

INVESTOR PRESENTATION – SEPTEMBER 2018

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Company Overview

Corporate Overview

Carbonxt (ASX:CG1) is a cleantech company that develops and markets specialised Activated Carbon (AC) products focused on the removal and reduction of pollutants.

The Company was incorporated in 2001 and listed on the ASX in January 2018 raising $10 million.

Current Share Price (as at 4 September 2018	$0.505
Market Capitalisation	$37m
Enterprise Value	$40m
Debt	$2.2m
Total Shares on Issue	73.6m
Free float	74.7%
Options	4m

Top Shareholdings

Lang Walker & Associates	15.4%
John Beville & Associates	5.3%
United Conveyor Corp	4.1%
Washington H Soul Pattinson	3.3%

Management own 4.5%
Top 20 own ~46%

Board of Directors



Matthew Quinn
Chairman

- Managing Director of Stockland, Australia's largest diversified property group (market cap $8bn) from 2000 to 2013.
- Currently a non-executive director of CSR Limited and Regis Healthcare, Chairman of Class Limited
- Matthew began his career at Price Waterhouse after graduating with first class honours in Chemistry and Management Science from Imperial College, London.
- Matthew is also a qualified Chartered Accountant.



Warren Murphy
Managing Director

- Previous Co-Head of the Australian Infrastructure & Project Finance Group and Head of Energy at Babcock & Brown.
- Led development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the founding of Infigen Energy (and its unlisted predecessor, Global Wind Partners) where he served as a director from inception until June 2009.
- Formerly a director of the ASX listed Alinta Limited and Sydney Gas Limited, as well as the unlisted Coogee Resources Limited.



David Mazyck
Executive Director and CEO of Carbonxt Inc

- World-leading expert on activated carbon (AC) and its applications including mercury capture, having developed products for multinational AC manufacturers
- Past Chairman of the Activated Carbon Standards Committee for the American Waterworks Association and has developed products for NASA
- Member of the World Coal Association and an appointee to the United Nations
- Has a PhD from Penn State University in Environmental Engineering where he also earned a PhD Minor in fuel science.

What We Do

- Carbonxt's develops and markets specialised Activated Carbon (AC) products, including Powdered Activated Carbon (PAC) and AC pellets for the removal of pollutants and toxins in industrial processes.

- Its 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.

- Its key competitive advantages lie in non-brominated AC products that eliminate the risk of corrosion to equipment and being a US manufacturer at a time of increasing trade tensions (most AC pellets are imported from China).

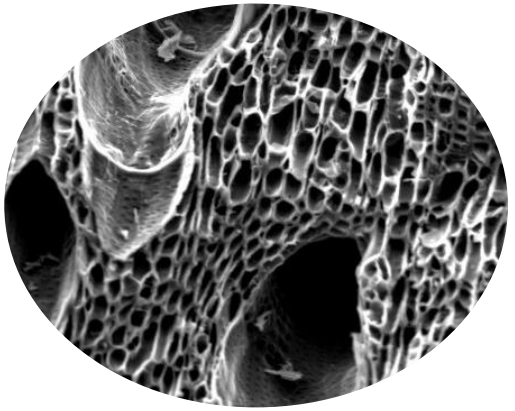





Our Products

How it works?

1. Activated Carbon (AC) product injected into industrials process, ie the flue gas in a coal fired power station
2. The AC then traps mercury and other toxins in its pores
3. Toxins are then prevented from being discharged into the atmosphere



Activated Carbon is very porous.

One teaspoon of AC has a larger surface area than a football field.

Competitive Advantage Lies in Non-Brominated Products

- ✓ **Non Brominated Activated Carbon (AC) products**
  - Does not cause corrosion to equipment
  - No risk of bromide contaminating water
- ✓ **Superior performance compared to brominated competitor products**
  - Lower amount of Activated Carbon required to meet regulatory MATS requirements
- ✓ **Cost Effective**
  - Requires lower injection rates than competitors' brominated PAC products
- ✓ **Proprietary product engineered to be used with Regenerative activated coke technology (ReACT)**
  - Specialised AC pellets for use in power plants utilising Japanese ReACT technology. No other supplier of pellets for use with ReACT technology, outside of Japan.

