or attract new clients

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

Regulatory risk

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

Intellectual property risk

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

Reliance on key personnel

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

Safety and industrial accidents

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

Brand establishment and maintenance

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

Offshore operations

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

Exchange rate risk

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

Product liability and uninsured risks

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

Significant changes in the state of affairs

Capital raising

On 24 September 2024, the Company announced the completion of the share placement of 46,415,830 fully paid shares at \$0.065 per share before issue costs with 23,207,919 options attached at a strike price of \$0.10 per share. The shares were issued on 30 September 2024.

On 20 December 2024, the Company announced the completion of the share placement of 17,146,667 fully paid shares at \$0.06 per share before issue costs with 8,573,333 options attached at a strike price of \$0.10 per share. The shares were issued on 2 January 2025.

During the year, the Group entered into an amended lease agreement for its existing facility. Pursuant to the agreement, the Group issued 7,862,900 at no cost on 17 March 2025. Under the agreement, the shares will be progressively sold down and the proceeds applied as future lease payments.

On 8 April 2025, the Company issued 16,666,667 ordinary shares at \$0.06 per share.

On 11 April 2025, the Company announced the completion of the issuance of 5,650,000 ordinary shares at \$0.06 per share.

Borrowings

The convertible notes totalling to 2,665,000 notes at \$1 face value, have a 24-month term with an interest rate of 9.5% pa. Each convertible note can be converted to share capital at 8 cents per share. The convertible notes were issued in tranches as follows:

- (a) Tranche 1 - comprising of 500,000 convertible notes at an issue price of \$1 per note raising a total of \$500,000 which were issued on 27 February 2025. The convertible note has 1 attaching option with every 2 shares issued to the noteholders upon conversion;
- (b) Tranche 2(a) - comprising of 500,000 convertible notes at an issue price of \$1 per note raising a total of \$500,000 which were issued on 31 March 2025. The convertible note has 1 attaching option with every 2 shares issued to the noteholders upon conversion;
- (c) Tranche 2(b) - comprising of 665,000 convertible notes at an issue price of \$1 per note raising a total of \$665,000 which were issued on 10 April 2025. The convertible note has 1 attaching option with every 2 shares issued to the noteholders upon conversion; and
- (d) Tranche 3 - comprising of 1,000,000 convertible notes at an issue price of \$1 per note raising a total of \$1,000,000 which were issued on 13 June 2025. The convertible note has 1 attaching option with every 1 share issued to the noteholders upon conversion.

Investment in NewCarbon

The contribution to NewCarbon for the year totalled to \$3,431,487 (US\$2,250,000) which increased the ownership in NewCarbon to 43.66% as at 30 June 2025.

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

Matters subsequent to the end of the financial year

On 22 August 2025, the Company announced a non-renounceable pro-rata entitlement offer to Eligible Shareholders of one (1) Option to acquire a fully paid ordinary share in the Company ('Loyalty Option') for every six (6) shares held by shareholders registered at 7.00pm (AEST) on 27 August 2025 ('Record Date') at an issue price of \$0.01 and exercise price of \$0.07 per Loyalty Option ('Entitlement Offer'). The Offer is fully underwritten by Chaleyer Holdings Pty Ltd, an existing shareholder of the Company.

The Offer is expected to raise a total of \$697,772 prior to the costs of the offer.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group will continue to expand its industrial AC pellet business in vapour control, liquid solvent recovery and other specific industrial uses of pellets. In line with this expansion, the Group shall make the remaining contributions of US\$2,250,000 in stages, subject to completion of milestones, to increase its ownership in NewCarbon to 50%. The expansion will significantly increase production capacity and gross margins and will allow existing capacity to be repositioned to produce more specialised technologies.

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

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

Environmental regulation

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

Sustainability reporting

AASB S1 'General Requirements for Disclosure of Sustainability-related Financial Information' provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term. AASB S2 'Climate-related Disclosures' sets out specific climate-related disclosures and is designed to be used with AASB S1.

AASB S1 and S2 apply to entities required to prepare and lodge a financial report with ASIC under Chapter 2M and are effective for annual reporting periods beginning on or after 1 January 2025 and will be gradually phased in for different entities based on size thresholds.

- Group 1 entities (meets two of the following: consolidated revenue of at least \$500million, consolidated gross assets of at least \$1 billion and at least 500 employees) are required to report in Dec 2025/June 2026.
- Group 2 entities (meets two of the following: consolidated revenue of at least \$200million, consolidated gross assets of at least \$500 million and at least 250 employees) are required to report in Dec 2027/June 2027.
- Group 3 entities (meets two of the following: consolidated revenue of at least \$50million, consolidated gross assets of at least \$25 million and at least 100 employees) are required to report in Dec 2028/June 2028.

As at the reporting date, the Group has assessed that it does not meet the criteria for mandatory application of AASB S2 for the current or upcoming reporting period, based on the thresholds set out by the AASB relating to revenue, gross assets, and number of employees. The Group will continue to monitor its eligibility against the criteria in future reporting periods and will implement the necessary processes to comply with the standards if and when the thresholds are met.

Information on directors

Name:	Matthew Driscoll
Title:	Non-Executive Chairman
Qualifications:	BA, Dip Ed, Grad.Dip.App.Fin. SF Fin, MSAA, GAICD
Experience and expertise:	Matthew Driscoll is an agile, entrepreneurial thinker, with strong networks and significant experience across several industries, including manufacturing, online technologies, financial services, fintech, property and resources. Matthew has over 35 years' experience in capital markets and the financial services industry, with major financial institutions. Accomplished company Director in roles with listed and private companies, undertaking leadership positions on the Board (as Chairman) and on various committees (including audit and risk committees). Significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic political, financial, and commercial alliances. Passionate about high growth, innovative businesses, committed to ethical, commercial, and consumer-based outcomes. Clear, concise communicator able to grasp and disseminate complex issues effectively. A serial investor and strong supporter of start-ups providing seed and expansion capital with unique skills bringing private companies to the listed environment.
Other current directorships (last 3 years):	Chair of Smoke Alarms Holdings Limited, the market leader in servicing smoke alarm rental properties in Australia, Chair of Workspace Australia a multi-regional business incubator network in Central Victoria, Chair, Energy Technologies Limited (EGY) an investment company focused on Australian based manufacturing businesses, Mayor-Mount Alexander Shire, Victoria.
Former directorships (last 3 years):	Chair, Tennant Minerals (TMS)
Interests in shares:	3,276,962 ordinary shares
Interests in options:	2,230,538
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 Australia's largest renewable energy company, Infigen Energy (and its unlisted predecessor, Global Wind Partners).
Other current directorships (last 3 years):	None
Former directorships (last 3 years):	None
Interests in shares:	2,028,033 ordinary shares
Interests in options:	6,000,000 options

Name:	Dr David Mazyck
Title:	Director of Technology
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. He has developed AC products for the major multinational AC manufacturers and has regularly consulted for them on technical issues. David was Chairman of the Activated Carbon Standards Committee for the American Water Works Association ('AWWA') and has developed products for National Aeronautics and Space Administration ('NASA'). David is also the current president of NewCarbon Processing, LLC.
Other current directorships (last 3 years):	None
Former directorships (last 3 years):	None
Interests in shares:	426,062 ordinary shares
Interests in options:	5,250,000 options
Name:	Nicholas Andrews
Title:	Non-Executive Director
Experience and expertise:	Nic was appointed as a Director of Carbonxt Group Limited in November 2023. He has a financial services background in investment management and investment banking. From 1996 to 2005 he was a Managing Director at UBS Investment Bank and responsible for global distribution of Australian and New Zealand Equity products. From 1989 to 1996 Nic was the Chief Investment Officer at LGT Investment Management in charge of the group's investment portfolios for the Australasian region. Nic has been appointed a Member of Carbonxt's Finance and Audit Committee.
Other current directorships (last 3 years):	Executive Chairman, Magontec Limited (ASX: MGL) and Honorary Treasurer and Director of the International Magnesium Association
Former directorships (last 3 years):	None
Interests in shares:	230,000 ordinary shares
Interests in options:	None
Name:	Imtiaz Kathawalla (resigned 02 July 2025)
Title:	Non-Executive Director
Experience and expertise:	Dr Kathawalla has an extensive experience in the activated carbon and water purification industries. He was previously a Vice-President at NYSE-listed Cabot Corporation, a global chemical company where he had a 27-year career. He ran Cabot Corporation's global activated carbon business
Other current directorships (last 3 years):	None
Former directorships (last 3 years):	None
Interests in shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Laura Newell is an experienced Chartered Company Secretary who has worked for a broad range of organisations, both in-house and for corporate secretarial service providers. She has over eight years of experience in company secretarial and governance management of ASX & NSX listed entities, unlisted public entities and FTSE100 entities. She has worked with Boards and executive management of listed and unlisted companies across a range of industry sectors. She is a Company Secretary of a number of ASX listed and unlisted public companies. She holds a degree with Honours in Law and Criminology and a Master's degree in Law and Corporate Governance. She is an Associate of the Governance Institute of Australia (GIA). Laura resigned as Company Secretary on 20 January 2025 and was reappointed on 23 June 2025.

