



ASX RELEASE

16 May 2018

OPERATIONAL UPDATE

- New customer contracts won and extensions secured delivering up to 500 tons and AUD1million in annual revenue:
 - o Two existing customers have requested extensions of supply for two further power stations (one new plant each); and
 - o Two new customer contracts have been won
- Strong conversion rates of trial customers, with three of the five potential customers noted in the Prospectus having contracted
- Six new customer trials have been added, expanding the sales pipeline
- Black Birch manufacturing plant expected to be commissioned by no later than June 15th
- Company remains on track to reach profitability in 1H FY19

Carbonxt Group Ltd (ASX:CG1) is pleased to provide an update on its ongoing operations and sales momentum, since listing on the ASX in January 2018.

New customer contracts secured

In the month of May, Carbonxt has secured extensions with two existing customers to supply its Powdered Activated Carbon (PAC) for Mercury capture to two additional power stations (one additional plant each).

A further two new contracts have been won with two new customers. Whilst relatively small contracts, Carbonxt is excited at establishing new customer relationships in the industry which further validates the efficacy of its proprietary products.

The revenue from the two new customer contracts and the two extensions is expected to total AUD1million per annum, with revenue expected to commence from July 2018. The contracts are one year terms initially.

All existing customers outlined in the Prospectus remain contracted with Carbonxt, with many of the contracts committed until 2020 and beyond. The extension of existing customer contracts demonstrates the continued demand for Carbonxt's unique PAC for Mercury capture.

Commercial trials continue to advance and to expand the sale pipeline

Carbonxt has achieved a high conversion ratio of customer trials to commercial contracts. A number of the trials in progress at the time of the Prospectus have now converted into commercial contracts and a further six new trials have been added. The sales cycle continues to be an extended process due to the nature of the contracts, the conservative nature of the industry and the requirement of the plants to extensively trial the product in actual operating power stations.

Status of trial customers in Prospectus:

Target A	• Testing delayed until July 2018 due to utility's maintenance schedule.
Target B	• Testing program continues. Contract secured • Testing expected to complete by end of 1Q19.
Target C	• Testing successfully complete, however contracting decision delayed with further testing likely
Target D	• Successful testing at all 3 cement plants • Two contracts have been awarded • Third contract is expected in the near future.
Target E	• Contract for AC Pellets awarded to Carbonxt



New trials since the Prospectus:

Carbonxt is required to trial its products in order to progress to new, typically long term contracts. Carbonxt has commenced or confirmed the following trials:

- New utility to trial Carbonxt's innovative and patented PAC for injection into the Wet Flue Gas Desulphurisation device; and
- Five new tests sites added with three different cement companies and are due to complete by end September 2018.

The Company will provide updates in relation to the progress of these trials in due course.

Manufacturing facility to drive gross margins and profitability on track for 1H FY19

The Black Birch production facility is substantially complete and the technical issue with the milling machine is now being rectified. No further issues are foreseen, and the facility is expected to be commissioned no later than 15 June 2018. We expect the initial throughput to be around 3,000 tons per annum (annualised equivalent) by end of the first quarter of operations.

The facility will have capacity to manufacture up to 10,000 tons per annum of Activated Carbon (AC). Due to the new source of raw material and the new facility, cost of goods sold are anticipated to reduce and gross margins are expected to increase from the current margin of 28% in 1H FY18 up to 40% - 45% in FY19. The Company remains on track to be profitable in 1H FY19.

ENDS

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