Corrosion of air heater baskets caused by bromine



Activated Carbon Products

Powdered Activated Carbon (PAC)



Used for:

- Mercury capture by coal fire power stations and industrial applications, including cement production

Activated Carbon (AC) Pellets



Used for:

- Pollutants capture (including mercury, sulphur oxide and nitrogen oxide), specifically in ReACT coal fired power stations and many other industrial applications.

WetJect™ Product

The WetJect™ is a patented process targeting air and water phase mercury removal through the injection of a customised absorbent substance directly into the wet flue gas desulphurisation (WFGD) system.

At the beginning of FY19 it commenced a significant trial with a leading US utility.

- Uses less PAC compared to existing processes due to more contact time.
- Helps industrial plants reduce emissions and achieve compliance limits.
- Higher sale price and higher margin than the air phase PAC product.

Financials

FY18 Results

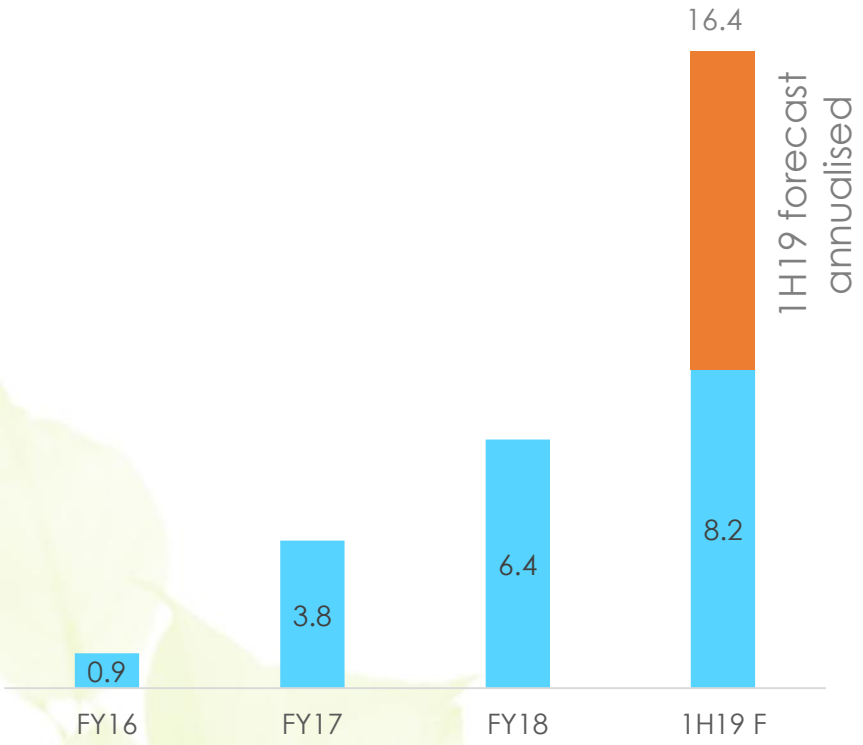
Revenue Growth of +68% and Gross Margins Increased to ~24%. On track to reach profitability in FY19

	FY18 $'000	FY17 $'000
Revenue	$6,352	$3,789
Gross margin	$1,499	$705
Gross margin %	23.6%	18.6%
Shipping costs	($1,079)	($582)
Operating costs	($5,274)	($3,689)
EBITDA	($4,854)	($3,566)
Depreciation and amortisation	($217)	($182)
EBIT	($5,071)	($3,748)
Net interest	($206)	($210)
Non-cash employee options & other non-cash	($1,509)	($308)
IPO costs expensed	($374)	-
Net loss before tax	($7,160)	($4,266)