Olga Smejkalova was appointed as Company Secretary on 20 January 2025 and resigned on 23 June 2025.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2025, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held	Audit Committee Attended	Audit Committee Held	Nomination and Remunerati on Committee Attended	Nomination and Remunerati on Committee Held	Risk Committee Attended	Risk Committee Held
Matthew Driscoll	7	7	4	4	3	3	-	-
Warren Murphy	7	7	4	4	3	3	1	2
David Mazyck	7	7	-	-	-	-	2	2
Imtiaz Kathawalla	6	7	-	-	3	3	2	2
Nicholas Andrews	7	7	4	4	-	-	-	-

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

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

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

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

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

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' 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 directors' fees and payments are appropriate and in line with the market. The non-executive directors are entitled to participate in the EOP.

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

Group performance and link to remuneration

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

Use of remuneration consultants

During the financial year ended 30 June 2025, the Group did not engage the use of remuneration consultants.

Voting and comments made at the Company's 2024 Annual General Meeting ('AGM')

At the 2024 Annual General Meeting, 99.82% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2024. The Company did not receive any specific feedback on its remuneration practices at the 2024 Annual General Meeting or during the financial year.

Details of remuneration

Amounts of remuneration

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

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

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

Changes since the end of the reporting period:
 Imtiaz Kathawalla (resigned 02 July 2025)

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees ⁽ⁱⁱⁱ⁾ \$	Non-monetary \$	Super-annuation ⁽ⁱⁱ⁾ \$	Long service leave \$	Equity-settled ^(iv) \$	
2025						
<i>Non-Executive Director:</i>						
Matthew Driscoll	120,000	-	-	-	15,849	135,849
Nicholas Andrews	85,000	-	-	-	-	85,000
Imtiaz Kathawalla	254,538	-	-	-	-	254,538
<i>Executive Directors:</i>						
Warren Murphy ⁽ⁱ⁾	300,000	-	34,500	-	47,547	382,047
David Mazyck ⁽ⁱ⁾	722,410	-	-	-	40,415	762,825
	<u>1,481,948</u>	<u>-</u>	<u>34,500</u>	<u>-</u>	<u>103,811</u>	<u>1,620,259</u>

- i Fees paid to consulting firms related to the relevant KMP.
- ii Superannuation and equivalent post-employment benefits are not required in the United States, and the Company does not have such benefits currently in place.
- iii Cash salary and fees include fees amounting to \$107,593 for David Mazyck (accrued but not paid as at 30 June 2025) that was awarded during the year to recognise the additional responsibility for New Carbon Processing LLC.
- iv The amounts represent the fair value of options issued in FY24.

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

- i Fees paid to consulting firms related to the relevant KMP.
- ii Superannuation and equivalent post-employment benefits are not required in the United States, and the Company, which is based in Australia, does not have such benefits currently in place.
- iii The amounts represent the fair value of options issued in FY24 as well as shares to be issued in lieu of directors fees and salary payments for KMP.
- iv Represents remuneration from 19 July 2023 to 30 June 2024.
- v Represents remuneration from 12 September 2023 to 30 June 2024.
- vi Cash salary and fees include incentive fees amounting to \$300,000 for Warren Murphy (accrued not paid as at 30 June 2024) and \$305,064 for David Mazyck (\$196,283 paid as at 30 June 2024) that were awarded during the year to recognise successful establishment of New Carbon Processing LLC.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2025	2024	2025	2024	2025	2024
<i>Non-Executive Directors:</i>						
Matthew Driscoll	100%	100%	-	-	-	-
Imtiaz Kathawalla	100%	100%	-	-	-	-
Nicholas Andrews	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Warren Murphy	100%	46%	-	54%	-	-
David Mazyck	100%	68%	-	32%	-	-

Service agreements

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

Name: Warren Murphy
Title: Managing Director and Chief Executive Officer
Agreement commenced: 22 March 2013
Term of agreement: Ongoing - no fixed minimum term
Details: Annual fees of \$334,500, including superannuation, via consultancy agreement.

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

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2025.

Options

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

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Matthew Driscoll	1,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$0.30 per share over a 10-day period	20 October 2026	\$0.000	\$0.021
Matthew Driscoll	1,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$0.45 per share over a 10-day period	20 October 2026	\$0.000	\$0.014
Warren Murphy	3,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$0.30 per share over a 10-day period	20 October 2026	\$0.000	\$0.021
Warren Murphy	3,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$0.45 per share over a 10-day period	20 October 2026	\$0.000	\$0.014
David Mazyck	2,250,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$0.30 per share over a 10-day period	20 October 2026	\$0.000	\$0.021
David Mazyck	3,000,000	20 October 2023	The options have no exercise price, will vest on the Company achieving a VWAP of \$0.45 per share over a 10-day period	20 October 2026	\$0.000	\$0.014

Additional information

The earnings of the Group for the five years to 30 June 2025 are summarised below:

	2025 \$	2024 \$	2023 \$	2022 \$	2021 \$
Sales revenue	16,195,340	15,124,618	15,461,953	18,363,422	12,327,092
Net loss after tax	(6,761,392)	(8,118,499)	(5,983,771)	(4,458,505)	(5,332,851)
Net assets	9,222,494	10,734,911	16,276,611	11,123,632	8,378,608

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2025	2024	2023	2022	2021
Share price at financial year end (\$)	0.05	0.07	0.07	0.17	0.12
Basic loss per share (cents per share)	(1.80)	(2.73)	(2.47)	(2.53)	(3.97)

Additional disclosures relating to KMP

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
<i>Ordinary shares</i>					
Matthew Driscoll	2,315,424	-	961,538	-	3,276,962
Warren Murphy	1,528,033	-	500,000	-	2,028,033
David Mazyck	426,062	-	-	-	426,062
Nicholas Andrews	-	-	230,000	-	230,000
Imtiaz Kathawalla	-	-	-	-	-
	<u>4,269,519</u>	<u>-</u>	<u>1,691,538</u>	<u>-</u>	<u>5,961,057</u>

Option holding

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

	Balance at the start of the year	Additions	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Matthew Driscoll	2,000,000	230,538	-	-	2,230,538
Warren Murphy	6,000,000	-	-	-	6,000,000
David Mazyck	5,250,000	-	-	-	5,250,000
Imtiaz Kathawalla	-	-	-	-	-
Nicholas Andrews	-	-	-	-	-
	<u>13,250,000</u>	<u>230,538</u>	<u>-</u>	<u>-</u>	<u>13,480,538</u>

	Vested and exercisable	Not-vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Matthew Driscoll	-	2,230,538	2,230,538
Warren Murphy	-	6,000,000	6,000,000
David Mazyck	-	5,250,000	5,250,000
Imtiaz Kathawalla	-	-	-
Nicholas Andrews	-	-	-
	<u>-</u>	<u>13,480,538</u>	<u>13,480,538</u>

Loans payable to key management personnel and their related parties

The Group has \$100,000 loan payable to Matthew Driscoll as of 30 June 2025. The loan accrues interest at a rate of 9.5% per annum and repayable within one year.

Other transactions with KMP and their related parties

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

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
20 October 2023	20 October 2026	\$0.210	6,250,000
20 October 2023	20 October 2026	\$0.140	7,000,000
29 November 2024	1 October 2026	\$0.100	23,207,919
2 January 2025	2 January 2027	\$0.100	8,573,333
			<u>45,031,252</u>

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

Shares issued on the exercise of options

There were no ordinary shares of Carbonxt Group Limited issued on the exercise of options during the year ended 30 June 2025 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.

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

A handwritten signature in blue ink, appearing to read "Warren Murphy".

