Carbonxt Group Limited
(ACN 097 247 464)

PROSPECTUS

For an offer of 14.3 million Shares at an issue price of $0.70 per New Share to raise approximately $10.0 million before Offer Costs. The minimum amount to be raised under the offer is $10.0 million.

The Offer closes at 5.00pm (Sydney time) on 7 December 2017.

IMPORTANT NOTICE

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents, or are in doubt as to the course you should follow, you should consult your stockbroker, financial or other professional adviser.

Lead Manager

ShawandPartners

Legal Adviser

THOMSON GEER

IMPORTANT NOTICES

Offer
The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**New Shares**) in Carbonxt Group Limited (**Carbonxt** or **Company**). This Prospectus is issued by Carbonxt.

Lodgement and Listing
This Prospectus is dated 30 November 2017, and a copy was lodged with the Australian Securities and Investment Commission (**ASIC**) on that date. It is a replacement prospectus which replaced the prospectus dated 22 November 2017 and lodged with ASIC on that date (**Original Prospectus**). This Prospectus has been issued to, amongst other matters, include additional information regarding the use of funds and amend typographical errors in the Financial Information section. The Company has lodged an application with the ASX for admission of the Company to the official list of the ASX and quotation of all Shares (including new shares issued pursuant to this Prospectus (**New Shares**)) on the ASX. This Prospectus is issued for the purpose of Chapter 6D of the Corporations Act 2001 (Cth) (**Corporations Act**). Neither the ASX, ASIC nor any of their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date
No New Shares will be issued on the basis of this Prospectus later than 13 months after the date of the Original Prospectus.

No person is authorised by the Company, the Lead Manager or the Co-Lead Manager to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company may not be relied upon as having been authorised by the Company, the Directors or any other person in connection with the Offer.

This Prospectus is important and should be read in its entirety before you decide to participate in the Offer.

By returning an Offer Application Form or otherwise paying for your New Shares in accordance with the instructions on the Offer Application Form, you acknowledge that you have read this Prospectus and you have acted in accordance with and agree to the terms of the Offer detailed in this Prospectus.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your acceptance once it has been accepted, except as allowed by law.

Offer is conditional
The Offer under this Prospectus is conditional on Shareholders having approved the Share Consolidation at the Annual General Meeting to be held on 30 November 2017 (**AGM**), the Minimum Subscription being achieved and permission being granted for the Quotation of the New Shares on the ASX. The Shares, Options and the Issue Price assumes that the Share Consolidation is approved at the AGM and completed.

No overseas offering
This Prospectus and the accompanying Offer Application Form do not and are not intended to constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. This Prospectus does not constitute an offer to Ineligible Shareholders and may not be distributed in the United States and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States.

In particular the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. The New Shares may not be applied for by persons in the United States and the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to the registration requirements of the U.S. Securities Act and the applicable securities laws of any state or other jurisdiction of the United States. The New Shares to be offered and sold to investors will only be sold in 'offshore transactions' (as defined in Rule 902(h) under the U.S. Securities Act) in compliance with Regulation S thereunder.

This Prospectus is not to be distributed in, and no offer of New Shares is to be made in countries other than retail investors in Australia, and institutional investors in Australia, New Zealand and Hong Kong. The distribution of this Prospectus in other jurisdictions may be restricted by law and therefore persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Offer, the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction outside Australia.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for the Company to lawfully receive your Application Monies.

New Zealand
This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Hong Kong
WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Disclaimer
This Prospectus contains general information only, and does not take into account the individual investment objectives, financial situation or particular needs of any person. Nothing in this Prospectus should be construed as a recommendation by the Company or any other person concerning an investment in the Company. You should read the entire Prospectus and, in particular, in considering the prospects for the Company, you should consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues), and you should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser in relation to the Offer and the transactions contemplated in this Prospectus.

Electronic Prospectus
This Prospectus may be viewed online at www.carbonxt.com/investors-center. The website and its contents do not form part of this Prospectus and are not to be interpreted as part of, nor incorporated into, this Prospectus. Persons who receive the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Offer to which the electronic Prospectus relates is only available to persons receiving the electronic Prospectus in Australia. Persons having received a copy of this Prospectus in its electronic form in Australia may obtain a paper copy of the Prospectus (including any supplementary document and the Offer Application Form) (free of charge) during the life of this Prospectus by contacting the Company.

Definitions, currency and time
Defined terms used in this Prospectus are contained in Section 11. All references to currency are to Australian Dollars unless stated otherwise. All references to time are to Sydney time, Australia, unless otherwise indicated.

Taxation
There will be tax implications associated with participating in the Offer and receiving New Shares. The Company considers that it is not appropriate to give advice regarding the tax consequences of subscribing

for New Shares under this Prospectus or the subsequent disposal of any New Shares. The Company recommends that you consult your professional tax adviser in connection with the Offer.

Exposure Period
As required by Section 727(3) of the Corporations Act, this Prospectus is subject to an exposure period of 7 days following lodgement of the Original Prospectus with ASIC. That period may be extended by the ASIC for a further 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act. No Applications will be accepted by the Company during the Exposure Period. Any such form received during the Exposure Period will only be processed (without preference) after the Exposure Period has ended.

Underwritten
This Offer is not underwritten.

Representations
No person is authorised to give any information or make any representations in connection with the Offer other than as contained in this Prospectus. Any information or representation in connection with the Offer not contained in this Prospectus is not, and may not be relied on as having been, authorised by the Company (or any of its officers).

Privacy
The Company collects information about each Applicant provided on an Offer Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in the Company.

Collection, maintenance and disclosure of certain personal information is governed by legislation, including the Privacy Act 1988 (Cth) (as amended) and the Corporations Act.

By submitting an Offer Application Form, you will be providing personal information to the Company (directly or through the Share Registry). The Company collects, holds and will use that information to assess your Application. The Company collects your personal information to process and administer your shareholding in the Company and to provide related services to you.

The Company may disclose your personal information for purposes related to your shareholding in the Company, including to the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, bidders for your securities in the context of takeovers, and other regulatory bodies including the ATO.

You can access, correct and update the personal information that the Company holds about you. Please contact the Share Registry on 1300 767 760 if you wish to do so by using the contact numbers set out in this Prospectus.

Photographs and diagrams
Photographs used in this Prospectus should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 22 November 2017.

Governing law
This Prospectus, the Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in New South Wales, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

Past Performance
Investors should note that the Company's past performance, cannot be relied upon as an indicator of (and provides no guidance as to) the Company's future performance including the Company's future financial position or the value of your investment in the Company.

Financial Information
Section 4 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 4.3.

The historical financial information is presented on both an actual and pro forma basis (as described in Section 4) in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

This Prospectus also includes forecast financial information based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the forecast financial information is consistent with the basis of preparation and presentation for the historical financial information. The forecast financial information presented in this Prospectus is presented on both a statutory and pro forma basis and is unaudited.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and components contained in this Prospectus are due to rounding.

Forward Looking Statements
This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. The financial information included in Section 4 is an example of forward looking statements. These forward looking statements speak only as of the date of this Prospectus.

Any forward looking statements are subject to various risk factors that could cause Carbonxt's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Carbonxt, the Directors and management of Carbonxt. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Pro Forma Historical Financial Information and the Forecast Financial Information in Section 4, risk factors as set out in Section 5, specific assumptions general assumptions and sensitivities as set out in Section 4 and other information in this Prospectus.

Carbonxt cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. Carbonxt has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

Industry and Market Data
This Prospectus, including the industry overview in Section 2 and the company overview in Section 3, contains statistics, data and other information (including forecasts, and projections) relating to markets, market sizes, market shares, market segments, market positions and other industry data pertaining to the Company's business and markets. The Company has obtained significant portions of this information from market research prepared by third parties.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts or projections in the surveys and reports of any third party that are referred to in this Prospectus will be achieved. The Company has not independently verified, and cannot give any assurances to the accuracy or completeness of, this market and industry data.

Estimates involve risks and uncertainties and are subject to changed based on various factors, including those discussed in the risk factors set out in Section 5.

Risks
Investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 5 of this Prospectus. A summary of key risk factors that may affect the Company are also included in Section 1.4 of this Prospectus. These risks together with other general risks applicable to all investments in unlisted securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Questions
If you have any questions about how to apply for Shares, please call your Broker. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Offer Application Form.

If you have any questions in relation to the Offer, please call the Lead Manager on 02 9238 1238 from 8.30am until 5.30pm (Sydney time) Monday to Friday. If you require advice regarding participation under the Offer, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.



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KEY OFFER INFORMATION

KEY OFFER DATES

Original Prospectus date	22 November 2017
Prospectus date	30 November 2017
Opening date	30 November 2017
Closing date	7 December 2017
Settlement date	15 December 2017
Issue and allotment of New Shares under the Offer	18 December 2017
Expected dispatch of holding statements	19 December 2017
Shares expected to begin trading on ASX	20 December 2017

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before the Closing Date, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

KEY OFFER STATISTICS[1]

Issue Price	$0.70
Shares to be issued under this Prospectus	14.3 million
Gross Proceeds of the Offer[2]	$10.0 million
Shares to be issued on Conversion of Converting Notes	2.7 million
Total number of Shares on issue on Completion	73.1 million
Market capitalisation at the Issue Price[3]	$51.1 million
Pro forma net cash (as at 30 June 2017)[4]	$9.8 million
Enterprise value at the Issue Price[5]	$41.3 million
Enterprise value/pro forma FY18 forecast Revenue	4.7x
Expected Free Float at Completion	74.7%

1. This table contains Forecast Financial Information and information derived from the Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and is subject to key risks set out in Section 5. Forecasts have been included in this Prospectus for the year ending 30 June 2018 and the half year ending 31 December 2018. There is no guarantee that the forecasts will be achieved.
2. Gross proceeds of the Offer reflect the total number of Shares available under the Offer multiplied by the Issue Price.
3. Reflects the total number of Shares on issue following completion multiplied by the Issue Price. Shares may not trade at the Issue Price after Listing.
4. Pro forma net cash is calculated as cash and cash equivalents as at 30 June 2017, calculated on a Pro forma basis assuming Completion. Certain financial information in this Prospectus is described as Pro forma for the reasons described in Section 4.
5. Enterprise value is calculated as the market capitalisation of the Company, based on the Issue Price, less Pro forma net cash. Refer to Section 4 for details of the components of Pro forma net cash.

Enquiries

For any enquiries, you should contact the share registry on 1300 737 760 (for calls within Australia) or +61 2 9290 9600 (for calls outside Australia) between 8:00am to 5:00pm (Sydney time) Monday to Friday. Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser.

CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors, I am pleased to offer you the opportunity to become a shareholder in Carbonxt Group Limited.

Carbonxt's core business is the production and sale of proprietary, patented Activated Carbon (AC) products for the removal of pollutants and toxins from industrial flue gas and waste water emissions.

The Company's current primary focus is the sale of powdered AC to remove mercury from US coal fired power station emissions, which is a legal requirement under the Environmental Protection Agency's (EPA) Mercury Air Toxic Standards (MATS) regulations.

Carbonxt has made significant commercial progress since MATS was introduced, securing contracts with four major energy utilities to enable them to reach EPA compliance. The Company also has three advanced trials underway with other large utilities, which are likely to convert to supply agreements or contracts in the next 6-12 months.

The majority of competitors' AC products for mercury capture contain bromine, which can cause corrosion of plant and equipment at significant cost to the utility companies. Carbonxt's products are non-brominated, and the Company is not aware of any competing non-brominated AC products for use in mercury capture. Carbonxt has demonstrated that its non-brominated products provide superior performance (lower amount of AC to meet MATS requirements) relative to many brominated products, and without the corrosive impact.

Carbonxt has also made inroads into markets outside of MATS and has secured a major contract to supply its newly developed pelleted AC product to the first US power station to be built using state of the art ReACT technology. The Company expects to achieve further commercial success from the AC pellet product, which has broader applications in wastewater and other industries.

The Company is led by an experienced board and management team with a track record of driving strong commercial returns, who will own approximately 4.5% of the Company's issued capital, following listing on the Australian Securities Exchange.

Carbonxt's growth strategy is to increase share of the US AC mercury capture market, increase market share of the US pellet AC market, expand into other US emission control markets and explore expansion into other geographies, leveraging the future global restrictions on mercury emissions imposed by the United Nations through its Minamata Convention.

The purpose of the Offer is to provide funding for Carbonxt's growth strategy including acquisition or construction of production facilities, expanding the management team to develop new products and enter new markets, to provide working capital, repay a tranche of convertible notes, to provide liquidity for its shares and to provide the Company with the benefits of an increased profile as a listed entity.

This Prospectus contains detailed information about the Offer, the historical and forecast financial results of the Company and the material risks associated with an investment in the Company.

Before applying for Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in the Company. These include risks associated with the ability to attract new clients, regulatory changes, protection of intellectual property and reliance on key personnel. Please refer to Section 5 for further details.

I encourage you to read this document carefully and in its entirety before making an investment decision.

On behalf of my fellow Directors, I look forward to welcoming you as a shareholder of the Company.

Yours sincerely,



Matthew Quinn
Chairman



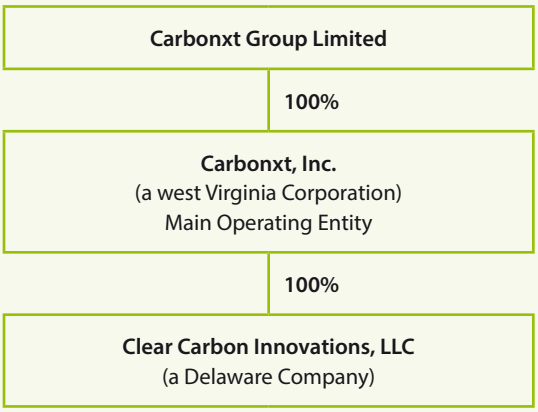
SECTION 1 INVESTMENT OVERVIEW

1. INVESTMENT OVERVIEW

1.1 Introduction to Carbonxt and its business model

Topic	Summary	For more information
Who is Carbonxt and what does it do?	Carbonxt is a provider of Activated Carbon (AC) products for emissions control applications, with the primary focus being the removal of mercury from flue gas and wastewater emitted by coal fired power stations and other industrial facilities in the United States. Mercury is poisonous to humans when it converts to methyl mercury and enters the food chain. Long term potential impacts of mercury ingestion include kidney disease and reduced brain function. Unborn infants are particularly vulnerable as methyl mercury can cross the placenta, a key reason why pregnant women are advised to not eat salmon or other oily fish, which can contain high concentrations of mercury.	Section 3.1
What is Carbonxt's history?	The Company was incorporated in 2001. Its proprietary AC technology was developed in the Company's early stages with independent field trials confirming the efficacy of its initial products in 2010. Full scale field trials were conducted in 2012 and manufacturing partnerships were established in 2013. The first commercial sales contract was entered into in 2014. In October 2017, Carbonxt executed contracts that will see a new 10,000 tons per annum AC production facility developed specifically for Carbonxt by 30 June 2018. The facility is being constructed in close proximity to the Company's new source of raw material in the south east of the US. The new production facility and raw material are expected to deliver significantly increased gross profit margins.	Section 3.1
Where does Carbonxt operate?	Carbonxt currently operates in the United States, through its wholly owned subsidiary, Carbonxt Inc.	Section 3.1
What is Carbonxt's business model and how does it generate its revenue?	Carbonxt's core business is the production and sale of proprietary, patented AC products for the removal of pollutants and toxins from industrial flue gas and waste water emissions.	Sections 3.1 and 3.5
What are Carbonxt's key products?	AC products in powder or pellet form that are engineered to capture mercury and other pollutants.	Section 3.3.1
Who are Carbonxt's customers?	Primarily energy utilities and industrial facilities that generate flue gas and wastewater and are required to meet emission regulations.	Sections 2.4 and 3.5.1
Why do customers select Carbonxt?	Carbonxt's powdered AC (PAC) products for mercury removal do not contain bromine which can cause corrosion and is a primary component in competitors' AC products. Carbonxt's pelleted AC products have a wide range of industrial applications and compete mostly against imported products, which is attractive to customers looking to reduce supply risk. In addition, Carbonxt offers high levels of technical/customer services its customers.	Section 3.3.3
What is Carbonxt's growth strategy?	Carbonxt aims to continue increasing its share of the market for mercury removal through air phase injection of PAC. Carbonxt has recently developed a patented PAC product that can remove mercury from the wet phase by injection into a Wet Flue Gas Desulphurisation Device (WFGD). Brominated AC is not suitable for this application for reasons other than corrosion. The Company's ability to engineer and manufacture AC pellets is expected to open up new commercial opportunities. The Company also has opportunities for overseas expansion as more countries impose restrictions on mercury emissions.	Section 3.7