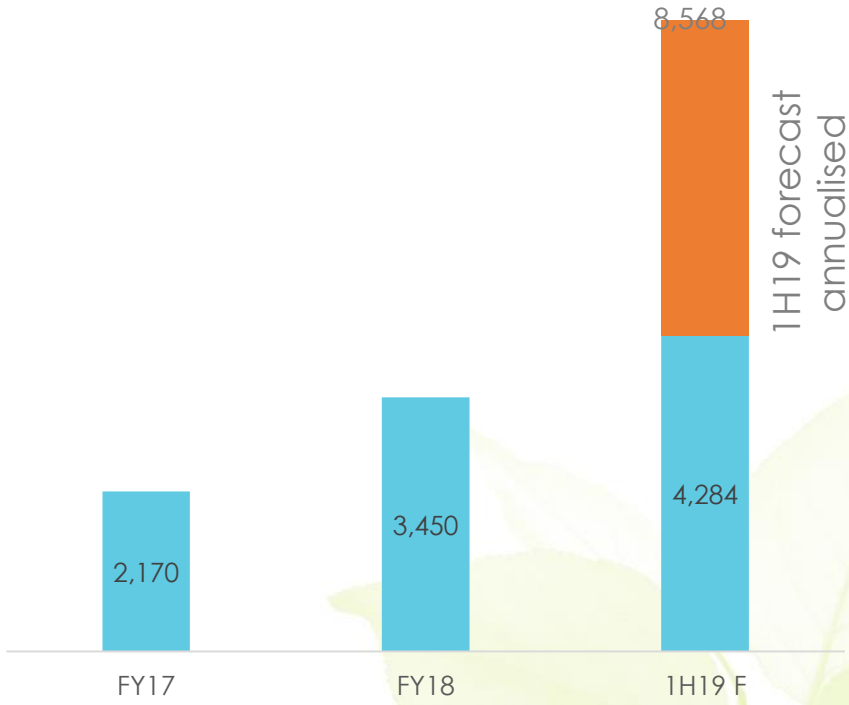
- Revenue increase of +68%. Deferred June revenue of $750k and further revenue of approximately $2,000k delivered in July and August provides a solid start to FY19.
- Gross margin of 23.6%, up from 18.6% - driven by higher prices and lower production costs.
- New production facility now open and targeting ~40% gross margin by the end of FY19.
- On track to reach profitability in FY19.
- Higher operating costs predominantly due to additional staff in sales and marketing and costs associated with accelerating entry into the industrial pellet market.
- Cash reserves of +$5m after raising $10m at IPO.

Strong Sales and Revenue Growth

Revenue Growth (AUD Millions)



Sales Volume (tons)



Revenue Streams

Sales of **PAC and AC Pellets** generated an average USD 1,440 per ton (based on FY18 numbers)

Sales revenue per ton	USD 1,440
Cost of Goods Sold	USD 1,100
Gross Profit	USD 330
Gross Margin	23.7%

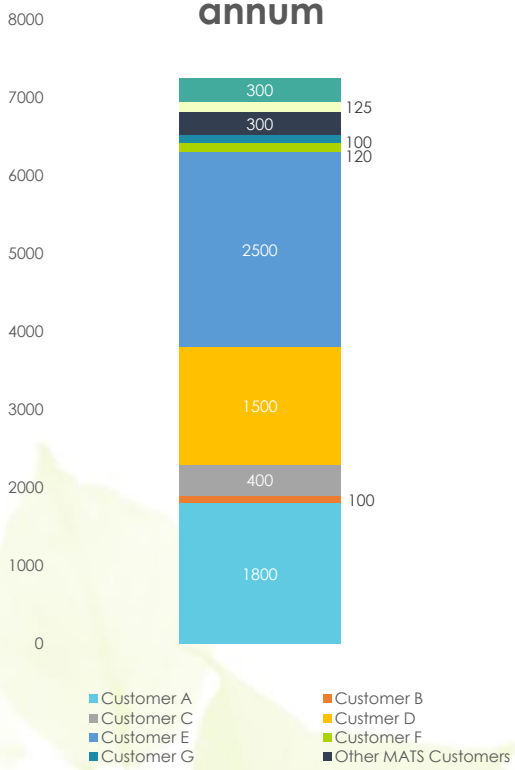
WetJect™

- The WetJect pricing model will be likely based on an upfront fee, service fee and product fee model.
- The product is undergoing an initial trial with a large US utility.
- Once complete, the pricing structure will be refined.