Warren Murphy
Managing Director

29 August 2025
Sydney



**Shape the future
with confidence**

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Sydney NSW 2000 Australia
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Auditor's independence declaration to the directors of Carbonxt Group Limited

As lead auditor for the audit of the financial report of Carbonxt Group Limited for the financial year ended 30 June 2025, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

James Johnson
Partner
29 August 2025

Carbonxt Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2025


	Note	Consolidated 2025 \$	2024 \$
Revenue			
Sales revenue	5	16,195,340	15,124,618
Cost of goods sold	7	(7,714,342)	(9,386,941)
Gross margin		<u>8,480,998</u>	<u>5,737,677</u>
Share of losses of joint ventures	12	(2,515)	(32,198)
Other income	6	268,697	264,228
Net remeasurement (loss)/gain on royalty payables	22	(582,282)	384,408
Expenses			
Shipping and distribution costs		(1,984,496)	(1,797,357)
Employee benefits expense		(2,772,895)	(2,871,850)
Share-based payment expense	35	(103,811)	(73,533)
Depreciation and amortisation expense	7	(2,275,195)	(2,369,736)
Selling and marketing expenses		(641,720)	(659,248)
General and administrative expenses		(2,266,950)	(2,690,837)
Other expenses	7	(1,546,197)	(1,116,398)
Operating loss		<u>(3,426,366)</u>	<u>(5,224,844)</u>
Interest revenue		9,904	70,921
Finance costs	7	(3,344,930)	(2,964,576)
Loss before income tax expense		<u>(6,761,392)</u>	<u>(8,118,499)</u>
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Carbonxt Group Limited		<u>(6,761,392)</u>	<u>(8,118,499)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>72,960</u>	<u>(144,505)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>72,960</u>	<u>(144,505)</u>
Total comprehensive loss for the year attributable to the owners of Carbonxt Group Limited		<u><u>(6,688,432)</u></u>	<u><u>(8,263,004)</u></u>
		Cents	Cents
Basic loss per share	34	(1.80)	(2.73)
Diluted loss per share	34	(1.80)	(2.73)

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

Carbonxt Group Limited
Consolidated statement of financial position
As at 30 June 2025



	Note	Consolidated 2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	9	480,687	4,141,926
Trade and other receivables	10	2,877,552	927,861
Inventories	11	965,616	958,585
Other		244,297	130,770
Total current assets		<u>4,568,152</u>	<u>6,159,142</u>
Non-current assets			
Investments accounted for using the equity method	12	12,044,860	8,550,681
Property, plant and equipment	13	4,126,908	5,201,389
Right-of-use assets	14	6,230,823	7,328,237
Intangibles	15	5,296,571	5,611,755
Total non-current assets		<u>27,699,162</u>	<u>26,692,062</u>
Total assets		<u>32,267,314</u>	<u>32,851,204</u>
Liabilities			
Current liabilities			
Trade and other payables	16	3,702,505	2,516,658
Contract liabilities	17	-	2,703,140
Borrowings	18	11,664,465	10,322,007
Convertible notes payable	19	1,905,359	-
Derivative financial instruments	20	814,582	-
Lease liabilities	21	1,223,033	2,925,321
Royalty payables	22	340,645	188,459
Employee benefits		39,233	190,948
Total current liabilities		<u>19,689,822</u>	<u>18,846,533</u>
Non-current liabilities			
Lease liabilities	21	40,741	428,003
Royalty payables	22	3,314,257	2,841,757
Total non-current liabilities		<u>3,354,998</u>	<u>3,269,760</u>
Total liabilities		<u>23,044,820</u>	<u>22,116,293</u>
Net assets		<u>9,222,494</u>	<u>10,734,911</u>
Equity			
Issued capital	23	97,236,474	92,164,270
Reserves	24	20,825,779	20,649,008
Accumulated losses		(108,839,759)	(102,078,367)
Total equity		<u>9,222,494</u>	<u>10,734,911</u>

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

Carbonxt Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2025



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2023	89,387,844	20,848,635	(93,959,868)	16,276,611
Loss after income tax expense for the year	-	-	(8,118,499)	(8,118,499)
Other comprehensive loss for the year, net of tax	-	(144,505)	-	(144,505)
Total comprehensive loss for the year	-	(144,505)	(8,118,499)	(8,263,004)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	2,776,426	-	-	2,776,426
Share-based payments (note 24)	-	(55,122)	-	(55,122)
Balance at 30 June 2024	<u>92,164,270</u>	<u>20,649,008</u>	<u>(102,078,367)</u>	<u>10,734,911</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2024	92,164,270	20,649,008	(102,078,367)	10,734,911
Loss after income tax expense for the year	-	-	(6,761,392)	(6,761,392)
Other comprehensive income for the year, net of tax	-	72,960	-	72,960
Total comprehensive income/(loss) for the year	-	72,960	(6,761,392)	(6,688,432)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 23)	5,072,204	-	-	5,072,204
Share-based payments (note 24)	-	103,811	-	103,811
Balance at 30 June 2025	<u>97,236,474</u>	<u>20,825,779</u>	<u>(108,839,759)</u>	<u>9,222,494</u>

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

Carbonxt Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2025



	Note	Consolidated 2025 \$	2024 \$
Cash flows from operating activities			
Receipts from customers		11,566,638	18,375,762
Payments to suppliers and employees (inclusive of GST)		(16,512,979)	(16,371,948)
Interest received		9,904	70,921
Receipts of government grants	6	184,232	42,709
Net cash (used in)/from operating activities	33	(4,752,205)	2,117,444
Cash flows from investing activities			
Payments for investment in NewCarbon	12	(3,431,487)	(730,994)
Payments for plant and equipment	13	(135,856)	(45,401)
Payments for intangible assets	15	(54,816)	(320,905)
Net cash used in investing activities		(3,622,159)	(1,097,300)
Cash flows from financing activities			
Proceeds from issue of shares	23	5,014,555	2,581,613
Proceeds from convertible notes	23	2,665,000	-
Proceeds from director loan	30	100,000	-
Share issue transaction costs	23	(272,126)	(200,940)
Repayment of lease liabilities	33	(2,032,161)	(2,158,900)
Interest on lease liabilities	33	(224,781)	(131,090)
Interest and other finance costs paid		(712,500)	(1,218,873)
Net cash from/(used in) financing activities		4,537,987	(1,128,190)
Net decrease in cash and cash equivalents		(3,836,377)	(108,046)
Cash and cash equivalents at the beginning of the financial year		4,141,926	4,305,838
Effects of exchange rate changes on cash and cash equivalents		175,138	(55,866)
Cash and cash equivalents at the end of the financial year	9	<u>480,687</u>	<u>4,141,926</u>

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

Note 1. General information

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

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

Registered office

Level 37, 180 George Street
Sydney NSW 2000
Australia

Principal place of business

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2025. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

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

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the full financial year ended 30 June 2025.

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

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

Note 2. Material accounting policy information (continued)

These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

Going Concern

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

For the year ended 30 June 2025, the Group reported a net loss after tax of \$6,761,392 (30 June 2024: \$8,118,499) and had a net operating cash outflows of \$4,752,205 (30 June 2024: inflows of \$2,117,444). At 30 June 2025, the cash and cash equivalents were \$480,687 (30 June 2024: \$4,141,926), net current liabilities of \$15,121,670 (30 June 2024: \$12,687,391) and the Group reported net assets of \$9,222,494 (30 June 2024: \$10,734,911).

Net current liabilities include \$11,564,465 relating to the Pure Loan Facility ('Lender') which has a maturity date of 31 May 2027. The loan balance has been classified as current as during the year-ended 30 June 2025 the Minimum Cash Balance financial covenant, that requires the Group to maintain a minimum cash balance of \$5,500,000 at all times, was breached. The Group received a Waiver from the Lender on 27 February 2025 waiving any rights or entitlements arising from the breach of covenants during 1 July 2024 to 31 December 2024 and further waived the 31 March 2025 and 30 June 2025 Test Dates for financial covenant, with the next applicable Test Date being 30 September 2025. Subsequent to year end, on 21 August 2025 the Group received another Waiver Letter from the Lender, agreeing to waive any rights or entitlements arising from the breach of covenants during 1 January 2025 to 30 June 2025.

On 22 August 2025 the Group announced a fully underwritten non-renounceable pro-rata entitlement offer to raise up to \$697,772 (before costs) with expected completion on 10 September 2025.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of the financial statements, have caused to be prepared a cash flow forecast through to 30 September 2026. In order to continue as a going concern the Group requires a combination of ongoing support from its lenders, commercialization and generation of positive net cash inflows from the NewCarbon Processing LLC per assumed timelines, improvements in its existing operations such that positive net cash flows are achieved and successfully raising new capital as and when required in order to have sufficient cash to meet its financial obligations as and when they fall due.