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
Is the Offer conditional?	The Offer set out in this Prospectus is conditional on: 1. Shareholders approving the Share Consolidation at the AGM. 2. Permission being granted for the Quotation of the New Shares on the ASX. 3. The Minimum Subscription being achieved.	Section 7.4
What is Carbonxt's corporate structure?		Section 10.3

1.2. Overview of the industry in which Carbonxt operates

Topic	Summary	For more information
What industries and segments does Carbonxt operate in?	Carbonxt operates in the AC industry whose products are used to purify liquids and gases in a variety of applications including water treatment, industrial air purification, and food and beverage processing. Carbonxt primarily targets the use of AC products for the capture of mercury and other pollutants from the flue gas or wastewater of energy and industrial utilities.	Sections 2.3 and 2.4
What are the key drivers of the Company's growth?	Carbonxt's key drivers of growth include: 1. increased US environmental regulation including implementation of MATS introduced in April 2016 and Effluent Limitation Guidelines (ELG) due to become effective from November 2018; 2. Carbonxt's ability to offer entire environmental solutions versus a commoditised product; 3. utilities experiencing the corrosive effects of brominated AC which drives them to engage with Carbonxt, a supplier of a non-brominated PAC product; and 4. additional markets into which Carbonxt can sell AC pellets.	Section 3.7
Who does Carbonxt compete with?	The largest US AC companies with whom Carbonxt directly competes include Calgon Carbon Corporation, Cabot Norit, ADA-CS and Albemarle.	Section 2.5
Competitive market position and superior products	The majority of AC products commercially available for use in mercury capture from flue gas use bromine, which can cause corrosion of plant and equipment. Carbonxt's proprietary AC products do not use bromine. Carbonxt is currently the only supplier of PAC for injection into the water phase, which can be more efficient and cost effective than injection into the air phase. Carbonxt is one of only a few AC suppliers that can currently produce AC pellets in the US. Carbonxt has recently executed contracts for the development of a new production facility and the sourcing of raw materials that are expected to significantly reduce its cost of goods sold and enable it to offer very competitive pricing at good margins.	Section 3.3.3

1.3. Key strengths

Topic	Summary	For more information
Strong Intellectual Property portfolio	Carbonxt has a comprehensive suite of patents in the US that protect its intellectual property. Carbonxt has four granted patents, an exclusive license to a granted patent and eight patent applications pending issue. Refer to Section 5.1 of this Prospectus for risks relating to intellectual property including the license agreement.	Sections 3.6 and 9
Commercial Success	Carbonxt has secured five contracts/supply agreements in the US. The Company also has trials underway at a further three energy utilities. Carbonxt is confident that these trials are likely to convert to supply agreements or contracts in the next 6-12 months.	Section 3.5.1
Experienced Board and management team	Carbonxt's Board and Management have significant public company experience and expertise in the development and commercialisation of AC products. Management is led by Managing Director, Warren Murphy. Warren was Co-Head of the Australian Infrastructure & Project Finance Group and Head of Energy at Babcock & Brown. David Mazyck, is the Director of Technology and CEO of Carbonxt Inc. David is a leading expert on AC and its applications in mercury capture and is Chairman of the Activated Carbon Standards Committee for the American WaterWorks Association. The Board is chaired by Matthew Quinn, formerly Managing Director of Stockland and currently Chairman of Class Ltd, and a Director of CSR Limited and Landcom.	Sections 6.1 and 6.2

1.4. Key risks

Topic	Summary	For more information
Ability to retain existing clients or attract new clients	The Company'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 Company.	Section 5.1
Regulatory Risk	Carbonxt is heavily reliant on US environmental policies and regulation. The Company's primary market opportunity results from the EPA's MATS regulations that came into force in April 2016 to tightly regulate the emission of mercury released through the burning of coal, and the proposed ELGs which are due to come into effect in 2018. Any change to or reversal of current MATS legislation, in particular, or any delay to the implantation of the ELGs would have a significant negative effect on the Company's business model and financial performance. Further to this, on 28 March 2017, the President of the United States signed an Executive Order directing the EPA to review for possible reconsideration any rule that could "potentially burden the development or use of domestically produced energy resources, with particular attention to oil, natural gas, coal, and nuclear energy resources."	Section 5.1

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
Intellectual Property Risk	The Company relies heavily on its technology and know-how and there can be no assurance that competitors of the Company or other parties will not seek to imitate or develop technology and know-how that competes with the Company or supersedes the Company's technology. The unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company which could erode the Company's competitive advantage. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protects its trade secrets and unpatented know-how and keep them secret. The Company's patent portfolio includes an exclusive license to a granted patent pursuant to a license agreement. There is an inherent risk with any licensed technology that the license may be terminated in accordance with its terms or the patent invalidated by a third party.	Section 5.1
Sell-down by existing shareholders	There will be a large number of long standing Existing Shareholders whose Shares will not be subject to escrow as they are unrelated seed capitalists or early stage investors that have held their shareholdings for a period greater than 12 months prior to Quotation. There is a risk that Existing Shareholders may seek to sell-down their shareholdings in Carbonxt immediately on Quotation or shortly after. A significant sale of Shares after Quotation, or a perception that a sell-down may occur after Quotation, could adversely affect the price of the Shares.	Section 5.1
Reliance on key personnel	The Company currently employs, or engages as consultants, a number of key management and scientific personnel. The Company's success is dependent upon a number of highly qualified and experienced personnel and a stable workforce. The inability to attract and retain the necessary technical and managerial personnel could have a material and adverse effect upon the Company's business, operations and financial condition.	Section 5.1
Competitive and Dynamic Market	The Company operates in a dynamic AC market primarily driven by the US EPA's regulations. This may provide existing or new competitors with stimulus to 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 Company intends to operate.	Section 5.1
New Production Facility	Carbonxt has recently executed contracts for the development of a new production facility and the sourcing of new raw materials that are expected to significantly reduce its cost of goods sold. Construction of the new facility has only recently commenced with an expected completion date prior to 30 June 2018. There are inherent risks associated with any new production facility and the supply chain for sourcing new raw material, and any delays or disruption to supply could result in cost savings not being achieved and margins not being increased.	Section 5.1
Safety and Industrial Accidents	The manufacture and supply of the Company's products are subject to safety related risks, which are managed carefully by the Company. Despite the relevant safety guards there is no guarantee a serious accident will not occur in the future. A serious accident may negatively affect the financial performance and/or financial position of the Company.	Section 5.1

Topic	Summary	For more information
Exchange Rate Risk	The Company is exposed to movements in exchange rates. Financial statements are maintained in Australian dollars, however for the foreseeable future the vast majority of the Company's revenue and expenses will be denominated in US dollars. Adverse movements in the AUD/USD exchange rate may have an adverse effect on the reported financial performance and/or financial position of the Company.	Section 5.1
Liquidity Risk	The market price for the Shares may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused any trading in a relatively small number of Shares. If illiquidity arises, there is a real risk that Shareholders will be unable to realise their investment in the Company.	Section 5.1
Brand Establishment and Maintenance	Establishing and maintaining its brand in the industry is critical to growing the Company's customer base and product acceptance. This will depend largely on the effectiveness of its products and processes. The Company must also maintain and support its existing customer relationships to maintain its brand and attract further customers. As noted in Section 3.3.2, prior to entering into supply agreements, the Company is required to undertake vigorous testing of its Activated Carbon solutions. If these tests are unsuccessful, the Company's brand, its business and operating results could be adversely affected.	Section 5.1

1.5. Board and management

Topic	Summary	For more information
Who are the Directors of Carbonxt?	– Matthew Quinn, Independent Non-Executive Chairman – Warren Murphy, Managing Director – Dr. David Mazyck, Director of Technology and Chief Executive Officer of Carbonxt Inc.	Section 6.1
Who are the key management of Carbonxt?	– Regina Rodriguez, Chief Operating Officer – Curt Larson, Vice President of Sales – Dr. Christine Valcarce, R & D Director – Jack Drwiega, Operations Director – Dennis Baranik, Commercial Manager and Chief Financial Officer	Section 6.2
What Corporate Governance Policies does the Company have in place?	A summary of the Corporate Governance policies adopted by the Company are set out in Section 6.3.5	Section 6.3.5

1. INVESTMENT OVERVIEW

1.6. Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Existing Shareholders and what will be their interest in the Company at the Completion of the Offer?	The table below sets out the Substantial Shareholders, Directors, senior executives, employees and other Existing Shareholders of the Company as at the date of the Prospectus together with Shares currently held by them and on completion of the Offer. The figures are based on the assumption that Shareholders approve the Share Consolidation at the Company's AGM.	Section 10.4

	Shares held as at the date of this Prospectus	Shares held on Completion of the Offer[1]	
Shareholders	**(million)**	**(million)**	**% holding**
Werft Pty Ltd and Walker Group Holdings Pty Ltd (Lang Walker and associates)	13.3	13.3	18.2%
Beville Investments Pty Limited No 9 and Beville Executive Super Fund Pty Ltd (John Beville and associates)	4.5	4.5	6.2%
United Conveyor Corporation	2.8	2.8	3.9%
Super Quinn Pty Ltd < Quinn Investment A/C> and Super Quinn Pty Ltd <Quinn Super Fund A/C> (Matthew Quinn and associates)	2.6	2.6	3.6%
David Mazyck	0.3	0.3	0.4%
Ashburton Finance Pty Ltd (Warren Murphy)	0.2	0.2	0.3%
Other Senior Executives	0.2	0.2	0.2%
Other Employees	0.0	0.0	0.1%
Other Existing Shareholders	32.2	32.2	44.0%
Converting Note Holders[2]	–	2.7	3.7%
New investors in the Offer	–	14.3	19.6%
Total Shares	**56.1**	**73.1**	**100%**

1. Assuming no participation in the Offer by Existing Shareholders. Accordingly, the shareholdings set out above may change if Existing Shareholders participate in the Offer.
2. These Notes automatically convert to Shares on listing on the ASX.

Topic	Summary	For more information
What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?	See table below.	Sections 6.3

Board Member	Annual Salary/Fees*	Shares (million)
Matthew Quinn	$131,400	2.6
Warren Murphy	$219,000	0.2
David Mazyck	US$300,000 plus the allotment of 0.27m shares for nil consideration	0.3

* Inclusive of Superannuation Guarantee Charge.

The Company proposes to adopt an option plan pursuant to which Directors and certain senior executives of the Company will be issued options to subscribe for Shares. The terms of the proposed option plan are subject to shareholder approval at the Annual General Meeting to be held on 30 November 2017. See Section 6.3.1 for further details of the employee option plan.

Topic	Summary	For more information
Have there been any related party transactions prior to the Offer?	There are no existing agreements or arrangements and there are no currently proposed transactions, in which the Company was, or is, to be a participant, and in which any related party had or will have a direct or indirect material interest, other than as set out in Section 6.3.3, 6.3.4 and 10.4 and the compensation arrangements with Directors and executive officers, which are described Section 6.3.2 and 10.7.11 of this Prospectus.	Sections 6 and 10

1.7. Key financial metrics and dividends

Topic	Summary	For more information
How does Carbonxt expect to fund its operations?	Carbonxt's principal sources of funds will be cash flow from operations and cash held at completion of the Offer. On completion of the Offer, Carbonxt expects to have sufficient cash to meet its business needs and sufficient working capital to carry out its stated objectives during the forecast period.	Section 7.3
What is Carbonxt's pro forma historical and forecast financial performance?	See table below.	Section 4.2

$'000	FY15	FY16	FY17	FY18F	HY19F
Revenue	34	885	3,789	8,873	8,233
COGS	–	(1,173)	(3,918)	(6,371)	(5,091)
Gross Profit*	34	(288)	(129)	2,502	3,142
Operating Expenses	(3,197)	(2,919)	(3,436)	(4,042)	(2,134)
EBITDA	(3,163)	(3,208)	(3,565)	(1,540)	1,008
EBIT	(3,380)	(3,838)	(3,980)	(1,980)	788
NPAT Pro forma	(3,372)	(3,837)	(3,978)	(1,980)	788
NPAT Statutory	(3,443)	(4,558)	(4,867)	(2,536)	722

* The negative Gross Profit in FY16 and FY17 was due to AC product being supplied to a customer at lower than Carbonxt's cost of production, utilising inventory that had already been paid for and effectively a sunk cost. This decision was made in order to achieve commercial validation of the Company's AC product and proved successful as the customer extended the contract for a 3-year period from June 2017 at a substantially higher price, well above cost of production. See Section 3.5 for further details.

1. INVESTMENT OVERVIEW

<table>
<tr><th>Topic</th><th>Summary</th><th>For more information</th></tr>
<tr><td>What is Carbonxt's dividend policy?</td><td>The Company may pay dividends to Shareholders after considering its operating results, available cash flows, financial condition, taxation position, future capital requirements, general business conditions and other factors the Directors consider relevant.

No dividend is expected to be paid until the Company is generating substantial revenues and profits. In the foreseeable future, any surplus cash flow will be invested into the growth of the business.