Opportunity

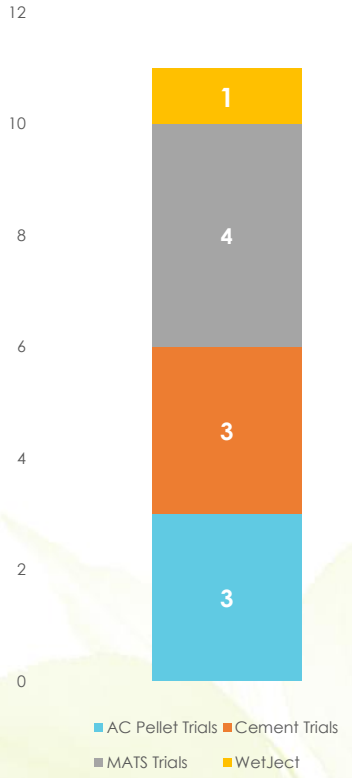
Customers and Pipeline

Existing Customers total ~7,000 tons per annum



Customer	Type of Product	Volumes (tons per annum)
Customer A	PAC in air phase	1,800
Customer B	PAC in WFGD	100
Customer C	PAC in air phase	400
Customer D	PAC in air phase	1,500
Customer E	AC Pellets	2,500
Customer F	AC Pellets	120
Customer G	AC Pellets	100
Other MATS customers	PAC in air phase	300
Industrial customers including cement	PAC	125
Water customers	PAC	150

Pipeline of Trials



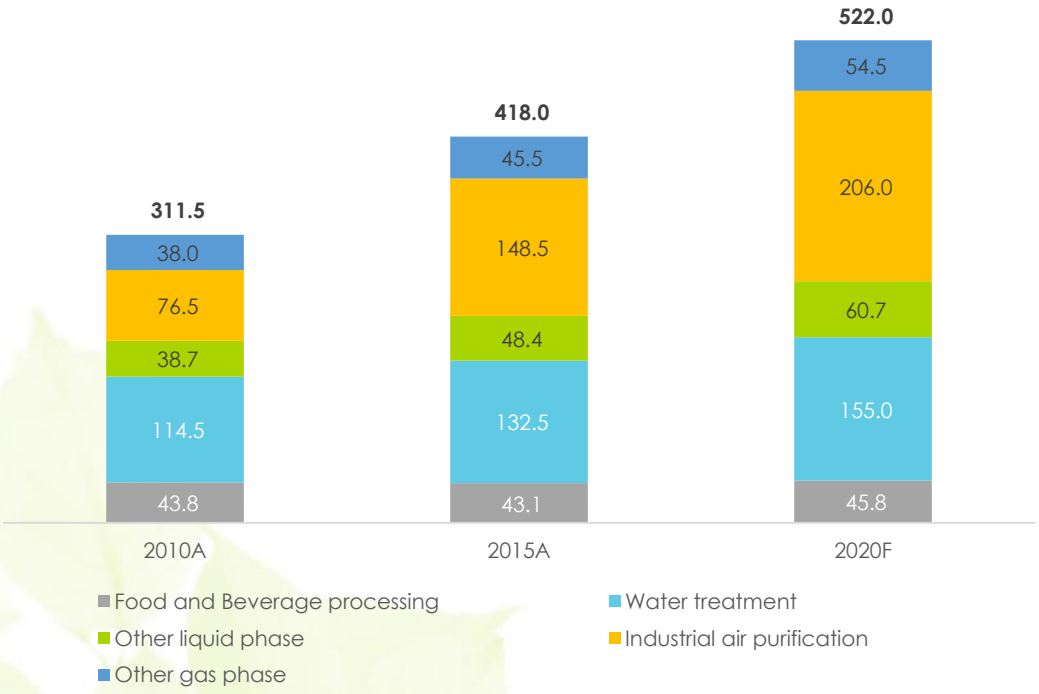
- Average price per ton is USD1,300 for PAC and USD 2,300 for AC Pellets*