The Group's ability to achieve the above outcomes represent material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities other than in the normal course of business.

Note 2. Material accounting policy information (continued)

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

- Raising funds in equity markets, noting that the Group has a history of successful equity raisings;
- Commissioning of the NewCarbon Facility and commercialization of its product so as to achieve positive net cash inflows by end of December 2025;
- Continue to monitor the progress of the NewCarbon Processing LLC and proactively engage prospective customers in North American market; and
- Proactively manage the cash flow requirements and improve the operating performance of the business to ensure that no future loan covenant breaches occur.

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 ('IFRS') Accounting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 36.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carbonxt Group Limited as at 30 June 2025 and the results of all subsidiaries for the year then ended.

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

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

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

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

Note 2. Material accounting policy information (continued)

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of activated carbon

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

Consultancy fees

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

Grant income

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss as other income over the periods necessary to match them with the costs that they are intended to compensate.

Note 2. Material accounting policy information (continued)

Other revenue

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

Interest income

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

Cost of goods sold

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

Income tax

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

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

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

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

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

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

Cash and cash equivalents

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

Trade and other receivables

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

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.

Note 2. Material accounting policy information (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost of property, plant and equipment constructed includes the cost of materials, direct labour and borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the period incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-20 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Right-of-use assets

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

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

Note 2. Material accounting policy information (continued)

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

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

Intangible assets

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

Research and development

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

Engineering Performance Solutions ('EPS') patents

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

Other patents

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Contract liabilities

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

Borrowings

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

Note 2. Material accounting policy information (continued)

Warrants

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

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

Lease liabilities

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

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

Finance costs

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

Employee benefits

Short-term employee benefits

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

Share-based payments

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

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

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

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

Note 2. Material accounting policy information (continued)

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.

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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 2025. The Group has assessed that there will be no significant impact on adoption of these new or amended Accounting Standards and Interpretations, except for AASB 18, as explained below. The new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 18 Presentation and Disclosure in Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2027, with early adoption permitted. The standard replaces AASB 101 'Presentation of Financial Statements'. The implementation of this standard will introduce new categories in the statement of profit and loss and will require additional disclosures about management-defined performance measures ('MPMs'). The full impact of this standard is still being considered and will first apply to the Group for the financial year ending 30 June 2028.

ASB 2024-2 Amendments to the Classification and Measurement of Financial Instruments

AASB 2024-2 is applicable for annual reporting periods beginning from 1 January 2026, with early adoption permitted. This standard makes amendments to AASB 9 'Financial Instruments' and AASB 7 'Financial Instruments: Disclosures' to clarify how the contractual cash flows from financial assets should be assessed in determining how they should be classified.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

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

Royalty payable

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

Development costs

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when the product has consistently met the defined specifications at commercial-scale throughputs. At 30 June 2025, the carrying amount of capitalised development costs was \$3,655,076 (2024: \$3,858,256).

Impairment of non-financial assets

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

Convertible notes

The Company has issued convertible notes payable that contain both a debt component and an embedded derivative liability associated with the conversion feature. The carrying amount of the debt component of the convertible notes is determined based on the present value of future cash flows, discounted at the market interest rate for similar debt instruments without conversion features.

The embedded derivative liabilities, representing the conversion option and free attaching options, are valued using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. Key assumptions used include: stock price volatility, expected term of the conversion option, risk-free interest rate and level of dividends expected to be paid.

Note 4. Operating segments

Identification of reportable operating segments

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

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Note 4. Operating segments (continued)

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

Major customers

During the year ended 30 June 2025 approximately 68% (2024: 53% from two customers) of the Group's external revenue was derived from sales to two customers.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2025	2024	2025	2024
	\$	\$	\$	\$
Australia	-	-	520,362	616,758
United States of America	16,195,340	15,124,618	27,178,800	26,075,304
	<u>16,195,340</u>	<u>15,124,618</u>	<u>27,699,162</u>	<u>26,692,062</u>

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

Note 5. Revenue

Disaggregation of revenue

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

	Consolidated	
	2025	2024
	\$	\$
<i>Major product lines</i>		
Sale of activated carbon	<u>16,195,340</u>	<u>15,124,618</u>
<i>Geographical regions</i>		
United States of America	<u>16,195,340</u>	<u>15,124,618</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>16,195,340</u>	<u>15,124,618</u>

Note 6. Other income

	Consolidated	
	2025	2024
	\$	\$
Net foreign exchange gain	-	68,987
Government grants	245,556	42,709
Other income	<u>23,141</u>	<u>152,532</u>
Other income	<u>268,697</u>	<u>264,228</u>

Government grants

The Group received government grants of \$245,556 (US\$ (US\$159,000)) (2024: \$42,709 (US\$28,000)) for a Florida State Grant through the Florida Red Tide Mitigation and Technology Development Initiative.

Carbonxt Group Limited
Notes to the consolidated financial statements
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Note 7. Expenses

	Consolidated	
	2025	2024
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	706,311	707,176
Plant right-of-use assets	1,070,834	1,097,788
Equipment right-of-use assets	64,967	75,796
Total depreciation	<u>1,842,112</u>	<u>1,880,760</u>
<i>Amortisation</i>		
Development	249,358	280,518
Engineering Performance Solutions ('EPS') patents	96,396	96,397
Other patents	87,329	112,061
Total amortisation	<u>433,083</u>	<u>488,976</u>
Total depreciation and amortisation	<u>2,275,195</u>	<u>2,369,736</u>
<i>Cost of goods sold</i>		
Cost of inventory sold	6,088,557	7,885,667
Consumables and other	1,625,785	1,501,274
	<u>7,714,342</u>	<u>9,386,941</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	3,007,732	2,816,393
Interest and finance charges paid/payable on lease liabilities	224,781	131,090
Convertible note interest	95,337	-
Other finance charges	17,080	17,093
Finance costs expensed	<u>3,344,930</u>	<u>2,964,576</u>
<i>Other expenses</i>		
Insurance costs	743,308	826,446
Legal costs	40,216	94,068
Technical feasibility expense	112,403	123,486
Other occupancy expense	43,439	70,793
Write-off of plant and equipment	560,686	-
Foreign exchange loss	40,696	-
Other expenses	5,449	1,605
Total other expenses	<u>1,546,197</u>	<u>1,116,398</u>

Carbonxt Group Limited
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Note 8. Income tax

	Consolidated	Consolidated
	2025	2024
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(6,761,392)	(8,118,499)
Tax at the statutory tax rate of 30%	(2,028,418)	(2,435,550)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax assets not recognised	1,934,167	2,093,285
Difference in overseas tax rates	94,251	342,265
Income tax expense	<u>-</u>	<u>-</u>

	Consolidated	Consolidated
	2025	2024
	\$	\$
<i>Tax losses not recognised</i>		
Unused Australian tax losses for which no deferred tax asset has been recognised	29,742,444	28,557,881
Potential tax benefit @ 30%	8,922,733	8,567,364
Unused United States tax losses for which no deferred tax asset has been recognised	54,787,093	53,739,856
Potential tax benefit @ 21.0%	11,505,290	11,285,370

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future to the extent taxable profits are available and other conditions, as applicable in Australia or the USA, are met.

As of 30 June 2025, the Group also has capital losses of \$3,000,000 (2024: \$3,000,000).

Note 9. Cash and cash equivalents

	Consolidated	Consolidated
	2025	2024
	\$	\$
<i>Current assets</i>		
Cash on hand	20	20
Cash at bank	480,667	4,141,906
	<u>480,687</u>	<u>4,141,926</u>

Note 10. Trade and other receivables

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Trade receivables	2,825,806	877,103
Related party receivables	51,746	50,758
	<u>2,877,552</u>	<u>927,861</u>

Allowance for expected credit losses

The Group assessed that the allowance for expected credit losses is not material for the year ended 30 June 2025 and 30 June 2024.

Customers with balances past due but without provision for impairment of receivables amount to \$597,832 as at 30 June 2025 (30 June 2024: \$nil).

Note 11. Inventories

	Consolidated	
	2025	2024
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	589,877	629,238
Activated carbon finished goods - at cost	375,739	329,347
	<u>965,616</u>	<u>958,585</u>

Cost of inventories sold to customers amounting to \$6,088,557 was recognised as an expense during the year (30 June 2024: \$7,885,667).