Once the Company is generating a substantial and sustainable level of cash flow after commitments, the Directors intend to review this policy and possibly commence payment of dividends.</td><td>Section 10.8</td></tr>
<tr><td>What will Carbonxt's capital structure be on Completion of the Offer?</td><td><table><tr><th></th><th>On Completion</th></tr><tr><td>Existing Shares on issue at the date of this Prospectus</td><td>56.1</td></tr><tr><td>Shares issued on automatic conversion of Converting Notes</td><td>2.7</td></tr><tr><td>New Shares to be issued under this Prospectus</td><td>14.3</td></tr><tr><td>Approximate total number of Shares after issue of New Shares under this Prospectus</td><td>73.1</td></tr></table></td><td>Section 10.4</td></tr>
<tr><td>Will any Shares be subject to restrictions on disposal following Completion?</td><td>Shares held by certain existing Shareholders, including Directors, immediately prior to completion of the Offer will be subject to escrow arrangements in the period immediately following completion of the Offer, as summarized below:<table><tr><th></th><th>Number of Shares subject to mandatory escrow</th><th>Number of Shares to be subject to voluntary escrow</th><th>% of Shares subject to escrow</th></tr><tr><td>Related parties and Promoters[1]</td><td>3,946,159</td><td>12,432,801</td><td>22.4%</td></tr><tr><td>Unrelated investors who invested in the last 12 months[2]</td><td>2,099,000</td><td>None</td><td>2.9%</td></tr><tr><td>Total</td><td>6,045,159</td><td>12,432,801</td><td>25.3%</td></tr></table>1. Escrowed shares held by or on behalf of these related parties and promoters (or their associated entities) on Completion of the Offer will be subject to escrow as follows: 5.4% of existing Shares and all of the 3.5 million EOP Options issued to Directors and the 500,000 options issued to Shaw and Partners will be subject to mandatory escrow for a period of 24 months from the date of Quotation and Shares comprising 17.0% of the issued capital of the Company will be subject to voluntary escrow until commencing on the date the Company is admitted to the official list of the ASX and ending on the close of day the Company's HY19 financials have been released on the ASX platform, expected to be on or around February 2019, subject to certain exceptions, but in any event, no longer than a period of 16 months from the date of quotation.
2. Escrowed shares held by unrelated investors who invested in the Company in the last 12 months will be subject to mandatory escrow and may not be able to dispose of their Shares until 12 months after the date of issue, being sometime between June 2018 and August 2018. The Company has applied to the ASX for relief from ASX-imposed escrow requirements for unrelated investors who have small holdings. If relief is obtained, the number of escrowed shares held by unrelated investors who invested in the last 12 months may be significantly less.

The Company has applied for a declaration that the Corporations Act is modified such that the Company does not have a relevant interest in its own shares by virtue of entering into the voluntary escrow deeds. If the Company is not granted relief, the Company will not be able to enter into the voluntary escrow arrangements which would result in the Company having greater than 20% relevant interest in its own shares.</td><td>Section 10.9</td></tr>
</table>

1.8. Overview of the offer

Topic	Summary	For more information
Who is the issuer of the Prospectus?	The issuer of the Prospectus is Carbonxt Group Limited (ACN 097 247 464).	
What is the Offer?	The Offer is an initial public offering of approximately 14.3 million Shares in the Company at $0.70 per New Share to raise approximately $10.0 million (before Offer Costs).	Section 7.1
What is the minimum subscription amount?	The minimum subscription to be raised under the Offer is $10.0 million before costs (Minimum Subscription). If the Minimum Subscription has not been raised within four months after the date of this Prospectus, all Applications will be dealt with in accordance with the Corporations Act.	Section 7.1
What is the minimum Application under the Offer?	Applications must be for a minimum of 2,858 New Shares ($2,000.60) and thereafter in multiples of 286 New Shares ($200.20).	Section 7.6
What is the Offer period?	The Offer opens on 30 November 2017 and closes at 5.00pm, 7 December 2017.	Key Offer Information
Will the Shares be quoted on the ASX?	The Company will apply to the ASX no later than 7 days from the date of this Prospectus for official Quotation of all Shares on the ASX under the ticker CG1.	
What is the proposed use of funds raised under the Offer?	**Use of Funds** / **$ million** Construction/purchase of manufacturing facilities* 5.0 Repayment of convertible notes** 2.5 Working Capital*** 1.1 Costs of the Offer 1.4 **Total** **10.0** * All of these funds will be used towards the facility subject of the lease described in Section 10.7.3. ** Convertible note holders have the option to convert to shares at $0.50 per share. In the event that convertible note holders elect to convert to ordinary shares, 5.0 million shares will be issued and the Company will have a further $2.5m available for working capital. *** Working capital includes production of inventory for sale, employment costs, administrative expenses and other overheads.	Section 7.3
How is the Offer structured?	The Offer comprises: – an Institutional Offer – open to eligible Institutional Investors in Australia, New Zealand and Hong Kong who have received an invitation from the Lead Manager; and – a Retail Offer, consisting of the Broker Firm Offer – open to Retail Investors in Australia who have received a firm allocation from their Broker.	Section 7.6
Is the Offer underwritten?	The Offer is not underwritten.	Section 7.5
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer will be determined by Company in consultation with the Lead Manager. With respect to the Broker Firm Offer, it will be a matter for Brokers to determine how they allocate Shares among their eligible retail clients. The allocation of Shares under the Institutional Offer will be determined by the Company and the Lead Manager.	Section 7.6
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants.	Section 10.16

1. INVESTMENT OVERVIEW

Topic	Summary	For more information
What are the tax implications of investing in the Shares?	Investors may be subject to Australian income tax or withholding tax on any future dividends paid. The tax consequences of an investment in Shares will depend on the Investor's particular circumstances, particularly for non-resident shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 10.11
How can I apply?	Institutional Offer applicants will be provided with bidding instructions by the Lead Manager. Broker Firm Offer applicants may apply for Shares by completing an Application Form and lodging it with the Broker who invited them to participate in the Offer.	Section 7.6
When will I receive confirmation that my Application has been successful?	Holding Statements for successful applications under the Offer are expected to be issued on 19 December 2017.	Key Offer Information
Can the Offer be withdrawn?	The Company reserves the right to withdraw or not proceed with the whole or any part of the Offer at any time prior to the allotment of Shares. In that event, any relevant Application Monies that have been received under the Offer will be refunded without interest, as soon as reasonably practical.	
Where can I find out more information about this Prospectus or the Offer?	If you have any questions in relation to the Offer, please call the Lead Manager on 02 9238 1238 from 8.30am until 5.30pm (Sydney time) Monday to Friday. If you require advice as to whether to participate in the Offer, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.	

SECTION 2
INDUSTRY OVERVIEW

2. INDUSTRY OVERVIEW

2.1. Introduction

Carbonxt operates in the Activated Carbon (AC) market. The products in the AC market comprise mostly powdered Activated Carbon (PAC), granular AC and pelleted AC.

AC is used in various markets including water treatment, industrial air purification, food and beverage processing, other liquid phase markets (pharmaceutical, medical and chemical production) and other gas phase markets (motor vehicle and solvent recovery).

The North America and Asia Pacific regions are the largest geographic markets for the consumption of AC.[1]

2.2. What is Activated Carbon?

AC can be made from a wide variety of source materials high in natural carbon, including coconut husk, nutshells, peat, wood, pulp and paper, lignite and coal. Source materials are exposed to hot gases (up to 900 degrees Celsius) in the carbonisation process, and then with heated oxygen or steam in the activation process.

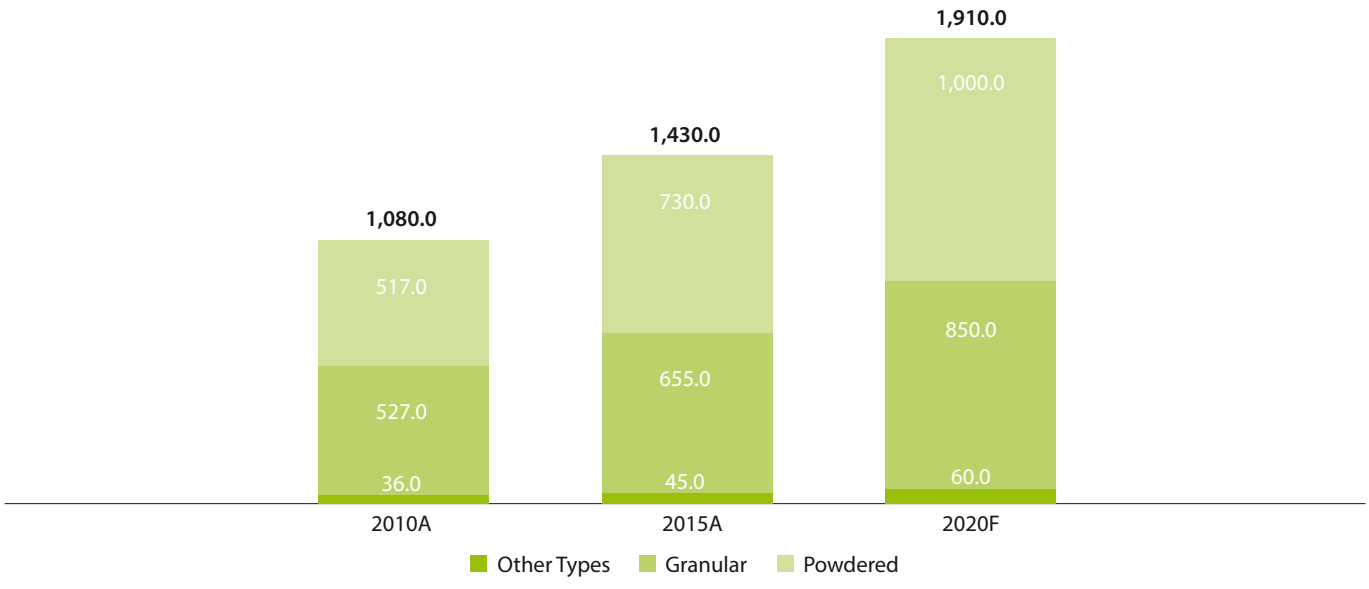
AC has a large surface area to weight ratio and a network of microscopic pores where adsorption of targeted chemicals, pollutants and toxins occur. Further treatment of AC can enhance its adsorption properties, such as the addition of an oxidising agent like bromine, or in Carbonxt's case the addition of a benign, non-corrosive oxidising agent.

2.3. Overview of the Activated Carbon industry

2.3.1. Total Activated Carbon industry

According to Freedonia Focus Reports (Freedonia), total global demand for AC is estimated at 1.4 million metric tonnes (2015) and forecast to grow to 1.9 million metric tonnes in 2020 at a CAGR of 6.0%. Growth is expected to be led by China and other developing countries in the Asia/Pacific and Africa/Mideast regions, driven by increasing purification of drinking water, increasing motor vehicle ownership rates, and rising manufacturing and environmental standards. Market growth is also expected to be supported by the continued implementation of environmental regulations in the US, Canada, Western Europe, and Japan.[2]

Figure 1: World Activated Carbon Demand by Type (000's of metric tonnes)



	2010A	2015A	2020F	15-20 CAGR %
Other Types	36.0	45.0	60.0	5.9%
Granular	527.0	655.0	850.0	5.4%
Powdered	517.0	730.0	1,000.0	6.5%
	1,080.0	**1,430.0**	**1,910.0**	**6.0%**

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

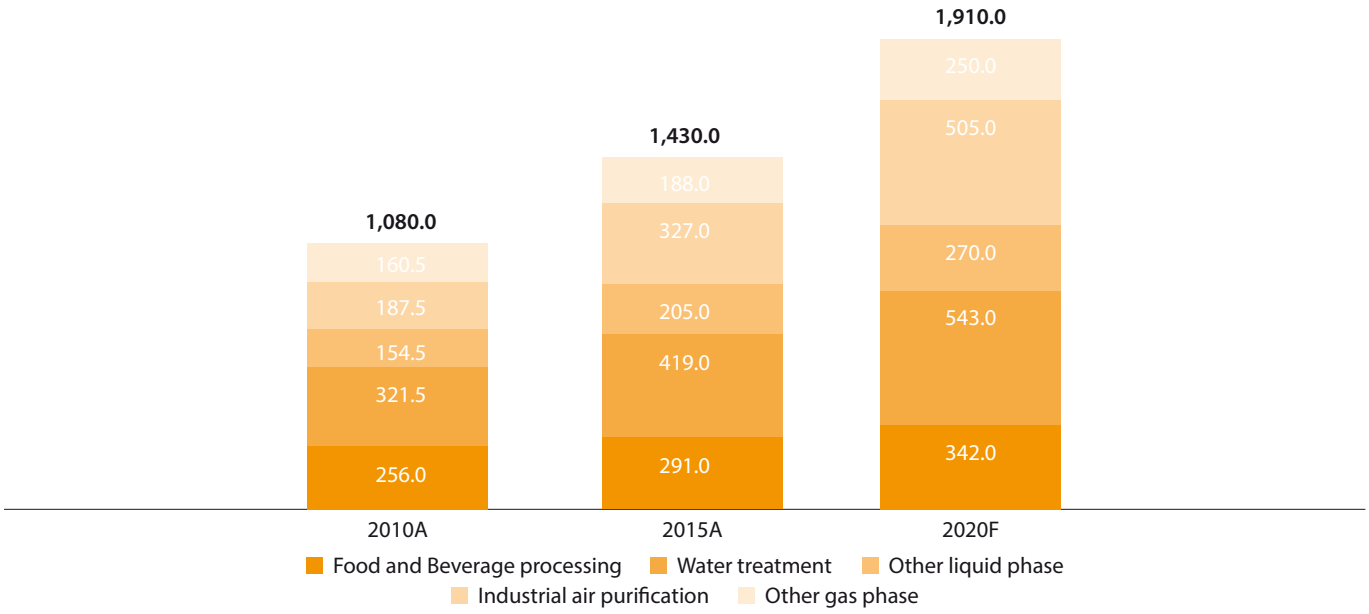
1. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.
2. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.

Powdered Activated Carbon

Global demand for PAC is expected to rise by 6.5% per annum to 1.0 million metric tonnes in 2020, in a continuation of the growth seen in the 2010-2015 period. According to Freedonia, the primary driver of growth is expected to be the market for mercury removal from industrial air streams.[3]

2.3.2. Activated Carbon industry by use

Figure 2: World Activated Carbon Demand by Market (000's of metric tonnes)



	2010A	2015A	2020F	15-20 CAGR %
Food and Beverage processing	256.0	291.0	342.0	3.3%
Water treatment	321.5	419.0	543.0	5.3%
Other liquid phase	154.5	205.0	270.0	5.7%
Industrial air purification	187.5	327.0	505.0	9.1%
Other gas phase	160.5	188.0	250.0	5.9%
	1,080.0	**1,430.0**	**1,910.0**	**6.0%**

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

Industrial Air Purification

Carbonxt is primarily a supplier of PAC for use in industrial air purification in the US. Global demand for AC in industrial air purification – the second largest market segment – is forecast to increase to 505,000 metric tonnes by 2020 at a CAGR of 9.1%, outpacing all other discrete market segments. Most of this growth is expected to come from the mercury removal segment, which is projected to grow nearly twice as fast as other industrial air purification applications. Growth is expected to be fuelled by increasing demand in the US, as coal continues to be a leading source of energy, with the Mercury and Air Toxics Standards (MATS) regulations coming into effect in 2016 (see Section 2.6 for further information on MATS).[4]

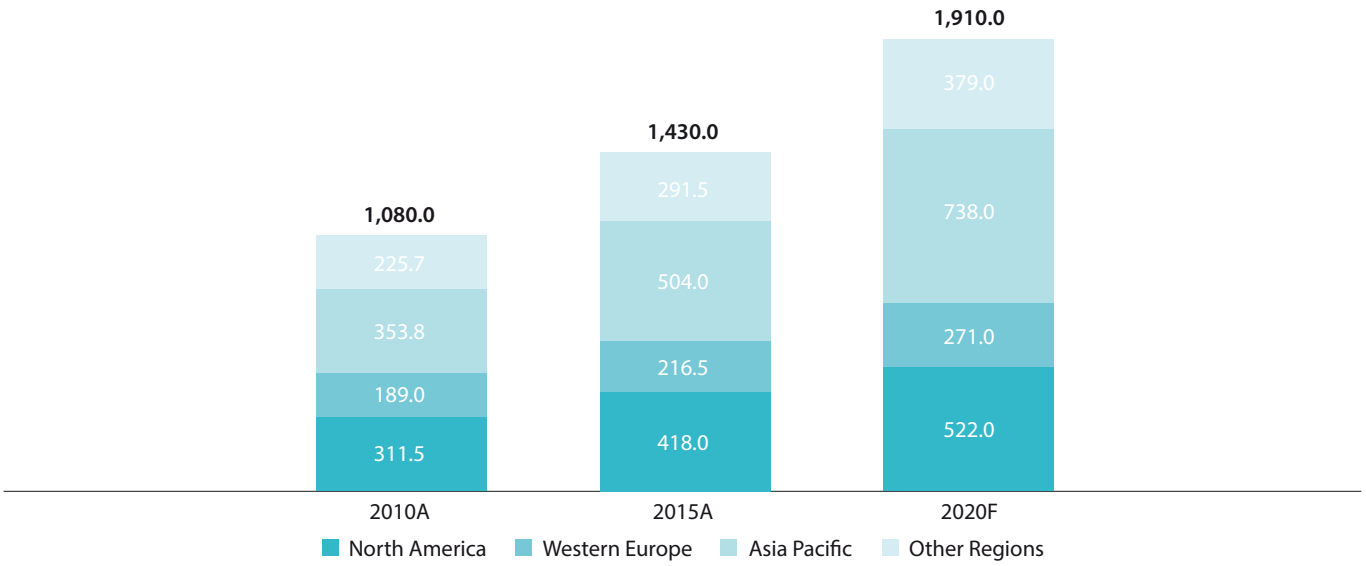
3. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.
4. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.