*Based on FY18 financials

Significant Target Market

By 2020 the total global demand for Activated Carbon is expected to be 1.9m tons

North America Activated Carbon Demand by Market (000's of metric tons)



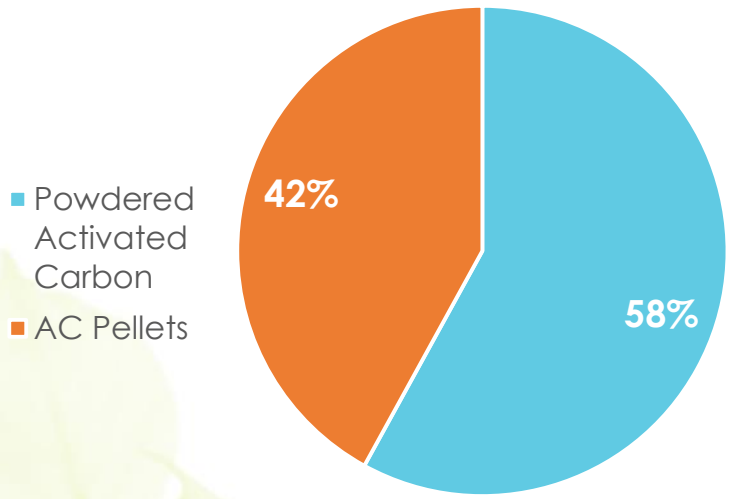
- ✓ Industrial air purification
- ✓ Water treatment
- Food and beverage processing
- Other liquid treatments
- Other gas treatments

Source: World Activated Carbon, Freedonia Focus Reports, World Collection: April 2016

Strategy & Outlook

Significant Capacity Remains

Current contracted volumes total ~7,000 tons per annum.



Facility	Capacity (tons per annum)
Arden Hills (Pellets)	4,000
Black Birch (AC)	10,000
Gainesville (Pellets)	2,000 (in process of adding)
Total	**16,000**

Growth Strategy – next 12 months

- Expand use of AC pellet technology in ReACT power stations
- Convert existing AC industrial pellet opportunities
- Continue to obtain market share of coal fired power stations in the US leveraging non-brominated competitive advantage

- Focus on securing new commercial opportunities in waste water treatment and other liquid phase markets for AC Pellet product

- Begin to expand into new markets including Europe and Japan
  - European Commission's Industrial Emissions Directive on Large Combustion Plants supports EU opportunity
  - Opportunity in Japanese market for pellet technology in ReACT power stations

Carbonxt's growth strategy is underpinned by continuous R&D and innovation

Source: * US Energy Information Administration (EID) ** Carbon Tracker

Outlook and Growth Drivers

- Higher than expected demand for AC Pellet product – new capacity (up to 3,500 tons per annum) being added to meet demand and drive revenue growth.
- The Company is considering its funding options for the working capital and growth capex required to meet this demand.
- Leveraging AC Pellet opportunity in industrial pellet, cement and potable water sectors
- Growth of WetJect™ product offering – customer trial in progress with large US utility
- Regulatory drivers continue to play a key role in the demand for Carbonxt's product and its non-brominated products provide a strong competitive advantage

Investment Summary

- ✓ **Regulatory tail-winds** driving customer growth and market opportunity in new markets
- ✓ The only non-brominated product in the market – providing a **key competitive advantage**
- ✓ **Significant market opportunity** – US market of +USD300m in initial target markets and global markets opening up
- ✓ **Contracted revenue** – FY18 revenue up 68% and achieving additional orders.
- ✓ **Gross margins** expanded to 23.7% in FY18, up from 17.7% in FY17. Expected to reach above 40% by end of FY19.
- ✓ **Expected to be profitable** and cash flow positive in FY19
- ✓ **Experienced and quality board** and management team

Carbonxt™
ADVANCED CARBON PRODUCTS

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