During the year \$125,051 (30 June 2024: \$354,637) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of goods sold.

Note 12. Investments accounted for using the equity method

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Investment in associate	<u>12,044,860</u>	<u>8,550,681</u>

Reconciliation

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

Opening carrying amount	8,550,681	7,835,571
Share in losses after income tax	(2,515)	(32,198)
Additions	3,431,487	730,994
Foreign exchange difference	65,207	16,314
Closing carrying amount	<u>12,044,860</u>	<u>8,550,681</u>

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

Interests in NewCarbon

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

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

The contributions to NewCarbon for the year totalled to US\$2,250,000 (30 June 2024: US\$500,000) which increased the ownership in NewCarbon to 43.66% as at 30 June 2025 (30 June 2024: 35.48%). The future contributions are disclosed as commitment in note 29.

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2025 %	2024 %
NewCarbon Processing, LLC	USA	43.66%	35.48%

Summarised financial information

	2025 \$	2024 \$
<i>Summarised statement of financial position</i>		
Cash and cash equivalents	2,127	7,740
Non-current assets	27,099,237	23,399,758
Total assets	27,101,364	23,407,498
Current liabilities	98,660	97,558
Total liabilities	98,660	97,558
Net assets	27,002,704	23,309,940
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Expenses	(5,760)	(90,750)
Loss before income tax	(5,760)	(90,750)
Other comprehensive income	-	-
Total comprehensive loss	(5,760)	(90,750)

Note 13. Property, plant and equipment

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	8,358,319	9,765,672
Less: Accumulated depreciation	<u>(4,411,195)</u>	<u>(4,741,179)</u>
	<u>3,947,124</u>	<u>5,024,493</u>
Construction in progress	<u>179,784</u>	<u>176,896</u>
	<u><u>4,126,908</u></u>	<u><u>5,201,389</u></u>

Reconciliations

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

Consolidated	Plant and equipment \$	Construction in progress \$	Total \$
Balance at 1 July 2023	5,674,336	176,736	5,851,072
Additions	-	45,401	45,401
Exchange differences	11,932	160	12,092
Transfers in/(out)	45,401	(45,401)	-
Depreciation expense	<u>(707,176)</u>	<u>-</u>	<u>(707,176)</u>
Balance at 30 June 2024	5,024,493	176,896	5,201,389
Additions	134,976	880	135,856
Write-off of plant and equipment	(560,686)	-	(560,686)
Exchange differences	54,652	2,008	56,660
Depreciation expense	<u>(706,311)</u>	<u>-</u>	<u>(706,311)</u>
Balance at 30 June 2025	<u><u>3,947,124</u></u>	<u><u>179,784</u></u>	<u><u>4,126,908</u></u>

The carrying amount of plant and equipment pledged as security for contract liabilities amounted to \$nil (2024: \$3,208,461) as of 30 June 2025.

The total carrying value of property, plant and equipment as of 30 June 2025 were all pledged as security for the Pure Loan and convertible notes.

Note 14. Right-of-use assets

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Plant - right-of-use	11,651,444	11,576,848
Less: Accumulated depreciation	<u>(5,520,666)</u>	<u>(4,411,114)</u>
	<u>6,130,778</u>	<u>7,165,734</u>
Equipment - right-of-use	427,340	422,566
Less: Accumulated depreciation	<u>(327,295)</u>	<u>(260,063)</u>
	<u>100,045</u>	<u>162,503</u>
	<u><u>6,230,823</u></u>	<u><u>7,328,237</u></u>

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

Additionally, the Group is leasing two industrial facilities and equipment necessary for producing activated carbon at its site. These facilities have the capability to produce up to 17,000 tons of activated carbon products annually. The first industrial facility's lease spans an initial period of 50 years, with the option to extend for three subsequent 10-year periods. Operations began in July 2018, and the Group started making monthly lease payments from 15 July 2018. For the initial five years, the lease payments include both fixed and variable components. After the first five years, the payments will solely be variable. These variable lease payments are not recorded as assets or liabilities for right-of-use. For the year ended 30 June 2025, variable lease payments amounted to \$nil (2024: \$nil). The initial term of the second industrial lease is for five years with one additional term of five years. The lease commenced on 1 January 2019.

Reconciliations

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

Consolidated	Plant-right-of use \$	Equipment- right-of use \$	Total \$
Balance at 1 July 2023	4,863,777	237,306	5,101,083
Lease modifications	3,380,038	-	3,380,038
Exchange differences	19,707	993	20,700
Depreciation expense	<u>(1,097,788)</u>	<u>(75,796)</u>	<u>(1,173,584)</u>
Balance at 30 June 2024	7,165,734	162,503	7,328,237
Additions	113,258	-	113,258
Lease modifications	(170,647)	-	(170,647)
Exchange differences	93,267	2,509	95,776
Depreciation expense	<u>(1,070,834)</u>	<u>(64,967)</u>	<u>(1,135,801)</u>
Balance at 30 June 2025	<u><u>6,130,778</u></u>	<u><u>100,045</u></u>	<u><u>6,230,823</u></u>

For other AASB 16 disclosures refer to:

- note 7 for details of depreciation on right-of-use assets, interest on lease liabilities and other lease payments;
- note 21 for lease liabilities at year end;
- note 26 for maturity analysis of lease liabilities; and
- consolidated statement of cash flow for repayment of lease liabilities.

Note 15. Intangibles

	Consolidated	
	2025	2024
	\$	\$
<i>Non-current assets</i>		
Development - at cost	4,911,465	4,856,597
Less: Accumulated amortisation	<u>(1,256,389)</u>	<u>(998,341)</u>
	<u>3,655,076</u>	<u>3,858,256</u>
Engineering Performance Solutions ('EPS') patents - at cost	1,445,822	1,445,822
Less: Accumulated amortisation	<u>(1,204,868)</u>	<u>(1,108,472)</u>
	<u>240,954</u>	<u>337,350</u>
Other patents and development - at cost	2,408,363	2,331,130
Less: Accumulated amortisation	<u>(1,007,822)</u>	<u>(914,981)</u>
	<u>1,400,541</u>	<u>1,416,149</u>
	<u><u>5,296,571</u></u>	<u><u>5,611,755</u></u>

Reconciliations

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

	Development costs \$	EPS patents \$	Other patents \$	Total \$
Consolidated				
Balance at 1 July 2023	3,884,210	433,747	1,453,003	5,770,960
Additions	248,165	-	72,740	320,905
Exchange differences	6,399	-	2,467	8,866
Amortisation expense	<u>(280,518)</u>	<u>(96,397)</u>	<u>(112,061)</u>	<u>(488,976)</u>
Balance at 30 June 2024	3,858,256	337,350	1,416,149	5,611,755
Additions	-	-	54,816	54,816
Exchange differences	46,178	-	16,905	63,083
Amortisation expense	<u>(249,358)</u>	<u>(96,396)</u>	<u>(87,329)</u>	<u>(433,083)</u>
Balance at 30 June 2025	<u><u>3,655,076</u></u>	<u><u>240,954</u></u>	<u><u>1,400,541</u></u>	<u><u>5,296,571</u></u>

Engineering Performance Solutions ('EPS') patent

The Group has an exclusive license to a patent owned by EPS for magnetic activated carbon technology that maximises mercury capture from flue gas. As part of the agreement, EPS is entitled to royalties based on a percentage of revenue from the sale of products by the Group that uses the EPS technology. The liability is held at amortised cost and is recognised in the statement of financial position. Refer to note 22.

Carbonxt Group Limited
Notes to the consolidated financial statements
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Note 16. Trade and other payables

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,828,071	1,443,057
Accrued expenses	1,865,494	988,067
Other payables	8,940	85,534
	<u>3,702,505</u>	<u>2,516,658</u>

Refer to note 26 for further information on financial instruments.