2. INDUSTRY OVERVIEW

2.3.3. Activated Carbon industry by region

Freedonia estimates that North America is the second largest regional market with 29% of global demand (Asia/Pacific – 35%). Of this, 25% is in the US, the largest national market and Carbonxt's key focus area.[5]

Figure 3: World Activated Carbon Demand by Geography (000's of metric tonnes)



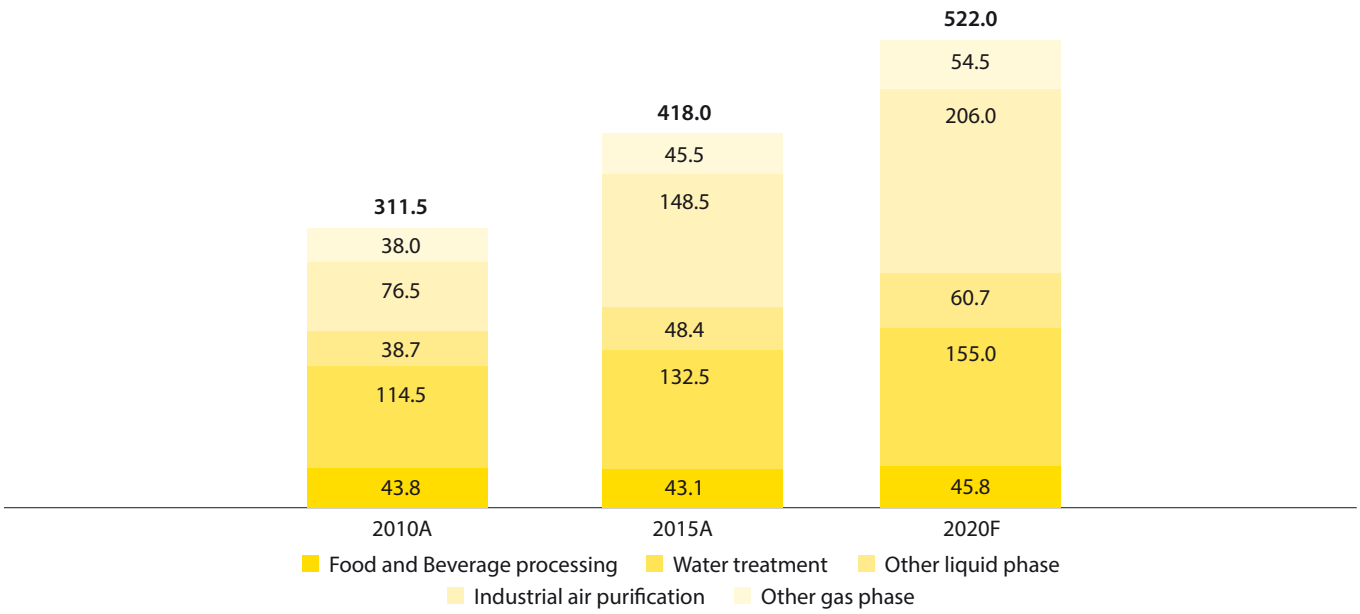
	2010A	2015A	2020F	15-20 CAGR %
North America	311.5	418.0	522.0	4.5%
Western Europe	189.0	216.5	271.0	4.6%
Asia Pacific	353.8	504.0	738.0	7.9%
Other regions	225.7	291.5	379.0	5.4%
	1,080.0	**1,430.0**	**1,910.0**	**6.0%**

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

5. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.

2.3.4. North America Activated Carbon industry by use

Figure 4: North America Activated Carbon Demand by Market (000's of metric tonnes)



	2010A	2015A	2020F	15-20 CAGR %
Food and Beverage processing	43.8	43.1	45.8	1.2%
Water treatment	114.5	172.5	155.0	3.2%
Other liquid phase	38.7	48.4	60.7	4.6%
Industrial air purification	76.5	148.5	206.0	6.8%
Other gas phase	38.0	45.5	54.5	3.7%
	311.5	**418.0**	**522.0**	**4.5%**

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

Within the North American region, the industrial air purification market segment generates more demand for AC than any other segment at 148.5 thousand metric tons and is expected to grow faster than any other market segment, at a CAGR of 6.8% to 206 thousand metric tons by 2020, due to the implementation of MATS and other regulations governing the removal of pollutants from industrial air streams.[6]

The US market, within North America, uses US tons as a unit of measurement rather than metric tonnes (206,000 metric tonnes in the Freedonia 2020 Forecast converts to approximately 227,000 US tons). In the Company's experience, the current average sale price for PAC in the US industrial air purification market is typically in the range of US$1,100 to US$1,600 per US ton.

This provides an estimated market size in 2020 of approximately US$250 million to US$360 million, which is Carbonxt's current addressable market opportunity in the US for sale of its PAC products. In addition, Carbonxt has recently entered the market for AC pellets.

6. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.

2. INDUSTRY OVERVIEW

2.4. Industry participants

Demand for PAC primarily comes from industrial air purification, as well as water treatment needs. The majority of demand from these segments comes from the following sources:

- Industrial air purification (a key market for Carbonxt) – AC is used in a range of air purification processes including in the removal of mercury from coal-fired power plants' flue gas. Demand is heavily influenced by regulatory activities around emissions and air quality with both developed and developing countries having put into effect stricter emissions regulations in recent years; and
- Water treatment facilities – AC is used to remove contaminants and pollutants in municipal water supplies, and municipal and industrial wastewater. It is also used in water reclamation projects where groundwater, wetlands and other water supplies have been previously contaminated by industrial activity. Demand is driven by a combination of population growth, industrial activity and increased regulation as developing countries provide clean drinking water to more of the population, and developed countries increase regulations around industrial wastewater treatment.

Government and regulatory activities have a large influence on the industry dynamics and demand for PAC, particularly in the demand for water treatment and industrial air purification – the two largest markets for PAC. According to Freedonia, in water treatment markets, developed countries have introduced stricter wastewater disinfection laws while developing nations are experiencing a general increase in the strictness of drinking water standards, leading to significant growth in demand for PAC. In industrial air purification markets, government regulations that affect PAC demand primarily concern the removal of mercury toxins.

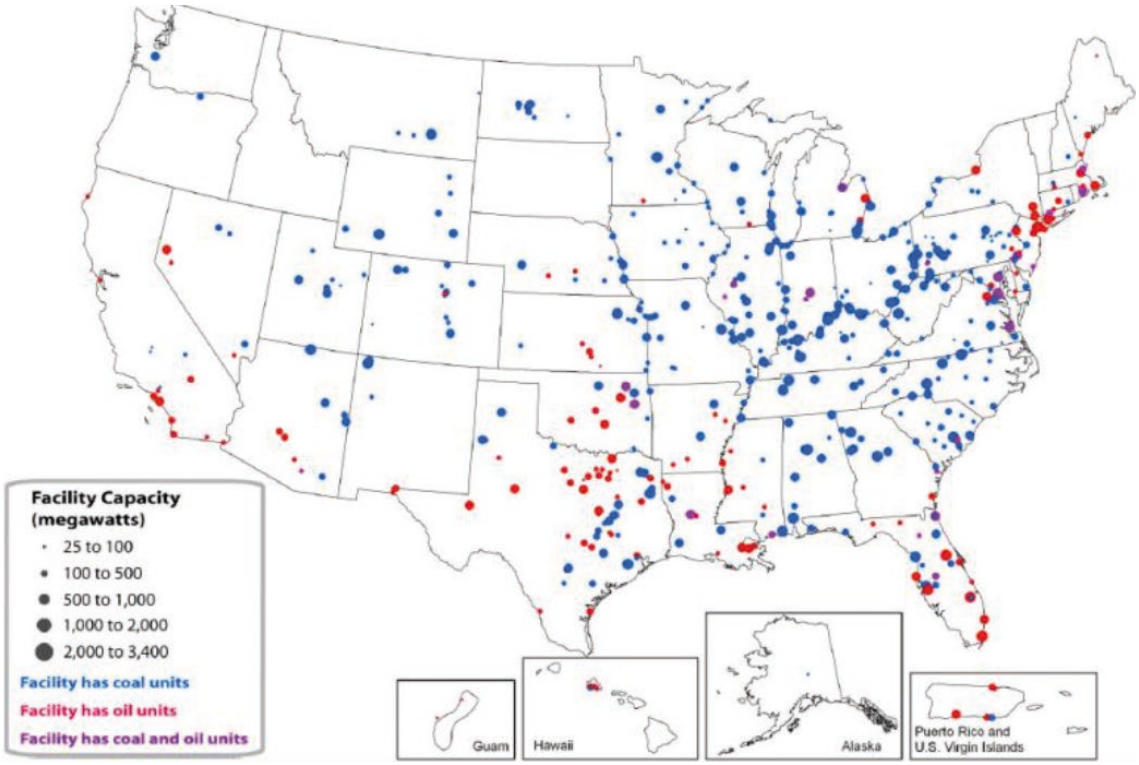
According to the US Energy Information Administration (EIA), there were 427 coal-fired power plants in the US in 2015[7], with 33.2% of all the utility-scale electricity generated in the US in 2015 from coal-fired power plants.[8]

Figure 5: Coal-fired power plants in the US[9]

EPA United States Environmental Protection Agency

The Toxic Rule Facilities

National Electric Energy Data System (NEEDS 4.10 MATS) (EPA, December 2011)



7. Count of Electric Power Industry Power Plants, by Sector, by Predominant Energy Sources within Plant, 2005 through 2015; http://www.eia.gov/electricity/annual/html/epa_04_01.html.
8. US Energy Information Administration; Electric Power Monthly; Data for December 2016 (Release Date: February 24, 2017); http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_1_01.
9. National Electric Energy Data System (NEEDS 4.10 MATS) (EPA, December 2011) and EPA's Information Collection Request (ICR) for New and Existing Coal- And Oil-Fired Electric utility Stream Generation Units (2010) https://www.epa.gov/mats/power-plants-likely-covered-mercury-and-air-toxics-standards-mats.

2.5. Competitive landscape

According to Freedonia, AC is supplied by over 200 companies globally, however, there are a handful of major producers that dominate the market. The top three producers (Calgon Carbon Corporation; Osaka Gas; and Cabot Corporation) accounted for 32% of total sales in value terms in 2015. The next three largest (WestRock Company via Ingevity Corporation; ADA Carbon Solutions; and Kuraray, Japan) supplied an additional 12% of the global market.[10]

Figure 6: Company overviews – Leading AC Producers

Company	Overview	Metrics
Calgon Carbon Corporation	Calgon Carbon Corporation (Calgon Carbon) designs, manufactures, and markets products and services for the purification, separation, and concentration of liquids and gases. The company operates in three segments: Activated Carbon and Service, Equipment, and Consumer. Calgon Carbon ranked as the leading supplier of Activated Carbon to the global market in 2015, with a share of 14% in value terms. In September 2017, Kuraray Co. Ltd announced it had reached an agreement with Calgon Carbon to acquire all of its outstanding shares to make it a wholly-owned subsidiary of Kuraray Co. Ltd. The proposed transaction valued Calgon shares at a 62.9% premium to the value of the shares prior to the announcement of the transaction.	US$514.2 million revenue (2016 actual) 1,334 employees 14.0% Activated Carbon market share
Osaka Gas Co Ltd	Osaka Gas is an energy supplier with operations in the natural gas, liquefied petroleum gas, electric power, district heating and cooling, power generation, carbon products, and real estate industries, among others. The company operates through four segments: Gas; LPG, Electricity, and Other Energies; International Energies; and Life and Business Solutions. Osaka Gas, through its subsidiary Osaka Gas Chemicals, stood as the second leading supplier of Activated Carbon to the global market in 2015, with a share of 9.6% in value terms.	US$13.9 billion revenue (FY15 group revenue) US$526.0 million revenue (FY15 Osaka Gas Chemicals revenue) 20,982 employees (group) 9.6% Activated Carbon market share
Cabot Corporation	Cabot Corporation (Cabot) is a global manufacturer, marketer, and distributor of carbon black, fumed metal oxides, inkjet colorants, aerogel, cesium formate drilling fluid, and Activated Carbon. The company operates in five segments: Reinforcement Materials, Performance Chemicals, Purification Solutions, Specialty Fluids, and Unallocated and Other. Cabot ranked as the third leading supplier of Activated Carbon to the global market in 2015, with a share of 7.6% in value terms.	US$2.9 billion revenue (FY15 group revenue) US$296.0 million revenue (FY15 Purification Solutions segment revenue) 4,600 employees (group) 7.6% Activated Carbon market share

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

These large producers supply a variety of AC products for both liquid and gas purification of various forms, with MATS compliance being a relatively minor part of their operations.

Carbonxt considers its main competitors to include Calgon, Cabot, ADA-CS and Albemarle Corporation. The Company believes that each of these competitors utilise bromine as an oxidising agent in their PAC products used for mercury capture.

The industry is increasingly aware of the rise in corrosion since the introduction of MATS. Bromine used in PAC has been identified as the most likely cause of corrosion and the concentration of bromine is the largest factor. Several utility companies have released requests for proposals (RFPs) in 2017 stipulating that only non-brominated PAC will be considered, and Carbonxt is currently undergoing testing with several of these potential customers. It is well accepted that the industry needs to find a non-brominated solution for MATS compliance, effectively endorsing Carbonxt's strategy.

10. World Activated Carbon; Freedonia Focus Reports, World Collection; April 2016.

2. INDUSTRY OVERVIEW

2.6. Industry standards and environmental regulations

Environmental Protection Agency (EPA)

The EPA is a regulatory agency of the Federal government of the United States which was established by statute (law passed by Congress) for the purpose of protecting human health and the environment. It pursues its stated purpose by writing and enforcing regulations based on laws passed by Congress. Congress authorises the EPA to write regulations that explain the technical, operational, and legal details necessary to implement laws. These regulations are mandatory requirements that can apply to individuals, businesses, state or local governments, non-profit institutions, or others.

