ASX RELEASE **15 October 2018**

Equity Raising to fund new plant

- Carbonxt Group Limited (Carbonxt or the Company) is pleased to announce a successful institutional placement raising approximately $3.0m (before costs) with strong demand from existing and new institutional investors.
- Carbonxt will also offer existing shareholders the opportunity to participate in a 1:4 pro-rata non-renounceable entitlement offer (**Entitlement Offer**) with new shares (**New Shares**) to be issued at the same price as the Placement.
- Capital raised will be used primarily to build additional manufacturing capacity and fund working capital to meet the high level of demand for the Company's activated carbon (AC) pellet product
- Demand for the pellet product is driven by customer concerns about tariffs and trade barriers with China, from where the majority of AC pellets are currently imported
- Carbonxt is one of only a handful of AC pellet producers based in the USA.
- The institutional placement consisted of approximately 7.5m shares to be issued at $0.40 per share (within the Company's existing placement capacity under ASX listing rule 7.1) raising approximately $3.0m (before costs) (**Placement**) with settlement of the Placement expected to occur on Friday 19 October 2018.
- Together the Placement and the Entitlement Offer are the **Offer**. Further details in relation to the Offer can be found in the Appendix at the end of this announcement.

Demand for the Company's products has increased significantly since listing on the ASX in January 2018 and revenue in 1H19 is tracking slightly above the prospectus forecast of $8.2m, driven by increased volumes across all product lines:

Product	**Annualised volume – January 2018 (tons)**	**Current run rate – 1QFY19 (tons)**	**Increase**
Powdered Activated Carbon (PAC) for mercury removal from coal fired power stations	3,010	4,312	+43%
PAC for other applications	0	652	n/a
Activated carbon pellets (ACP)	2,250	3,320	+48%
Total	**5,260**	**8,284**	**+57%**

Demand for Carbonxt's AC Pellet products is particularly strong with significant inbound customer enquiry following the commissioning of the company's Arden Hills ACP manufacturing facility and growing awareness of the Company's capability for local US production.

Most ACP products are currently imported from Asia and customers are concerned about the impending tariffs on AC products.

The Company currently has strong engagement with eight potential customers with an estimated total requirement for around 7,000 tons (around $25.0m) of ACP a year. Five of these customers have already confirmed that Carbonxt's products meet their specifications and one has placed an order for $0.4m of product, which is currently being manufactured at a pilot plant near the Company's head office in Gainesville, Florida.

The Company now intends to raise funds to develop a full-scale plant at Gainesville capable of producing an estimated 3,500 tons a year from commissioning in 4QFY19. The plant will be modelled on the company's existing ACP plant at Arden Hills, Minnesota, which was commissioned in July 2018. This plant experienced teething issues which have mostly been rectified and have resulted in significant learnings that will be applied to the Gainesville plant.

Proceeds from the Placement ($3.0m) and Entitlement Offer (expected $3.5m) will fund capex of around $4.0m at Gainesville and Arden Hills, $2.0m in working capital and $0.5m in offer costs. If fully subscribed, the Entitlement Offer will raise up to approximately $7.3m (18.4m shares). Funds raised from the Entitlement Offer above the expected $3.5m will be used to expand the new manufacturing facility in Gainesville and further increase working capital.

If demand for the Company's ACP products exceeds the 3,500 tons initial capacity of the Gainesville plant, it is quite feasible to add additional production lines and double the output. A decision on this will be made once the actual level of demand has been validated.

Carbonxt Managing Director, Warren Murphy, commented: "The level of demand for our activated carbon pellets has been far higher than our initial expectations. The demand further validates the Company's strategy to invest in new product development. We are keen to start construction of our new plant to meet this demand and take advantage of further revenue growth opportunities as the industry becomes more aware of our capabilities"

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About Carbonxt

Carbonxt (ASX:CG1) is a cleantech company that develops and markets specialised Activated Carbon (AC) products, primarily focused on the capture of mercury and sulphur in industrial processes that emit substantial amounts of harmful air pollutants. The Company produces and manufactures Powdered Activated Carbon (PAC) and Activated Carbon pellets (ACP) for use in industrial air purification, waste water treatment and other liquid and gas phase markets. The Company was incorporated in 2001 and listed on the ASX in January 2018.

Appendix

Offer Details

The Offer which is being managed by Shaw and Partners Limited comprises an institutional placement and a pro-rata non-renounceable entitlement offer to existing eligible shareholders.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for one new Carbonxt Group Limited fully paid share (**New Share**) for every four (4) existing Carbonxt shares held as at 7pm (AEST) on 18 October 2018 (**Record Date**).

New Shares offered under both the Placement and the Entitlement Offer will be issued at a price of $0.40 per New Share, which represents:

- a 23.1% discount to the last closing price of $0.52 on 10 October 2018;
- a 26.3% discount to the 10 trading day Volume Weighted Average Price (**VWAP**) up to and including 10 October 2018

New Shares issued under the Offer will rank equally with existing Carbonxt shares on issue. Carbonxt will, upon issue of the New Shares under the Offer, seek quotation of the New Shares on the ASX.

The Entitlement Offer will be open from 22 October 2018 to eligible retail shareholders in Australia and New Zealand on the Record Date. In addition to each shareholder's entitlement under the Entitlement Offer, eligible shareholders will also be offered the opportunity to subscribe for additional New Shares to the extent there is a shortfall in the Entitlement Offer. An offer booklet in respect of the Entitlement Offer is expected to be mailed to eligible shareholders on 22 October 2018.

The Entitlement Offer is non-renounceable and entitlements will not be tradeable or otherwise transferrable.

The eligible Australian based Directors have indicated that they are subscribing for their full entitlement under the Entitlement Offer.

Offer Timetable

The indicative timetable of key dates is set out below

Event	Date
Entitlement Offer announced, Appendix 3B and Booklet lodged with ASX	Monday, 15 October 2018
Ex –entitlement date	Wednesday, 17 October 2018
Record Date to determine eligibility to participate in the Entitlement Offer	7.00pm, Thursday, 18 October 2018
Entitlement Offer Opens Dispatch of Offer Booklet and Notice to Ineligible Shareholders	Monday, 22 October 2018
Entitlement Offer Closes	5.00pm, Wednesday, 31 October 2018
Notify ASX of undersubscriptions (if any)	Thursday, 1 November 2018
Issue of New Shares under the Entitlement Offer	Wednesday, 7 November 2018
Trading of New Shares issued under the Entitlement Offer expected to commence on ASX	Thursday, 8 November 2018
Holding Statements sent to Shareholders	Thursday, 8 November 2018

***Note**: The timetable above is indicative only and subject to change. Carbonxt reserves the right to amend any or all of these events, dates and times, without notice, subject to the Corporations Act 2001 (Cth) (**Corporations Act**), the ASX Listing Rules and other applicable laws*