Note 17. Contract liabilities

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Contract liabilities	-	2,703,140

Reconciliation

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

Opening balance	2,703,140	-
Payments received in advance	-	4,237,410
Revenue recognised	(2,762,357)	(1,581,208)
Exchange differences	59,217	46,938
Closing balance	<u>-</u>	<u>2,703,140</u>

Note 18. Borrowings

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Pure loan payable	11,564,465	10,322,007
Loan from related party	100,000	-
	<u>11,664,465</u>	<u>10,322,007</u>

Note 18. Borrowings (continued)

Pure loan payable

The Group entered into an agreement with Pure Asset Management Pty Ltd ("Pure") on 23 May 2023 to amend and restate the Facility Agreement dated 24 May 2019 with effect on and from 31 May 2023. Under the amended and restated loan facility agreement, the existing loan of \$5,500,000 was refinanced and an additional \$9,500,000 was drawn from the facility which will be used to fund the NewCarbon Processing LLC, acquisitions and product development, and for working capital purposes. In consideration of entering the amended and restated facility agreement, the Group paid establishment fee of \$450,000 resulting in net proceeds from borrowings of \$9,050,000 and subject to the Shareholders' Approval, the Group was required to issue warrant shares of 64,000,000 in different tranches to Pure (see note 35) which have been recognised as transaction cost of \$2,339,000 and capitalised against the loan. At the inception of the loan in 2023, the Group also agreed to pay Pure a royalty which the present value of future cash flows is of \$2,956,598 and was recorded against the loan. As at 30 June 2025, the loan balance is \$11,564,465 which includes accretion of interest expense of \$1,465,546 (2024: \$982,995).

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

The financial covenant includes the following:

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

During the year, certain financial covenants were breached, including the Minimum Cash Balance requirement, that requires the Group to maintain a minimum cash balance of \$5,500,000 at all times. An event of default provides the Lender to demand full repayment of the loan. Subsequent to year end, on 21 August 2025, the Group received the Waiver Letter from the Lender, agreeing to waive any rights or entitlements arising from the breach of covenants during 1 January 2025 to 30 June 2025. As at 30 June 2025 and up to the date of this report, the Lender or its agent has not notified the Group for the full repayment of the loan and continued to be supportive to the Group. Nonetheless, the loan has been classified as current as at 30 June 2025 as the Group does not have the right to defer settlement of the liability for at least twelve months after the reporting period as a result of the event of default.

Loan from related party

The loan to related party accrues interest at a rate of 9.5% per annum and repayable within one year.

Assets pledged as security

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

Financing arrangements

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

	Consolidated	
	2025	2024
	\$	\$
Total facilities		
Pure Loan facility	15,000,000	15,000,000
Used at the reporting date		
Pure Loan facility	15,000,000	15,000,000
Unused at the reporting date		
Pure Loan facility	-	-

The effective interest rate of the facility is 24.88%.

Note 19. Convertible notes payable

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Convertible notes payable	1,905,359	-

The convertible notes totalling to 2,665,000 notes at \$1 face value, have a 24-month term with an interest rate of 9.5% pa. Each convertible note can be converted to share capital at 8 cents per share. The convertible notes were issued in tranches as follows:

- (a) Tranche 1 - comprising of 500,000 convertible notes at an issue price of \$1 per note raising a total of \$500,000 which were issued on 27 February 2025. The convertible note has 1 attaching option with every 2 shares issued to the noteholders upon conversion;
- (b) Tranche 2(a) - comprising of 500,000 convertible notes at an issue price of \$1 per note raising a total of \$500,000 which were issued on 31 March 2025. The convertible note has 1 attaching option with every 2 shares issued to the noteholders upon conversion;
- (c) Tranche 2(b) - comprising of 665,000 convertible notes at an issue price of \$1 per note raising a total of \$665,000 which were issued on 10 April 2025. The convertible note has 1 attaching option with every 2 shares issued to the noteholders upon conversion; and
- (d) Tranche 3 - comprising of 1,000,000 convertible notes at an issue price of \$1 per note raising a total of \$1,000,000 which were issued on 13 June 2025. The convertible note has 1 attaching option with every 1 share issued to the noteholders upon conversion.

The noteholder has the option to convert the notes to ordinary shares commencing on 22 months after the date of issue of the notes and ending 20 business days prior to the maturity date.

The debt host contract (convertible note payable) has been measured at amortised cost and the derivative component has been measured at fair value through the profit and loss with such gains or losses presented in profit or loss as fair value movements on embedded derivatives. As at 30 June 2025, the host contracts and its related derivatives have been classified as current.

As of 30 June 2025, the interest accrued included in the carrying amount of convertible notes totalled \$95,337.

Assets pledged as security

The convertible notes payable is secured by first mortgage over the Group's assets.

Note 20. Derivative financial instruments

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Derivative financial instrument	814,582	-

Refer to note 26 for further information on financial instruments.

Refer to note 27 for further information on fair value measurement.

Note 21. Lease liabilities

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Lease liability	1,223,033	2,925,321
<i>Non-current liabilities</i>		
Lease liability	40,741	428,003
	<u>1,263,774</u>	<u>3,353,324</u>

Refer to note 26 for maturity analysis of lease liabilities.

Refer to note 33 for the reconciliation of the carrying value.

Note 22. Royalty payables

	Consolidated	
	2025	2024
	\$	\$
<i>Current liabilities</i>		
Royalty payables	340,645	188,459
<i>Non-current liabilities</i>		
Royalty payables	3,314,257	2,841,757
	<u>3,654,902</u>	<u>3,030,216</u>

Reconciliation

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

Opening balance	3,030,216	3,483,611
Net remeasurement loss/(gain) on royalty payables	582,282	(354,957)
Payments	-	(29,451)
Foreign currency differences	42,404	(68,987)
Closing balance	<u>3,654,902</u>	<u>3,030,216</u>

Royalty payable from EPS licence

The Group has an exclusive licence from EPS to use its patented technology up to 17 March 2028. Royalties are payable to EPS out of revenue received by the Group from the sale of products using the EPS technology, as follows:

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

The royalty payable balance as of 30 June 2025 from EPS license is \$38,607 (2024: \$64,164).

Note 22. Royalty payables (continued)

Royalty payable with Pure Asset Management

As disclosed in note 18, the Company's agreement with Pure includes a royalty payable. The term of the royalty is from 31 May 2023 until the royalty is bought out. The Group may only elect to purchase the royalty if the loan obtained from Pure including any unpaid royalty is less than \$7,500,000 on the earlier of the date that is any point in time after 31 May 2026 and the date on which a board recommended takeover occurs in respect of the Group. During the term of the loan, the Company must pay Pure 5% of all cash and cash equivalents received by the Group in relation to the Group's entitlement under the investment in NewCarbon. The estimated present value of the royalty payable as of 30 June 2025 is \$3,616,295 (2024: \$2,996,052).

Note 23. Issued capital

	2025 Shares	Consolidated 2024 Shares	2025 \$	2024 \$
Ordinary shares - fully paid	418,663,710	324,921,646	97,236,474	92,164,270

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2023	275,298,873		89,387,844
Shares placement	18 December 2023	10,000,000	\$0.060	600,000
Shares issued under the Non-Renounceable Entitlement Offer	23 January 2024	30,589,440	\$0.060	1,835,366
Shares placement under allocated shares	6 February 2024	700,000	\$0.060	42,000
Share-based payment to Pure Asset Management ^(vi)	6 February 2024	8,333,333	\$0.060	500,000
Issue costs		-		(200,940)
Balance	30 June 2024	324,921,646		92,164,270
Shares placement *	30 September 2024	46,415,830	\$0.065	3,016,530
Shares placement **	20 December 2024	17,146,667	\$0.060	1,018,800
Shares issued***	17 March 2025	7,862,900	\$0.000	-
Shares issued	8 April 2025	16,666,667	\$0.060	1,000,000
Shares issued	11 April 2025	5,650,000	\$0.060	309,000
Share issue costs				(272,126)
Balance	30 June 2025	418,663,710		97,236,474

* The share placement has 23,207,919 options attached at a strike price of \$0.10 per share. As part of the share placement, the Company issued 5,234,984 shares to settle the \$340,274 interest owing to Pure Asset Management.

** The share placement has 8,573,333 options attached at a strike price of \$0.10 per share. Actual issue date of the shares is on 2 January 2025 but the placement was completed on 20 December 2024.

*** During the year, the Group entered into an amended lease agreement for its existing facility. Pursuant to the agreement, the Group issued 7,862,900 at no cost. Under the agreement, the shares will be progressively sold down and the proceeds applied as future lease payments.

Ordinary shares

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

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

Note 23. Issued capital (continued)

Share buy-back

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

Capital risk management

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

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

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

There are no externally imposed capital requirements.

The capital risk management policy has not changed from the 30 June 2024 Annual Report.