Clean Air Act

The Clean Air Act of 1970 is the comprehensive federal law that regulates air emissions from stationary and mobile sources. Among other things, this law authorises the EPA to establish National Ambient Air Quality Standards to protect public health and public welfare and to regulate emissions of hazardous air pollutants.[11]

Mercury and Air Toxics Standards (MATS)

Prior to the implementation of the Mercury and Air Toxics Standards (MATS), there were no federal standards requiring power plants to limit toxic emissions such as mercury, arsenic, and other metals. MATS finalized standards that reduce air pollution from coal and oil-fired power plants. These federal emissions standards must be met by coal and oil-fired electric generating units with a capacity of 25 megawatts or greater, and failure to comply could result in fines, penalties and even shut down.

The MATS standards were issued under a Consent Decree of the D.C. Court of Appeals requiring the EPA to issue a proposal by 16 March 2011, and final rules on 11 December 2016. The final rules were issued in February of 2012, and were scheduled to go into effect in April of 2015. The regulations did go into effect as scheduled, however, the EPA granted almost all power plants a one-year extension for compliance until April 2016.

Clean Water Act (CWA)

The Clean Water Act of 1972 (CWA) establishes the basic structure for regulating discharges of pollutants into the waters of the United States and regulating quality standards for surface waters. Under the CWA, the EPA has issued effluent guideline regulations for categories of industrial sources of water pollution. These Effluent Limitation Guidelines (ELGs) are US national standards and include setting wastewater standards for industry and water quality standards for all contaminants in surface waters.

Under the Clean Water Act, US states adopt water quality standards for their rivers, streams, lakes, and wetlands. These standards identify acceptable pollution levels in water for many pollutants, including bromine, which is also toxic if ingested by humans. These levels must be met in order to protect human health, fish, and wildlife.

Under the Act, no person may release any pollutant into waters unless the person has a permit, issued by the EPA or US states authorised by the EPA. Permits include pollution limits that ensure the water quality standards are met.[12] Importantly for Carbonxt, the ELGs will be broadened from 2018 to minimise the level of mercury discharged through wastewater.

Minamata Convention

The Minamata Convention is a global treaty to protect human health and the environment from the adverse effects of mercury. It was agreed at the fifth session of the Intergovernmental Negotiating Committee on mercury in Geneva, Switzerland on 19 January 2013 and adopted on 10 October 2013 at a Diplomatic Conference (Conference of Plenipotentiaries), held in Kumamoto, Japan. The Convention entered into force on 16 August 2017 and the first Conference of the Parties took place from 24 to 29 September 2017 in Geneva, Switzerland. Currently there are 128 signatories with 83 parties having ratified the convention, including the United States, China, Brazil, Indonesia and Japan.[13]

The Convention draws attention to mercury, a global, ubiquitous and naturally occurring metal that, while naturally occurring, has broad uses in everyday objects and is released into the atmosphere, soil and water from a variety of sources. Controlling the man-made release of mercury has been a key factor in shaping the obligations under the Convention.

The Minamata Convention includes control measures on mercury emissions to air and on releases to land and water. The Convention also addresses interim storage of mercury and its disposal once it becomes waste, sites contaminated by mercury as well as health issues.[14]

11. https://www.epa.gov/laws-regulations/summary-clean-air-act.
12. https://www.epa.gov/laws-regulations/summary-clean-water-act.
13. http://www.mercuryconvention.org/Countries/tabid/3428/language/en-US/Default.aspx#decl-US, accessed on 12 October 2017.
14. http://www.mercuryconvention.org/Convention, accessed on 12 October 2017.

European Commission – Industrial Emissions Directive, Large Combustion Plants

Directive 2010/75/EU of the European Parliament and the Council on industrial emissions (the Industrial Emissions Directive or IED) is the main EU instrument regulating pollutant emissions from industrial installations. The IED was adopted on 24 November 2010, entered into force on 6 January 2011 and had to be transposed by Member States by 7 January 2013.

The IED aims to achieve a high level of protection of human health and the environment taken as a whole by reducing harmful industrial emissions across the EU, in particular through better application of Best Available Techniques (BAT). The IED for Large Combustion Plants deals with power plants (including coal fired power plants) rated with a thermal input exceeding 50 MW. A final draft of the IED's BAT reference materials for Large Combustion Plants was finalised in October 2016, with a committee meeting held on 28 April 2017 to adopt the draft. Amongst other pollutants, the reference material considered the emissions of mercury to air and water and related abatement techniques.

Following the meeting on 28 April 2017 it has been reported that a majority of member EU states adopted the BAT reference material which included a reduction of pollutants, including mercury, emitted from Large Combustion Plants in Europe. The new limits will apply to 2,900 Large Combustion Plants in the EU, with the new limits to be met by 2021.

US environmental legislation and President Trump

Carbonxt is exposed to changes in US environmental policies and regulation because mercury removal from US based coal-fired power plants is the current focus of the Company.

President Trump has stated his intention to dismantle the EPA, unravel the Clean Power Plan, and cancel the Paris Climate Change Agreement. In light of this, it is prudent for any existing or potential investor to query the possibility or likelihood of President Trump actually executing on his threats to unravel environmental legislation (particularly MATS).

MATS has been subject to challenges by various parties. In the most recent challenge, the EPA filed a proof brief with the Supreme Court on 18 January 2017 to support its supplemental finding that "a consideration of cost does not cause the agency to alter its previous conclusion that regulation of hazardous air pollutant emissions from power plants is appropriate and necessary". An oral argument in the case was scheduled for 18 May 2017; however, on 18 April 2017, the EPA filed a continuance in order to allow the new Administration of the EPA time to review its supplemental finding and determine if it will be reconsidered.[15]

As part of this process the EPA will review an executive order issued by President Trump on 28 March 2017 that ordered the EPA to review for possible consideration any rule that could "potentially burden the development or use of domestically produced energy resources, with particular attention to oil, natural gas, coal, and nuclear energy resources".[16]

More broadly, in relation to President Trump's intention to dismantle the EPA, according to Professor Dan Esty[17] there is a particular process that has to occur to unravel any environmental protection legislation – "most of the rules are built on a set of regulatory findings that quickly would have to be revised before new standards could be put in place. In order to change regulations that have been finalised, there has to be a notice and comment process, and an administrative record that supports the change. Neither is fast – nor even possible in many cases."[18]

Furthermore, according to Professor Jody Freeman[19] it would be extremely difficult, if not impossible, to rescind the "endangerment finding" (the determination that greenhouse gases endanger health and welfare, and the legal predicate for regulating these pollutants under the Clean Air Act), given the comprehensive scientific record EPA assembled to support the finding, which it made in 2009 and which the D.C. Circuit has upheld and the Supreme Court declined to review.[20]

Professor Esty also firmly believes that President Trump cannot unravel the Clean Power Plan nor can he reverse the MATS rule under that plan – mercury has already been identified as a threat to public health, therefore there is a legal obligation to regulate it (under the Clean Air Act). In order for either to be reversed, President Trump would have to issue a scientific finding proving that mercury is not a health threat. According to Professor Esty, President Trump "can't simply wave away the rules. He can't just say, "I don't believe the scientists." That would be judged as "arbitrary and capricious" and would be struck down during court review."[21]

15. USCA Case #16-1127, Document #1671687, Filed: 04/18/2017.
16. USCA Case #16-1127, Document #1671687, Filed: 04/18/2017.
17. Professor Dan Esty is a Director of the Yale Center for Environmental Law & Policy and the Hillhouse Professor at Yale University. Professor Esty has not provided his consent for the statement to be included in this Prospectus.
18. Environmental Policy Predictions Under the Trump Administration: A Q&A with Professor Dan Esty and a friendly reminder to "just breathe"; http://envirocenter.yale.edu/news/environmental-policy-predictions-under-trump-administration-qa-professor-dan-esty-and-friendly; 17 January 2017.
19. Jody Freeman is the Archibald Cox Professor of Law and the Founding Director of the Environmental Law Program at Harvard Law School. She served in the Obama White House as Counselor for Energy and Climate Change. Professor Freeman has not provided her consent for the statement to be included in this Prospectus.
20. Implications of Trump's Victory and the Republican Congress for Environmental, Climate and Energy Regulation: Not as Bad as it Seems?; http://environment.law.harvard.edu/postelection/; 10 November 2016.
21. Environmental Policy Predictions Under the Trump Administration: A Q&A with Professor Dan Esty and a friendly reminder to "just breathe"; http://envirocenter.yale.edu/news/environmental-policy-predictions-under-trump-administration-qa-professor-dan-esty-and-friendly; 17 January 2017.

2. INDUSTRY OVERVIEW

There are many obstacles in the way for anyone who wants to undo environmental regulations across the board. It would be a slow and deliberate process.

The EPA also cannot be dismantled at a whim – it is established by statute (law passed by congress), therefore Trump could only submit legislation to reverse it, but this would likely be blocked by the Democrats in congress. Professor Esty outlines that the most that the Trump administration could do is impose budget cuts on the EPA, which would not likely affect the key legislation that is already currently in place. The current administration could however, "slow-walk" any new or proposed environmental regulations that the EPA might be working towards.

In addition, rescinding rules that are already final and partially implemented can be especially difficult to the extent the affected industry already has invested in compliance. In such circumstances, the industry itself may resist change because it would suffer additional expense from the uncertainty or volatility posed by rescission.

SECTION 3
COMPANY OVERVIEW

3. COMPANY OVERVIEW

3.1. Overview and history of Carbonxt

The Company's principal business is the development and marketing of specialised AC, primarily focused on the capture of mercury from coal fired power station emissions in the United States.

The Company was incorporated in 2001. In its early stages, the Company developed the proprietary technology that underlies its method of producing and manufacturing its AC products. In 2008 and 2009 the Company identified the potential for the emergence of a substantial new market in the United States, being the use of AC for removing mercury from the emissions of coal fired power stations. In preparation for this market, the Company recruited and established a United States-based technical and executive team and constructed a 700 ton per annum pilot plant in West Virginia.

From 2010, the Company underwent a series of independent product trials to demonstrate and establish the benefits and quality of its AC for capturing mercury emitted from coal fired power station flue gas. Testing of the Company's AC occurred at five US based coal fired generation utilities, which demonstrated the product's effectiveness. The Company also utilised these tests to further develop its technology, such that it could optimise a third party produced AC and through application of its proprietary technology in a subsequent process, enhance the performance of the underlying AC to produce a proprietary product.

In 2012, Carbonxt's R&D team had developed a full-scale field-testing program with various utilities across several sites. Also in 2012, the EPA refined the MATS regulations announced in 2011, mandating a reduction of approximately 90% in mercury emissions from coal fired power stations by 16 April 2015, which was later extended until April 2016. The EPA also noted the use of AC as the most effective means of achieving the mandated mercury reduction requirements.

In 2013, Carbonxt established AC manufacturing relationships with two companies, both recognised in their respective areas of expertise.

During 2014, Carbonxt secured its first contract to supply its proprietary AC product to a power utility, proving the commercial viability of its product. Shortly after, testing began at more utilities resulting in three more supply contracts.

In 2015, Carbonxt entered into an agreement with United Conveyor Corporation (UCC), which became a shareholder. Pursuant to the agreement, UCC acts as exclusive sales agent for Carbonxt's AC products in North America and Europe. UCC has almost 100 years of industry experience supplying equipment to power stations, including PAC injection equipment for MATS compliance.

During 2017 Carbonxt constructed a production facility to expand its product range to include AC pellets and the Company secured a long-term contract to supply AC pellets to the first ReACT power station to be developed in the US.

In October 2017 Carbonxt executed contracts that will see a new 10,000 tons per annum Activated Carbon production facility developed specifically for Carbonxt. The production facility will be constructed in close proximity to the Company's new source of raw material. This new production facility and raw material source are expected to significantly reduce Carbonxt's cost of goods and improve gross margins by up to 15%.

Commercial trials are underway at three utilities and scheduled for another two, and the Company is confident that these opportunities have the potential to convert to supply agreements or contracts in the coming 6 to 12 months.

3.2. Market opportunity for Carbonxt

Carbonxt's products are primarily focused on the removal of mercury from flue gas and wastewater emitted by coal fired power stations in the US. The Company's primary market opportunity is the US and North America driven by:

1. The high level of impurities, in particular mercury, associated with the type of coal used in local coal fired power stations;
2. The MATS regulations that came into force in April 2016 to tightly regulate the emission of mercury released through the burning of coal and is the primary driver of the Company's business model; and
3. The ELGs that will take effect in 2018 limiting the amount of mercury that can be discharged through wastewater.

Until recently, utilities procured PAC for mercury capture almost exclusively from the main industry participants who impregnate the PAC with bromine as an oxidising agent to remove sufficient mercury to achieve MATS compliance.

Recent studies have validated Carbonxt's hypothesis of the corrosive effects of bromine on the utilities' power generation equipment. Indeed, a recent presentation by one of Carbonxt's main competitors identified that the incidence of corrosion in AC Injection Systems had become more prevalent since the MATS regulations came into force. The Company believes that utilities experiencing the corrosive effects of brominated PAC is a key driver of their engagement with Carbonxt, which is a supplier of a non-brominated PAC product. Furthermore, many utilities calling for RFPs in 2017 have stipulated that only non-brominated PAC will be considered.

3.3. Products

3.3.1. Products overview

To manufacture its products, Carbonxt currently takes a feedstock PAC which is then further processed and impregnated with advanced, proprietary engineered non-brominated additives.

Carbonxt has three primary PAC products (Figure 7). These carbons are the parent for a family of products that can be engineered for a given power station.

Figure 7: Carbonxt Powdered Activated Carbon and Activated Carbon Pellets

Image	Product	Phase	Uses
	PAC Trade names Cxt-1000, Cxt-2000 and Cxt-3000	– Gas – Liquid	– Mercury capture in either the gas or liquid phase in coal fired power stations – Mercury capture in other industrial applications, including cement production
	AC Pellets, Trade name CXT-NAQ	– Gas – Liquid	– Pollutants capture (including mercury, sulfur oxide and nitrogen oxide), specifically in ReACT coal fired power stations – Capture of pollutants in waste water treatment applications

Carbonxt's innovative technology and manufacturing process is extremely versatile allowing each product to be optimised to a specific power plant's requirements. For example, Cxt-2100 is a carbon that started as Cxt-2000 and is then adjusted to optimise Hg capture. This optimisation process is simple based on the production processes implemented by the Carbonxt team. The unique pore structure of all three of PAC product families permits the rapid adsorption and removal of mercury from combustion gases at a wide range of temperatures. These distinctive physical features in concert with enhanced activity result in a high capacity sorbent for mercury capture.

In addition to its PAC products, Carbonxt has also engineered a specialised AC pellet product (shown in Figure 7) which is used in Regenerative activated coke technology (ReACT) in coal fired power stations to adsorb multiple pollutants such as sulfur oxides (Sox), nitrogen oxides (Nox) and mercury.

This product was Carbonxt's first move into pollutant control not specifically governed by MATS as the Company seeks to mitigate its reliance on one particular market.

3. COMPANY OVERVIEW

3.3.2. Product validation

Carbonxt works in partnership with utilities to engineer AC products that will best address their compliance requirements. Carbonxt believes it offers a more tailored and less generic solution than its competitors.