Note 24. Reserves

	Consolidated	
	2025	2024
	\$	\$
Financial liability reserve	8,853,868	8,853,868
Foreign currency translation reserve	1,281,906	1,208,946
Share-based payments reserve	10,126,874	10,023,063
Convertible note equity reserve	563,131	563,131
	<u>20,825,779</u>	<u>20,649,008</u>

Financial liability reserve

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

Foreign currency translation reserve

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

Share-based payments reserve

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

Convertible note equity reserve

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

Note 24. Reserves (continued)

Movements in reserves

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

Consolidated	Financial liability reserve \$	Foreign currency translation reserve \$	Share-based payments reserve \$	Convertible note equity reserve \$	Total \$
Balance at 1 July 2023	8,853,868	1,353,451	10,078,185	563,131	20,848,635
Foreign currency translation	-	(144,505)	-	-	(144,505)
Share-based payment expense	-	-	73,533	-	73,533
Modification of options from equity settled to cash settled	-	-	(128,655)	-	(128,655)
Balance at 30 June 2024	8,853,868	1,208,946	10,023,063	563,131	20,649,008
Foreign currency translation	-	72,960	-	-	72,960
Share-based payment expense	-	-	103,811	-	103,811
Balance at 30 June 2025	<u>8,853,868</u>	<u>1,281,906</u>	<u>10,126,874</u>	<u>563,131</u>	<u>20,825,779</u>

Note 25. Dividends

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

Note 26. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

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

Market risk

Foreign currency risk

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

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

Note 26. Financial instruments (continued)

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

		Assets		Liabilities	
		2025	2024	2025	2024
		\$	\$	\$	\$
Consolidated					
US dollars		-	-	3,654,902	3,030,216
		AUD strengthened	Effect on	AUD weakened	Effect on
		Effect on	profit before	Effect on	profit before
		tax	equity	tax	equity
Consolidated - 2025	% change		before tax		before tax
US Dollars	10%	365,490	365,490	(10%)	(365,490)
		AUD strengthened	Effect on	AUD weakened	Effect on
		Effect on	profit before	Effect on	profit before
		tax	equity	tax	equity
Consolidated - 2024	% change		before tax		before tax
US Dollars	10%	303,000	303,000	(10%)	(303,000)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

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

As at the reporting date, the Group had the following variable rate cash and cash equivalents outstanding:

		2025	2024
		Weighted average interest rate	Weighted average interest rate
		%	%
Consolidated			
Cash at bank		1.55%	1.40%
Net exposure to cash flow interest rate risk		480,667	4,141,906

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

		Basis points increase	Effect on	Basis points decrease	Effect on
		Effect on	profit before	Effect on	profit before
		tax	equity	tax	equity
Consolidated - 2025	Basis points change		before tax		before tax
Net exposure to cash flow interest rate risk	50	2,403	2,403	(50)	(2,403)

Note 26. Financial instruments (continued)

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

Credit risk

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

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

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

Liquidity risk

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

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

Note 26. 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 - 2025	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,828,071	-	-	-	1,828,071
Other payables	-	8,940	-	-	-	8,940
<i>Interest-bearing</i>						
Pure loan payable	9.50%	-	-	15,000,000	-	15,000,000
Pure Royalty Payable	-	396,866	5,558,499	-	-	5,955,365
EPS Royalty Payable	-	19,870	13,435	6,718	-	40,023
Lease liability*	8.17%	1,469,464	15,680	-	-	1,485,144
Lease liability - Interest	-	40,279	-	-	-	40,279
Convertible notes payable	9.50%	253,175	2,906,593	-	-	3,159,768
Loan from related party	9.50%	109,500	-	-	-	109,500
Total non-derivatives		4,126,165	8,494,207	15,006,718	-	27,627,090
Consolidated - 2024						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,443,057	-	-	-	1,443,057
Customer deposits	-	85,534	-	-	-	85,534
<i>Interest-bearing</i>						
Pure loan payable	9.50%	-	-	15,000,000	-	15,000,000
Pure Royalty Payable	-	208,138	642,064	5,268,220	-	6,118,422
EPS Royalty Payable	-	20,713	18,720	28,080	-	67,513
Lease liability*	8.17%	2,716,255	428,003	-	-	3,144,258
Lease liability - Interest	-	196,791	-	-	-	196,791
Total non-derivatives		4,670,488	1,088,787	20,296,300	-	26,055,575

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

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

Note 27. Fair value measurement

Fair value hierarchy

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

Note 27. Fair value measurement (continued)

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 - 2025	Level 1 \$	Level 2 \$	Level 3 \$
<i>Liabilities</i>			
Derivative financial instruments	-	-	814,582
Total liabilities	-	-	814,582

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 3

The embedded derivative liabilities, representing the conversion option and free attaching options, are valued using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. Key assumptions used include: stock price volatility, expected term of the conversion option, risk-free interest rate and level of dividends expected to be paid.

Level 3 assets and liabilities

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

Description	Unobservable inputs	Sensitivity
Derivative financial instruments	Expected volatility: 75%	+5%/-5% in the expected volatility would result in \$78,487 higher/(\$77,871) (lower) fair value of the derivatives.

Note 28. 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 2025 \$	2024 \$
<i>Audit services - Ernst & Young</i>		
Audit or review of the financial statements	293,280	298,383

Note 29. Contingent liabilities and capital commitments

Contingent liabilities

The Group had no contingent liabilities at 30 June 2025 and 30 June 2024.

Note 29. Contingent liabilities and capital commitments (continued)

Capital commitments

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

	Consolidated	
	2025	2024
	\$	\$
Committed at the reporting date but not recognised as liabilities:		
Investment in NewCarbon	<u>3,435,115</u>	<u>6,793,478</u>

Note 30. Related party transactions

Parent entity

Carbonxt Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Equity accounted investment

Interests in NewCarbon are set out in note 12.

Key management personnel

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2025	2024
	\$	\$
Other income:		
Other income from other related party	-	152,532

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

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

Receivable from and payable to related parties

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

	Consolidated	
	2025	2024
	\$	\$
Current receivables:		
Receivables from joint venture	51,746	50,758

Carbonxt Group Limited
Notes to the consolidated financial statements
30 June 2025



Note 30. Related party transactions (continued)

Loans to/from related parties

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

	Consolidated	
	2025	2024
	\$	\$
Current borrowings:		
Loan from director	100,000	-

Terms and conditions

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

Note 31. 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	
	2025	2024
	\$	\$
Short-term employee benefits	1,481,948	1,906,667
Post-employment benefits	34,500	-
Share-based payments	103,811	73,533
	<u>1,620,259</u>	<u>1,980,200</u>

Note 32. 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	
		2025	2024
		%	%
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%

Carbonxt Group Limited
Notes to the consolidated financial statements
30 June 2025



Note 33. Cash flow information

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

	Consolidated	
	2025	2024
	\$	\$
Loss after income tax expense for the year	(6,761,392)	(8,118,499)
Adjustments for:		
Depreciation and amortisation	2,275,195	2,369,736
Write off of property, plant and equipment	560,686	-
Share of loss - joint ventures	2,515	32,198
Share-based payments	103,811	73,533
Items classified as investing and financing activities	2,181,551	2,348,966
Change in operating assets and liabilities:		
(Increase)/decrease/in trade and other receivables	(1,949,691)	497,246
(Increase)/decrease/in inventories	(7,031)	2,346,922
(Increase)/decrease in other current assets	(113,527)	75,697
Increase/(decrease) in trade and other payables	1,185,847	230,465
(Decrease)/increase in contract liabilities	(2,703,140)	2,703,140
(Decrease)/increase in employee benefits	(151,715)	11,435
Increase/(decrease) in other operating liabilities	624,686	(453,395)
Net cash (used in)/from operating activities	<u>(4,752,205)</u>	<u>2,117,444</u>

Non-cash investing and financing activities

	Consolidated	
	2025	2024
	\$	\$
Additions to the right-of-use assets	113,258	-
Modifications to the right-of-use assets	(170,647)	3,380,038
	<u>(57,389)</u>	<u>3,380,038</u>

Carbonxt Group Limited
Notes to the consolidated financial statements
30 June 2025



Note 33. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Pure loan payable \$	Loan from related party \$	Convertible note and derivative financial instruments \$	Lease liability \$	Total \$
Balance at 1 July 2023	9,443,491	-	-	2,132,186	11,575,677
Net cash used in financing activities	(1,185,874)	-	-	(2,289,990)	(3,475,864)
Interest expense	2,816,393	-	-	131,090	2,947,483
Lease modifications	-	-	-	3,380,038	3,380,038
Other changes	(752,003)	-	-	-	(752,003)
Balance at 30 June 2024	10,322,007	-	-	3,353,324	13,675,331
Net cash (used in)/from financing activities	(712,500)	100,000	2,665,000	(2,256,942)	(204,442)
Interest expense	1,954,958	-	54,941	224,781	2,234,680
Acquisition of leases	-	-	-	113,258	113,258
Lease modifications	-	-	-	(170,647)	(170,647)
Balance at 30 June 2025	<u>11,564,465</u>	<u>100,000</u>	<u>2,719,941</u>	<u>1,263,774</u>	<u>15,648,180</u>

In 2024, other changes in Pure Loan payable include the effect of accrued but not yet paid interest of \$356,250 and penalty interest of \$395,753 due to event of default related to Pure Loan which was paid through the issuance of shares as detailed in note 23.