Prior to entering into supply agreements or contracts, Carbonxt is typically required to undertake vigorous testing of its AC solutions with utilities to verify the efficacy of its products. Carbonxt has successfully undertaken various tests with several utilities, demonstrating the effectiveness of its proprietary products and processes, some of which are summarised in Figure 8 below. Following successful test results, the next step is to proceed to a supply agreement or contract.

Figure 8: Examples of customer studies undertaken by Carbonxt

Study #	Customer	Reason for test	Testing undertaken	Outcome
1.	Large utility *(Upper Midwest US)* *(Using ReAct technology)*	– To find a local supplier of PAC to replace high cost foreign supplier	– Carbonxt engineered a customised sorbent, established a local manufacturing facility and developed a specialised manufacturing process	– 6-year contract awarded to Carbonxt for 2,250 tons per annum with first year volume estimated at 1,000 tons, commencing in Dec 2017
2.	Utility *(Midwest US)*	– Corrosion issues from using brominated PAC – Variations in flue gas and mercury removal	– Carbonxt tested two of its proprietary PAC products showing equal or better performance than brominated PAC	– Initially awarded 1-year Purchase Order – Negotiated a further 3-year supply agreement with higher pricing for an annual volume of approximately 1,480 tons
3.	Utility *(Mid-Atlantic US)*	– Optimise mercury capture from WFGD	– Specially engineered PAC injected into WFGD resulting in 20% increase in mercury captured	– Patented a new process – Carbonxt awarded fleet wide carbon contract – Contract extended for a further 3 years and runs through to December 2019 with 300 tons per annum expected usage

Carbonxt actively engages with potential customers to conduct performance tests on Carbonxt's products within the customer's plant environment. This testing is conducted with the aim of increasing awareness and validation of its technology and thereby generating new contracts and supply agreements.

Carbonxt operates its own laboratory equipped for the research and development of sorbents and catalysts for engineering solutions for power stations. In addition, Carbonxt owns and operates an Activated Carbon Injection (ACI) skid that enables onsite testing based on unique customer needs. The highly specialised R&D and the ability to customise solutions provide a significant opportunity to convert potential leads into supply agreements or contracts.

3.3.3. Carbonxt's Key Strengths and Competitive Advantage

Non-brominated product

Injection of PAC into the flue gas after coal has been burned is the most effective way of substantially reducing mercury emissions from coal fired power stations. As standard PAC on its own cannot remove sufficient mercury to meet MATS compliance, an oxidising agent must be added. Current industry practice is to add bromine to achieve this.

Carbonxt's scientists identified at least five years ago that bromine may have corrosive effects on power plant system equipment due to its chemical properties as a halogen, which led Carbonxt to develop a unique, patented PAC product that uses a benign, non-corrosive oxidising agent.

As utilities have increased their use of brominated PAC there has been notable evidence of corrosion of plant and equipment, as shown in Figure 9 below. Utilities that currently use brominated AC to reduce mercury emissions are increasingly considering the cost of corrosion, both from the perspective of direct replacement of plant and equipment and the cost of plant downtime. For example, replacement of corroded air heater baskets is estimated to cost US$1 million.

Figure 9: Example of corrosion of air heater baskets caused by bromine[1]



In addition to being linked to corrosion of equipment, bromine is toxic in water when it reacts with organic compounds and forms a class of regulated compounds known as disinfection by-products. High levels of bromide cause significant physiological damage to the brain and other organs. Through the Clean Water Act the EPA has placed heavy restrictions on the concentration of bromide in wastewater discharged from power plants (which is where much of it ends up) as it can then leach into the potable water supply. This presents a major problem for power stations both injecting brominated PAC and employing the tax credit for a washed coal process (washing coal with oxidising additives before it is burnt).

Superior performance compared to brominated competitor products

Figure 10 depicts the comparative performance of Cxt-2100 against an 8% brominated PAC product supplied by one of the three largest industry competitors. Carbonxt is able to meet compliance with MATS at an injection rate of 200 pounds/hour while a highly brominated PAC product requires approximately 210 pounds/hour.

Figure 11 demonstrates the lower injection rates employed with the Cxt-2100 product in comparison to an 8% brominated PAC supplied by a major competitor. Carbonxt's proprietary non-brominated product is a superior alternative to the competitor's brominated products achieving the same result as a brominated PAC, but with 20 pounds/hour lower injection rate and without the negative effects of bromine.

Figure 10: Relative Performance of Cxt-2100 vs competing product

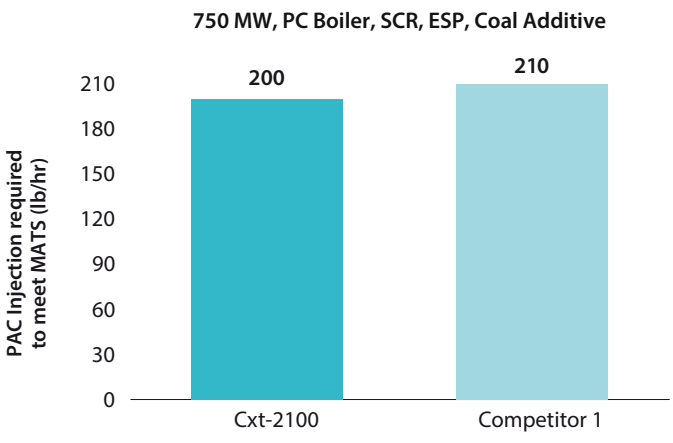
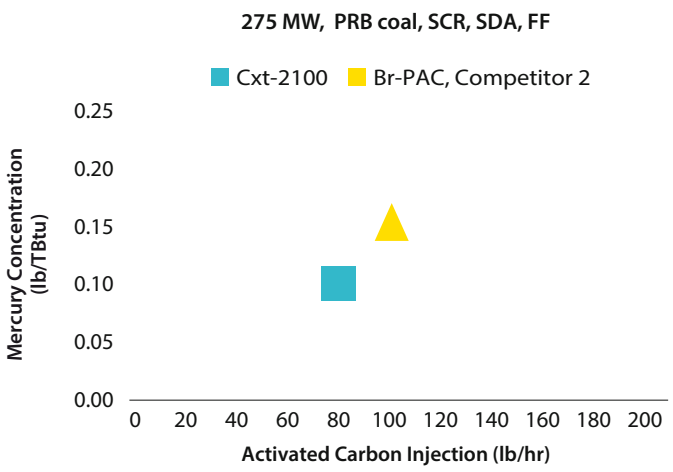


Figure 11: Carbonxt's PAC Injection Rates vs competing product



In order to improve PAC performance, such to require less volume and thus provide cost savings to utilities, some competitors have increased the concentration of bromine in their PAC to up to 15%.

1. 2014 Update on EPRI's Balance of Plant Effects Study of Bromine-Based Mercury Controls, Arambasick, Dombrowski, Srinivasan, URS Corporation.

3. COMPANY OVERVIEW

Cost effective

The value to the customer of PAC injection has traditionally been determined by the price of the PAC and the efficiency of the PAC in mercury removal (i.e. a function of mass of PAC versus mass of mercury removed). As demonstrated in Figure 11 above, Carbonxt's proprietary non-brominated PAC requires lower injection rates than competitors' brominated PAC products.

In addition to being more cost effective on the basis of the volume of PAC required, the non-corrosive nature of Carbonxt's PAC is expected to result in a substantially lower lifetime cost to the utility due to the less maintenance and capital expenditure that would otherwise be required to replace corroded plant and equipment caused by brominated PAC products.

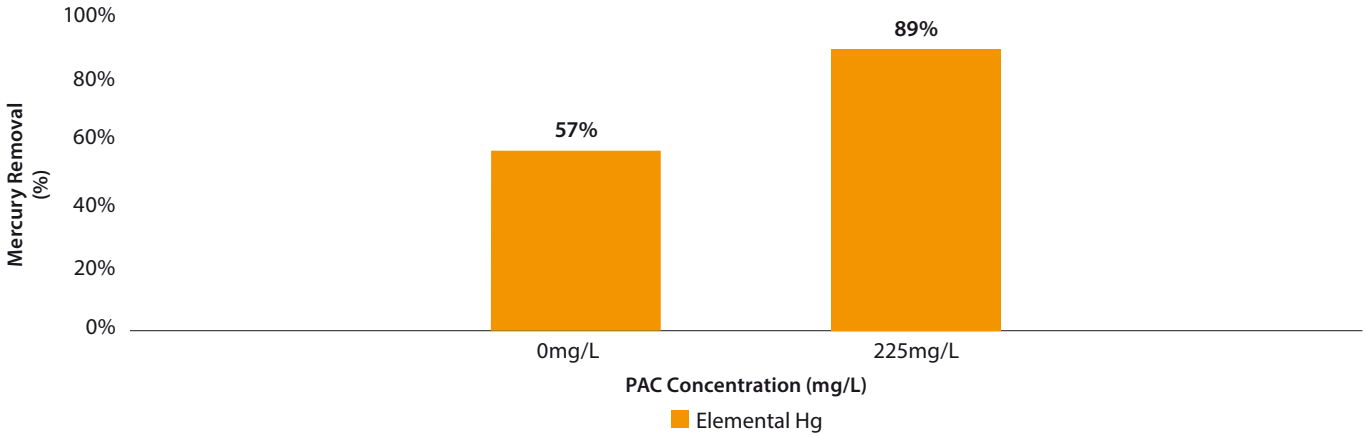
Patented process to reduce level of mercury released into wastewater

Carbonxt has developed a patented process to inject its proprietary PAC directly into the Wet Flue Gas Desulphurisation Device (WFGD), which the company estimates are installed in approximately 60% of coal fired power stations in North America to remove sulphur from flue gas.

This patented WFGD injection technology is a significant development for Carbonxt for three primary reasons:

1. The ELGs implemented by the EPA in 2015 (that will take effect in 2018) will limit the amount of mercury that can be discharged through wastewater;
2. The chemical process for mercury removal is much more efficient in the water phase (i.e. in the WFGD) than the air phase. Carbonxt has recently proved this technology at a major power station, with over 32% incremental removal of elemental mercury as shown in Figure 12 below; and
3. Brominated PAC products are not suitable for injection into the WFGD due to concerns regarding corrosion, together with the possibility for bromine to leach into wastewater that would then be discharged into the environment in breach of the Clean Water Act.

Figure 12: Elemental Mercury removal using Cxt-2100 PAC injection in the WFGD



Proprietary AC product able to be used with Regenerative activated coke technology (ReACT)

Carbonxt has developed specialised AC pellets for use in power plants utilising the Regenerative activated coke technology (ReACT). ReACT coal fired power stations can achieve exhaust stack emission levels as low as natural gas-fired plants and they use a fraction of the water of a traditional coal fired power station resulting in less wastewater discharge.

ReACT is an integrated multi-pollutant control approach that removes sulfur oxides (Sox), nitrogen oxides (Nox) and mercury from coal fired plants by adsorption with AC. Rather than PAC injection, the technology requires specialised AC pellets to be installed in the plant and replaced on an ongoing basis as they become saturated with pollutants.

Carbonxt believes it is the only supplier outside of Japan of specialised Activated Carbon pellets for use with ReACT technology. This additional proprietary product offered to customers reduces the Company's reliance on the market opportunity presented by MATS legislation, and is expected to in the future be a significant income stream.

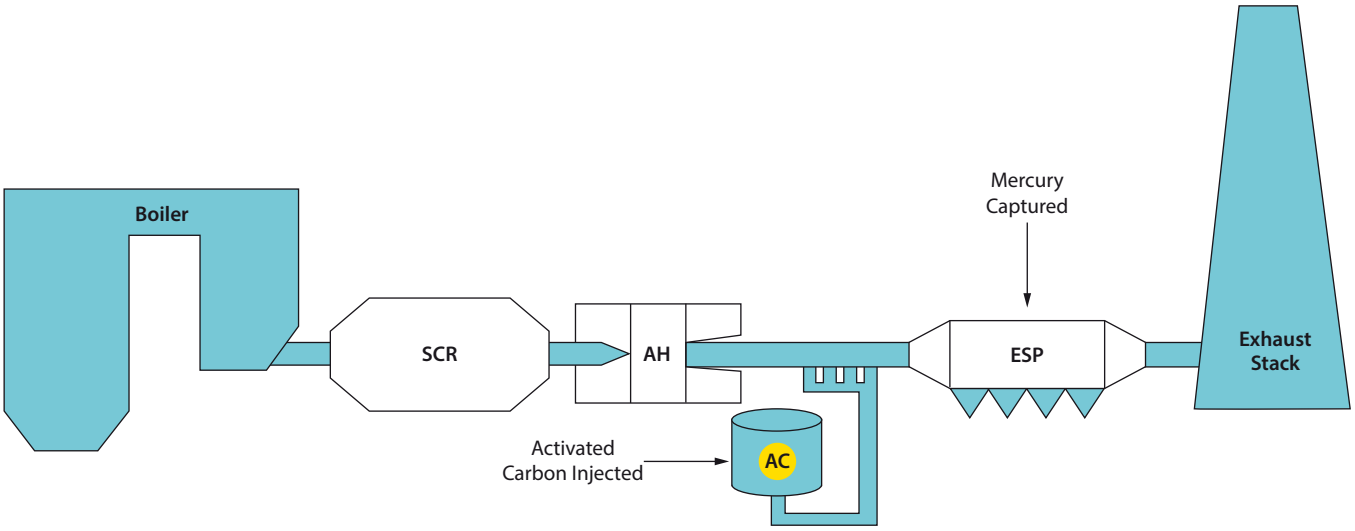
3.3.4. Application of Carbonxt's products

Once manufactured, Carbonxt's products are shipped to the utility, usually by truck, and transferred into a holding silo by conveyor. The application of the product is then determined by the type of product, the type of plant and/or the stage at which the product is used. Some common uses are described below.

PAC injected into flue gas

Carbonxt's proprietary PAC is injected from a holding silo into the flue gas formed from burning coal. The PAC traps the mercury in its pores, is retained within the plant's particulate collection device, for example the electrostatic precipitator (ESP) as seen in Figure 13 below, which prevents mercury from being discharged through the exhaust stack.

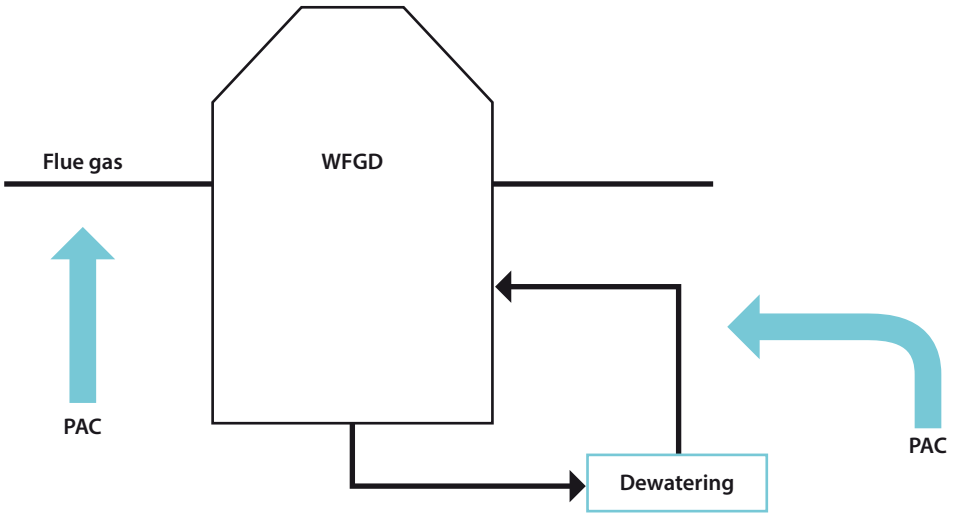
Figure 13: The PAC injection process



PAC injected into WFGD

Alternatively, Carbonxt's proprietary PAC product is able to be injected in the WFGD as demonstrated in Figure 14 below.