Note 34. Earnings per share

	Consolidated 2025 \$	2024 \$
Loss after income tax attributable to the owners of Carbonxt Group Limited	<u>(6,761,392)</u>	<u>(8,118,499)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>376,204,828</u>	<u>297,629,958</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>376,204,828</u>	<u>297,629,958</u>
	Cents	Cents
Basic loss per share	(1.80)	(2.73)
Diluted loss per share	(1.80)	(2.73)

67,937,502 options, 65,000,000 warrants and 33,312,500 convertible notes (2024: 18,250,000 options, 64,000,000 warrants and nil convertible notes) were excluded from the weighted average number of ordinary shares used in calculating diluted earnings per share as they were anti-dilutive.

Note 35. 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.

Note 35. Share-based payments (continued)

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

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

These options expired as of 30 June 2025.

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

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

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

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

The share-based payment in relation to the warrants for 2025 is \$nil (2024: \$nil). Total expense arising from share-based payment transactions during the financial the year was \$103,811 (30 June 2024: \$73,533).

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

2025

Grant date	Expiry date	Exercise price	Balance at the start of the year	Additions*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/08/2021	27/08/2024	\$0.240	5,000,000	-	-	(5,000,000)	-
31/05/2023	31/05/2027	\$0.180	18,000,000	-	-	-	18,000,000
31/05/2023	31/05/2027	\$0.220	16,000,000	-	-	-	16,000,000
31/05/2023	31/05/2027	\$0.260	15,000,000	-	-	-	15,000,000
31/05/2023	31/05/2027	\$0.300	15,000,000	-	-	-	15,000,000
20/10/2023	20/10/2026	\$0.021	6,250,000	-	-	-	6,250,000
20/10/2023	20/10/2026	\$0.014	7,000,000	-	-	-	7,000,000
			<u>82,250,000</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>77,250,000</u>
Weighted average exercise price			\$0.202	\$0.000	\$0.000	\$0.000	\$0.000

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

Note 35. Share-based payments (continued)

2024

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

The weighted average remaining contractual life of options and warrants outstanding at the end of the financial year was 2.65 years (2024: 3.6 years).

Note 36. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2025 \$	2024 \$
Loss after income tax	<u>(11,667,020)</u>	<u>(7,156,648)</u>
Total comprehensive loss	<u>(11,667,020)</u>	<u>(7,156,648)</u>

Note 36. Parent entity information (continued)

Statement of financial position

	Parent	
	2025	2024
	\$	\$
Total current assets	453,612	792,215
Total assets	1,488,844	2,552,875
Total current liabilities	16,476,065	11,521,589
Total liabilities	19,790,322	14,363,346
Equity		
Issued capital	96,698,922	91,626,718
Financial liability reserve	8,853,868	8,853,868
Share-based payments reserve	10,126,874	10,023,063
Convertible note equity reserve	563,131	563,131
Accumulated losses	(134,544,273)	(122,877,251)
Total deficiency in equity	<u>(18,301,478)</u>	<u>(11,810,471)</u>

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 2025 and 30 June 2024.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2025 and 30 June 2024.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2025 and 30 June 2024.

Material accounting policy information

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

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

Note 37. Events after the reporting period

On 22 August 2025, the Company announced a non-renounceable pro-rata entitlement offer to Eligible Shareholders of one (1) Option to acquire a fully paid ordinary share in the Company ('Loyalty Option') for every six (6) shares held by shareholders registered at 7.00pm (AEST) on 27 August 2025 ('Record Date') at an issue price of \$0.01 and exercise price of \$0.07 per Loyalty Option ('Entitlement Offer'). The Offer is fully underwritten by Chaleyer Holdings Pty Ltd, an existing shareholder of the Company.

The Offer is expected to raise a total of \$697,772 prior to the costs of the offer.

No other matter or circumstance has arisen since 30 June 2025 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
Consolidated entity disclosure statement
As at 30 June 2025



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

Carbonxt Group Limited
Directors' declaration
30 June 2025



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 Accounting 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 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the information disclosed in the attached consolidated entity disclosure statement is true and correct.

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

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

On behalf of the directors

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

Warren Murphy
Managing Director

29 August 2025
Sydney



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with confidence**

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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 2025, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2025 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material Uncertainty Related to Going Concern

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

Key audit matters

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



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

Revenue Recognition

Why significant	How our audit addressed the key audit matter
<p>For the year ended 30 June 2025, the Group's revenue from sales of activated carbon products totalled \$16.2 million which represents 100% of total revenue as disclosed in Notes 2 and 5 of the financial report.</p> <p>The Group's policy is to recognise revenue from the sale of activated carbon at the point in time when the activated carbon is delivered in accordance with agreements with customers.</p> <p>Given the quantitative importance this was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the revenue recognition process and read relevant agreements to understand the terms and conditions. • Assessed whether the Group recognised revenue in accordance with the requirements of Australian Accounting Standards. • Analysed the relationship between revenue, receivables and cash through the use of data analytics. • Selected a sample of revenue transactions and agreed the revenue recognised with reference to customer agreements, date of delivery and customer payment. • Selected a sample of cash journals and traced the receipts from bank statements back to individual transactions. • Selected a sample of pre and post year-end credit notes and assessed the reason for reversal of sales transactions to confirm the validity of sales recognised prior to year-end. • Selected a sample of revenue transactions before and after year end to confirm revenue was recorded in the correct period. • Assessed the adequacy of the disclosures included in Notes 2 and 5 to the financial report.



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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 2025 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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



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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.
- ▶ Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2025.

In our opinion, the Remuneration Report of Carbonxt Group Limited for the year ended 30 June 2025, 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

Ernst & Young

A handwritten signature in black ink, appearing to read 'James Johnson'.

James Johnson
Partner
Sydney
29 August 2025

Carbonxt Group Limited
Shareholder information
30 June 2025



The shareholder information set out below was applicable as at 5 August 2025.

Distribution of equitable securities

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	108	0.01	-	-
1,001 to 5,000	260	0.17	-	-
5,001 to 10,000	148	0.27	-	-
10,001 to 100,000	390	3.67	18	2.14
100,001 and over	340	95.88	55	97.86
	<u>1,246</u>	<u>100.00</u>	<u>73</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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
Phelbe Pty Ltd	40,000,005	9.55
J P Morgan Nominees Australia	35,757,421	8.54
BNP Paribas Nominees Pty Ltd	25,890,040	6.18
Mr Craig Graeme Chapman	16,252,157	3.88
Zanya Nominees Pty Ltd	10,274,873	2.45
Dixson Trust Pty Limited	8,100,000	1.93
Carbon Concepts LLC	7,862,900	1.88
La Andrews Investments Pty Ltd	7,823,000	1.87
Station Capital Pty Ltd	7,098,000	1.70
Stewland Holding Pty Ltd	6,830,664	1.63
Tranter (SA) Pty Ltd	6,166,667	1.47
Mr Victor Lorusso	6,000,000	1.43
HSBC Custody Nominees	5,907,234	1.41
Mr Luke Alexander Andrews & Sutterby Investments Pty Ltd	5,500,000	1.31
Appwam Pty Ltd	5,150,000	1.23
Chaleyer Holdings Pty Ltd	4,838,462	1.16
Mr David James Azar	4,500,000	1.07
Spo Equities Pty Ltd	4,174,872	1.00
La Andrews Investments Pty Ltd	4,166,667	1.00
	<u>216,309,158</u>	<u>51.65</u>

Ordinary shares held include escrowed shares.

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	55,437,504	73

Substantial holders

Substantial holders in the Company are set out below:

		Ordinary shares % of total shares
	Number held	issued
Phelbe Pty Ltd	42,099,989	10.06

Ordinary shares held include escrowed shares.

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Share buy-back

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