Figure 14: The WFG injection process



3. COMPANY OVERVIEW

3.4. Procurement and Manufacturing

3.4.1. New raw material source and production facility

Carbonxt's patented PAC product begins with standard AC as a feedstock, which is then subject to further processing with Carbonxt's proprietary combination of additives. Carbonxt currently outsources production to at a specialist third party milling company based in Columbiana, Ohio using a wide range of AC sources.

Carbonxt recently procured exclusive supply of a biomass by-product which has excellent chemical characteristics for conversion into AC. The product is currently considered a waste material and can be purchased in large volumes for little cost. Carbonxt executed contracts in October 2017 that will see a new 10,000 tons per annum AC production facility constructed in the South-East of the US specifically for the Company, on a long term lease arrangement, in close proximity to the new source of raw material. Carbonxt will operate the facility with its own specialist employees.

The new source of AC will reduce third party supply risk and the lower cost will also enable Carbonxt to compete in new market segments, such as municipal water treatment.

3.4.2. AC Pellets

Carbonxt has built an automated AC pellet manufacturing line capable of producing 7,500 tons of finished pellets per annum. The production facility is installed at Powder Technology, Inc. located in Arden Hills, Minnesota, close to the ReACT power station, which operates the production line and provides warehousing for raw and finished materials based on a tolling agreement with Carbonxt.

Carbonxt will use its own AC from the new production facility as the raw material for the pellets.

Figure 15: Carbonxt's Pellet Manufacturing Facility



3.5. Customers and Sales

Carbonxt's applications engineers are responsible for communicating with utilities, understanding their requirements and directing the efforts of the R&D team towards developing solutions for potential customers. They also target alternative AC markets and develop relationships with other industry participants.

In 2015 Carbonxt entered into a partnership with UCC, under which UCC became a shareholder in Carbonxt and an exclusive sales agent of Carbonxt's products. UCC has almost 100 years of industry experience supplying equipment to power stations, including PAC injection equipment for MATS compliance. Together, Carbonxt and UCC offer greater support to address a wide range of its customer's needs in injection equipment and PAC.

3.5.1. Carbonxt's Customers

Carbonxt's customers are primarily energy utilities and industrial facilities that generate flue gas and are required to meet air and/or wastewater emission regulations. Carbonxt has secured five contracts/supply arrangements which are summarised in the Figure 16 below.

Figure 16: Carbonxt's Customers

Customer	Description	Type of Product	Contract/Supply Agreement	Terms
Customer A	Mid-West utility	PAC in air phase	Supply Agreement	1,480 tons per annum – 3 years expiring in June 2020
Customer B	Mid-Atlantic utility	PAC in WFGD	Contract	300 tons per annum – 3 years expiring in December 2019
Customer C	Eastern utility	PAC in air phase	Supply Agreement	180 tons per annum expected – 3 years expiring in June 2020
Customer D	Southwest utility	PAC in air phase	Supply Agreement	1,000 tons per annum – expiring in December 2018
Customer E	Upper Mid-West utility	AC Pellets	Contract	2,250 tons per annum. First year volume estimated at 1,000 tons – 6 years commencing in December 2017
Customer F	Mid-West university	PAC in air phase	Supply Agreement	50 tons per annum – Rolling annual purchase order

Please refer to Section 10.7 for summaries of these contracts.

As a result of its recent sales efforts and the growing awareness of corrosion caused by brominated PAC, commercial trials are scheduled or underway at five utilities as shown in Figure 17. The Company is confident that these opportunities have the potential to convert to supply agreements or contracts in the coming 6 to 12 months.

Figure 17: Status of current commercial trials

Potential Customer	Type of trial	Trial Status
Target A	– Injection into WFGD	– Testing scheduled for February 2018
Target B	– Air Phase PAC injection for MACT	– Currently testing – Contract decision expected by February 2018
Target C	– Air phase PAC injection in a utility seeing corrosion with Br-PAC	– Testing concluding in November 2017 – Decision expected in December 2017
Target D	– Cement plant industrial application (NESHAP)	– Product successfully tested at 3 stations – Product being used at all 3 stations in December to commission permanent injection equipment – Contract decision expected January 2018
Target E	– Activated carbon pellets	– Customer testing pellets in 1Q 2018 with decision expected immediately thereafter

3. COMPANY OVERVIEW

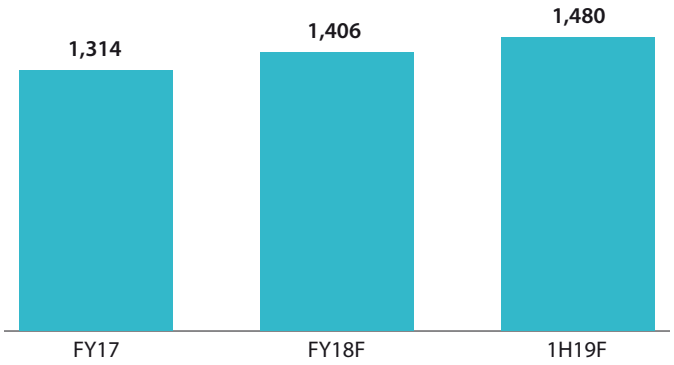
3.5.2. Sales prices and margins

Carbonxt commenced its relationship with Customer A in April 2016 with PAC product being supplied at lower than Carbonxt's cost of production utilising inventory that had already been paid for and effectively a sunk cost. This decision was made in order to achieve commercial validation of the Company's PAC product and this strategy proved successful with the supply agreement being renegotiated in June 2017 at a substantially higher price.

One of Carbonxt's competitors, ADA-CS recently announced a 10% price increase for its brominated PAC product effective from 1 November 2017.

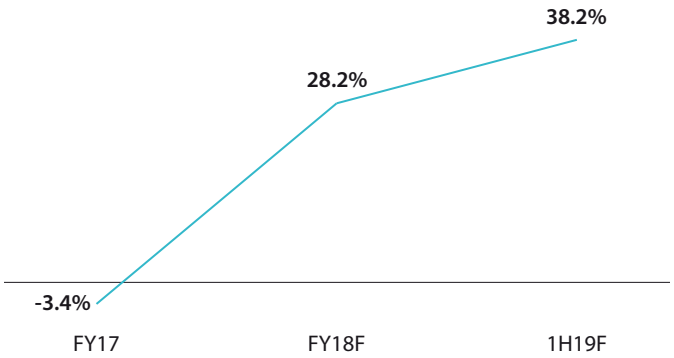
Carbonxt expects sale prices to be between US$1,100 and US$1,600 per ton for its air-phase products. The prices for the PAC in WFGD are expected to be materially higher than for the air-phase products.

Figure 18: Average Sale Price per Ton (US$)



As a result of the new source of raw material and new production facility, Carbonxt's gross margins are forecast to increase from (3.4%) in FY17 to 28.2% in FY18, and 38.2% in HY19.

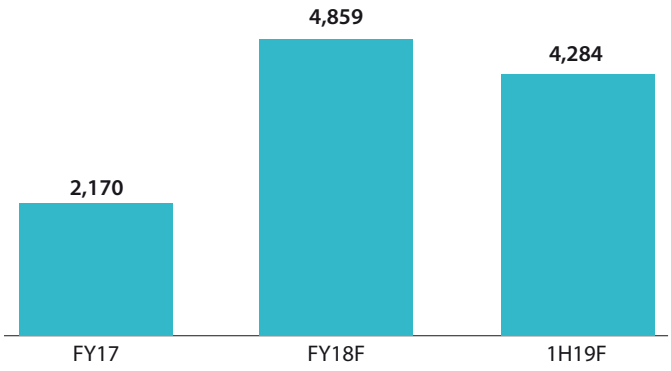
Figure 19: Gross Margin Percentage



3.5.3. Sales volumes

Total expected volumes from existing customers in Figure 16 amount to around 5,200 tons per annum, including the contract from Customer E which is expected to commence in December 2017. In addition, estimated volumes from the potential customers in Figure 17 would amount to around 2,500 tons per annum if Carbonxt is successful in converting the trials to contracts or supply agreements.

Figure 20: Sales volumes (tons)



3.6. Intellectual property

Carbonxt relies on patents, licensing agreements, trademarks and trade secrets to establish and protect its intellectual property rights in its technologies and business. The Company's patent and licensing portfolio is summarised in Figure 21 below and consists of one license agreement, four granted patents and eight patent applications pending issue.

A Patent Attorney's Report is contained in Section 9 of this Prospectus.

Figure 21: Summary of Carbonxt's IP Portfolio

Patent No.	Date of Filing	Date Awarded	Patent Title	Rights	Jurisdiction
8,691,166	6 Oct 2008	8 April 2014	System and Method for Activating Carbonaceous Material	Owned	US – Granted AU – Pending
8,617,492	8 Jan 2008	31 Dec 2013	System and Method for Making Low Volatile Carbonaceous Matter with Supercritical CO_2	Owned	US – Granted
8,628,707	8 Jan 2008	14 Jan 2014	System and Method for Making Carbon Foam Anodes	Owned	US – Granted
7,879,136*	17 Mar 2008	1 Feb 2011	Magnetic Activated Carbon and the Removal of Contaminants from Fluid Streams	Licensed	US – Granted
9,089,816*	14 Apr 2014	28 Jul 2015	System and Methods for Post Combustion mercury Control Using Sorbent Injection and Wet Scrubbing	Owned	US – Granted Canada & EPO – Pending

* The Company believes these patents are the most important in the context of Carbonxt's current business operations.

3. COMPANY OVERVIEW

3.7. Growth strategy and outlook

The positive AC industry dynamics provide a favourable outlook for Carbonxt. The Company intends to capitalise on the success it has had to date through converting existing customer opportunities (where dialogue or product testing has commenced), and promoting the Company's technical abilities and product benefits to attract additional customers. The Company's growth strategy will be targeted to the following areas:

Capitalise on established utility relationships

The Company has existing relationships with a number of utilities where it is either in early stage discussions regarding its proprietary products, or is actively testing its products with the aim of successfully completing those tests and converting those relationships to active customers.

The Company has identified 23 utilities in the US that it believes could be potential customers within the next 18-24 months, with an estimated annual revenue potential of approximately US$40 million. In some cases, the utilities have existing contracts with other suppliers that need to roll-off before they can be actively targeted by Carbonxt.

Promote patented WFGD injection technology

The Company has identified a material growth opportunity linked to the implementation of the ELG regulations in 2018, where the Company believes its WFGD product has competitive advantages in both cost and efficiency.

Promote the pellet technology

The pellet production facility has capacity to produce around 5,000 tons of pellets a year in addition to the contract with Customer E (see Section 3.5). Carbonxt is approaching a number of potential customers that it believes could benefit from Carbonxt's pellet technology, principally as most of the pellets used in US industrial waste applications are currently imported. The Company anticipates commercial success for this product in 2018.

Expand sales to other market segments

Carbonxt aims to expand the use of its proprietary products into other AC markets for mercury reduction, including municipal waste-water treatment and removal of mercury from cement manufacturing. As highlighted in Section 3.5, Carbonxt is currently in product testing with an operator of cement plants for mercury capture.

Expand sales beyond the United States

There are longer-term opportunities to expand into other countries due to global initiatives for mercury reduction and regulation of other hazardous air pollutants. According to Freedonia, Global demand for Activated Carbon in industrial air purification applications is forecast to rise by 9.1% per annum to 505,000 metric tonnes in 2020, mostly due to the mercury removal segment which is expected to grow nearly twice as fast as other industrial air purification applications. Canada, Japan and Western Europe have mercury emissions guidelines coming into effect which will continue to grow demand for Activated Carbon. This growth will be enhanced by the ratification of the Minamata Convention.

In particular, Carbonxt can market its WFGD injection technology in Western Europe, where most power utilities currently install flue gas desulfurisation technology primarily to comply with regulations concerning emissions of sulfur oxides (Sox) and nitrogen oxides (Nox). Utilities that already have WFGD's installed can apply Carbonxt's WFGD technology with the added benefit of incremental increases in mercury capture and thereby further comply with the Europe Union's Industrial Emissions Directive (IED) which sets mercury emissions for solid waste incinerators and requires that mercury emissions from coal fired power plants be monitored.

Continued R&D activities

Carbonxt will continue to invest in research and development activities in order to identify and commercialise proprietary AC products and environmental solutions to suit commercial purification markets.

SECTION 4 FINANCIAL INFORMATION

4. FINANCIAL INFORMATION

4.1. Introduction

4.1.1. Basis and Method of Preparation

This section contains a summary of the Consolidated Historical and Pro forma Consolidated Forecast Financial Information for Carbonxt.

The Financial Information presented comprises the following:

- Consolidated Historical Statements of Financial Performance for the years ended 30 June 2015 ("**FY15**"), 30 June 2016 ("**FY16**") and 30 June 2017 ("**FY17**");
- Consolidated Forecast Financial Performance for the year ending 30 June 2018 ("**FY18**"); and for the half-year ending 31 December 2018 ("**HY19**");
- Key Best Estimate Assumptions used in the preparation of the Forecast financial information, comprising both General and Specific Assumptions;
- Consolidated Historical Statements of Cash Flows for FY15, FY16 and FY17;
- Consolidated Forecast Statement of Cash Flows for FY18 and for HY19;
- Consolidated Historical Statement of Financial Position as at 30 June 2017;
- Pro forma Consolidated Statement of Financial Position after the proposed raising and material subsequent events, based on the Consolidated Historical Statement of Financial Position at 30 June 2017; and
- Significant Accounting Policies and Material Accounting Matters.

4.1.2. Audit of Historical Financial Information

The General Purpose Financial Reports for Carbonxt have been subject to an annual audit by Ernst & Young ("**EY**").

Without qualifying their opinion, EY's audit reports included a material uncertain paragraph regarding the continuation of the Company as a going concern given the losses incurred and deficit in net assets. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial reports.

4.1.3. Forecast Financial Information

The Pro forma Consolidated Forecast Financial Information has been prepared with reference to a number of estimates and assumptions concerning future events. These include the assumptions set out in Section 4.3. The Directors believe that the Pro forma Consolidated Forecast Financial Information has been prepared with due care and attention. They consider the assumptions as a whole to be reasonable as at the time of preparing this Prospectus. Both the Pro forma Consolidated Forecast Financial Information and the assumptions are by their very nature subject to significant inherent business, economic and political uncertainties and risks, many of which are outside of the control of the Directors and are not reliably predictable. Therefore, actual financial results are likely to vary from those forecast and variations may be materially positive or negative. As a result, neither the Directors nor the Company can give any assurance that the financial results set out in the Pro forma Consolidated Forecast Financial Information will be achieved.

4.1.4. Additional Information and Support for Financial Information

Both the Consolidated Historical Financial Information and Consolidated Forecast Financial Information should be read in conjunction with the Investigating Accountants Report on Historical and Forecast Financial Information set out in Section 8. In addition, the Consolidated Forecast Financial Information should be read in conjunction with the Assumptions set out in Section 4.3 and the Investment Risks set out in Section 5.

4.2. Statements of Financial Performance

Set out in the table below are the summarised statements of Consolidated Historical and the summarised Pro forma Consolidated Forecast Statements of Financial Performance for Carbonxt. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

	FY15 Pro-Forma Actual	FY16 Pro-Forma Actual	FY17 Pro-Forma Actual	FY18 Pro-Forma Forecast[1]	HY19 Pro-Forma Forecast[1]
Gross Revenue from Trading					
Revenue[2]	33,597	884,548	3,789,434	8,872,822	8,232,623
Goods used and sold in cost of testing and production	–	(1,172,927)	(3,918,246)	(6,370,723)	(5,090,634)
Gross Profit from Trading[3]	**33,597**	**(288,379)**	**(128,812)**	**2,502,099**	**3,141,989**
Administrative Expenses	(363,262)	(410,152)	(430,985)	(758,808)	(402,795)
Marketing Expenses	(46,344)	(66,050)	(80,606)	(127,052)	(75,844)
Wages & Employee Costs	(1,717,449)	(1,843,277)	(1,600,843)	(2,190,300)	(1,114,901)
Corporate Costs	(481,643)	(220,122)	(428,794)	(630,108)	(347,987)
Other Operating Expenses	(587,986)	(379,796)	(895,269)	(335,833)	(192,000)
Total Operating Expenses	(3,196,684)	(2,919,397)	(3,436,497)	(4,042,101)	(2,133,527)
EBITDA[4]	**(3,163,087)**	**(3,207,776)**	**(3,565,309)**	**(1,540,002)**	**1,008,462**
Depreciation	(93,389)	(83,090)	(56,991)	(82,197)	(41,098)
EBITA	**(3,256,476)**	**(3,290,866)**	**(3,622,300)**	**(1,622,199)**	**967,364**
Licensing royalty fair value adjustment[5]	78,921	(427,750)	(232,785)	(232,785)	(116,393)
Amortisation	(202,124)	(119,549)	(125,012)	(125,012)	(62,506)
EBIT[6]	(3,379,679)	(3,838,165)	(3,980,097)	(1,979,996)	788,465
Net Interest	8,118	831	2,526	–	–
Net Profit/(Loss) before tax	(3,371,561)	(3,837,334)	(3,977,571)	(1,979,996)	788,465
Taxation Expense/(Benefit)	–	–	–	–	–
Net Profit/(Loss) after tax	**(3,371,561)**	**(3,837,334)**	**(3,977,571)**	**(1,979,996)**	**788,465**
Foreign currency translation	331,290	93,921	(132,648)	(132,648)	(66,324)
Adjustments to statutory profit/loss[7]	(403,011)	(814,098)	(756,856)	(423,466)	–
Statutory comprehensive profit/(loss) for the period	**(3,443,282)**	**(4,557,511)**	**(4,867,075)**	**(2,536,110)**	**722,141**

Notes:

1. The Pro forma Consolidated Forecast Financial Information is based on assumptions and pro forma adjustments as described in Section 4.3.1.
2. Gross Revenue from Trading comprises the sale of Activated Carbon products to utility companies as described at Section 3.
3. Gross Profit from Trading comprises Gross Revenue from Trading less the cost of Goods used in testing and production. Further information on sales and margins is included at Section 3.5.2.
4. EBITDA is earnings before interest, taxation, depreciation and amortisation.
5. Licensing royalty fair value adjustment represents the movement in the valuation of the liability relating to the payment of royalties associated with the exclusive license from EPS to use its patented technology. Royalties are payable to EPS from revenue received by the Company from the sale of products using the EPS technology.
6. EBIT is earnings before interest and taxation expenses.
7. Pro-Forma adjustments reconcile net loss after tax to the audited statutory comprehensive loss for FY15, FY16 and FY17. The adjustment includes net borrowing costs and fair value adjustments relating to convertible notes currently on issue and the impact on FY18 and HY19 recognises that all convertible notes will be repaid or converted into equity following the IPO.

4. FINANCIAL INFORMATION

4.3. Key Best Estimate Assumptions used in the preparation of the Forecast Financial Information

The following Key Best Estimate Assumptions have been used in the preparation of the Pro forma Consolidated Forecasts. These Assumptions should be read in conjunction with the investment risks outlined in Section 5 and the Investigating Accountants Report on Historical and Forecast Financial Information in Section 8 of this Prospectus.

4.3.1. General Assumptions

The following General Assumptions have been made in preparing the Consolidated Forecasts:

- The issue of Shares outlined in this Prospectus is fully subscribed and proceeds have been received by the close of the Offer.
- There are no issues of securities during the forecast period apart from those outlined in this Prospectus.
- There are no changes in the statutory, legal or regulatory requirements in the markets in which Carbonxt operates that would have a material effect on Carbonxt's operating results.
- There are no material beneficial or adverse effects arising from changes in industrial, political or economic conditions in the markets in which Carbonxt operates.
- The material contracts to which Carbonxt is a party remain in force and are not terminated, rescinded or varied in a manner which would have a material impact on Carbonxt.
- There are no material beneficial or adverse effects from changes in technology or the actions of competitors.
- There will be no significant turnover of key executives during the forecast period.
- Carbonxt's accounting policies remain consistent during the forecast period. It is also assumed that there will be no changes in applicable accounting standards or the Corporations Act that will have a material effect on the reporting of the Company's results.

4.3.2. Specific Assumptions

The Forecast financial performance of Carbonxt for FY18 and HY19 has been prepared after considering the actual financial performance for the twelve months to 30 June 2017, which were subject to an audit engagement, actual financial performance for the first four months of FY18, anticipated events to the end of FY18 and HY19 and the assumptions detailed below .

4.3.3. Revenues

Carbonxt's forecast revenues in FY18 and HY19 include higher pricing under the renewed contract with Customer A (defined at Section 3.5.1), one existing and one new contract expected to commence in December 2017, the commencement of contracts with three utilities progressively over the second half of FY18 and the expected commencement of AC pellet sales as described at Section 3.3 in March 2018. Based on these contracts there is a significant increase in expected revenue when compared to FY17. For further commentary on these contracts please refer to Section 3.5.1 of this Prospectus.

4.3.4. Gross Margin from Trading

Gross margin is based on the contracted price or expected contract price for sales to utilities, less the cost of production, shipping, sales commissions and royalty payments. Expected gross margins increase to an average of 28% in FY18 and 38% in HY19. The forecast increase in gross margin reflects the higher prices expected to be achieved for contract sales when compared to FY17, the commencement of the new production facilities and the sourcing of new raw materials that are expected to significantly reduce the cost of goods sold. For further commentary on these contracts please refer to Section 3.5 of this Prospectus.

4.3.5. Operating and other expenses

Carbonxt's normal business operations in FY18 and HY19 are not expected to substantially differ from current operations in respect of cost structure. As a result, expenses have been based on historical operating expenses for FY16 and FY17, as either fixed amounts or as a percentage of revenues. Expenses in FY18 and HY19 that do vary significantly from FY17 actuals are as follows:

- Wages & employee costs are expected to increase as a result of the further sales efforts and contract management activities.
- As part of the IPO it is assumed that all convertible notes will be repaid, therefore there is a convertible note expense included in the forecasts for the period to 31 December 2017 only.
- The Licensing Royalty fair value adjustment is based on the movement in the valuation of the liability relating to the payment of royalties associated with the exclusive license from EPS to use its patented technology. The fair value adjustment is based on a probability weighted discounted cash flow calculation of future royalties payable and is included in the forecasts based on the actual audited movement expensed for FY17.

4.3.6. Sensitivity analysis

Foreign Exchange Rate: the exchange rate assumed in the preparation of the Forecast financial performance of Carbonxt for FY2018 is AUD1.00:USD0.77.

The following table demonstrates the potential impact on profitability that may arise from variations to the assumed foreign exchange rate (plus and minus 5%):

Key Assumption Category	Potential impact on FY18 Revenue A$	Potential impact on FY18 NPAT A$
Exchange rate AUD1.00: USD0.8085	(422,515)	71,845
Exchange rate AUD1.00: USD0.7315	466,991	(79,408)

Gross margin: The assumed average gross margins for FY2018 and FY2019 are 28% and 38% respectively.

The following table demonstrates the potential impact on gross profit and NPAT that may arise from variations to the assumed gross margin (plus and minus 2%):

Key Assumption Category	Potential impact on FY2018 Gross profit and NPAT A$	Potential impact on HY2019 Gross profit and NPAT A$
Gross margin 26% / 30% for FY2018	+/- 177,456	–
Gross margin 36% / 40% for HY2019	–	+/- 164,652

4. FINANCIAL INFORMATION

4.4. Statements of Cash Flows

Set out in the table below are the Summarised Consolidated Historical and the Summarised Pro forma Consolidated Forecast Statements of Cash Flow for Carbonxt for FY15, FY16, FY17, FY18 and HY19. This information should be read in conjunction with the information provided elsewhere in this Prospectus. The FY18 and HY19 Pro forma Forecast financial information presented below has been prepared on the assumption that Applications totalling $10 million will be received.

	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Forecast[1,2]	FY18 Pro Forma Forecast[4]	HY19 Pro-Forma Forecast[1,2]
EBIT	(3,379,679)	(3,838,165)	(3,980,097)	(1,979,996)	(1,979,996)	788,465
Depreciation & Amortisation	295,513	202,638	182,003	207,209	207,209	103,604
Licensing royalty fair value adjustment	(78,921)	427,750	232,785	232,785	232,785	116,393
Capital Expenditure[3]	(99,518)	(572,408)	(711,917)	(250,000)	(5,250,000)	(125,000)
Movements in working capital[4]	(454,564)	1,636,829	1,249,648	(2,087,553)	(2,087,553)	(321,095)
Operating Cash Flow	(3,717,169)	**(2,143,355)**	**(3,027,578)**	**(3,877,555)**	**(8,627,555)**	**562,367**
Net increase/(decrease) in borrowings	(10,157)	(10,380)	(341,289)	–	–	–
Net borrowing costs	(281,529)	(185,783)	(210,160)	(98,466)	–	–
Proceeds from share issues (net of costs)[5]	3,451,195	2,047,200	3,715,927	3,310,000	11,870,000	–
Repayment of Convertible Notes[6]	–	–	–	–	(2,500,000)	–
Taxation paid	–	–	–	–	–	–
Net foreign exchange differences	168,079	**(36,394)**	**(9,513)**	**(25,013)**	**(25,013)**	**(12,513)**
Net Cash Flow	(389,581)	**(328,713)**	**127,387**	**(691,034)**	**717,432**	**549,854**

Notes:

1. The Summarised Pro forma Consolidated Forecast Statement of Cash flow for FY18 and HY19 is taken from Directors forecasts for FY18 and HY19.
2. The Forecast Financial Information is based on a number of estimates, assumptions and pro forma adjustments as described in Section 4.3.
3. Capital expenditure included in the pro forma forecast for FY18 includes the purchase and construction of the Company's new production facilities totalling $5,000,000, consistent with the IPO use of funds.
4. Working Capital is defined as trade receivables plus inventories less trade creditors.
5. Proceeds from share issue totalling $11,870,000 in FY18 comprises the following:

Entitlement offer shares issued in August 2017	$1,960,000
Pre-IPO convertible notes issued in November 2017	$1,500,000
Estimated costs attributed to issue of new shares	($150,000)
	$3,310,000
Offer shares to be issued as detailed in the Prospectus	$10,000,000
Estimated costs of the Offer attributed to issue of new shares	($1,440,000)
Proceeds from issue of shares (net of costs)	**$11,870,000**

6. It is intended that convertible notes currently on issue will be repaid from proceeds of the Offer. The convertible note holders have the right to convert to shares at $0.50 per share. In the event that note holders exercise their right to convert, 5 million shares will be issued and Net cash Flow will increase by $2.5 million.

4.5. Consolidated Statement of Financial Position as at 30 June 2017

Set out in the table below is the Consolidated Statement of Financial Position for Carbonxt as at 30 June 2017 and the Pro Forma Consolidated Statement of Financial Position assuming completion of the offer and related transactions disclosed in the prospectus. This information should be read in conjunction with the information provided elsewhere in this Prospectus. The financial information presented below has been prepared on the assumption that Applications totalling $10 million as detailed in this Prospectus will be received.

	Consolidated Financial Position[1] 30 June 2017	Pro-Forma Adjustments[2]	Pro-Forma Consolidated Financial Position[3] 30 June 2017
Current Assets			
Cash Assets	520,522	9,370,000	9,890,522
Trade and other receivables	477,941	–	477,941
Inventory	227,038	–	227,038
Other	62,417	–	62,417
Total Current Assets	1,287,918	9,370,000	10,657,918
Non Current Assets			
Property, Plant & Equipment	1,567,493	–	1,567,493
Intangible Assets[4]	1,509,908	–	1,509,908
Total Non Current Assets	3,077,401	–	3,077,401
Total Assets	4,365,319	9,370,000	13,735,319
Current Liabilities			
Trade payables and customer deposits[5]	2,181,149	–	2,181,149
Loans and borrowings	73,333	–	73,333
Total Current Liabilities	2,254,482	–	2,254,482
Non Current Liabilities			
Borrowings – Interest Bearing[6]	2,401,534	(2,401,534)	–
Other Liabilities[7]	2,109,761	–	2,109,761
Total Non Current Liabilities	4,511,295	(2,401,534)	2,109,761
Total Liabilities	6,765,777	(2,401,534)	4,364,243
Net Assets	(2,400,458)	11,771,534	9,371,076
Equity			
Contributed equity	45,216,728	12,599,750	57,816,478
Reserves	12,815,323	(802,468)	12,012,855
Accumulated losses	(60,432,509)	(25,748)	(60,458,257)
Net Assets	(2,400,458)	11,771,534	9,371,076

Notes:

1. Column 1 represents the Consolidated Statement of Financial Position of Carbonxt as at 30 June 2017.
2. Column 2 represents the adjustments required to reflect:
   a. the conduct of a raising of $1,500,000 in November 2017 less offer costs of $150,000, of which $90,000 has been deducted directly against equity and $60,000 expensed;
   b. the conduct of the IPO Offer of $10,000,000 less offer costs of $1,440,000, of which $900,000 has been deducted directly against equity and $540,000 expensed;
   c. the raising of $1,960,000 in August 2017 from the placement of 39,197,803 shares at $0.05 per share;
   d. the issue of 6,500,000 shares to convertible note holders at $0.05 per share, representing borrowing costs of $325,000 which has been expensed;

4. FINANCIAL INFORMATION

e. the issue of 675,000 shares at $0.05 per share to David Mazyck as part of his employment compensation at a cost of $33,750 which has been expensed; and

f. the repayment of convertible notes totalling $2,500,000, comprising the liability of $2,401,534 as at 30 June 2017 plus interest expense of $98,466. The convertible note holders have the right to convert to shares at $0.50 per share. If the note holders convert, then 5 million shares will be issued. The equity component of convertible notes in Reserves of $1,031,468 as at 30 June 2017 has been reversed to accumulated losses.

g. the issue of options 500,000 options to the Lead Manager as part of the consideration for its services. These options have been valued using a Black-Scholes option valuation formula, with the key assumptions being a strike price of $0.60; a share price of $0.70; three year term; volatility of 100%; a risk free rate of 1.93% and no dividend. This formula values the options at $229,000 and this amount has been recognised as a Cost of the Offer and deducted directly against issued capital and increasing reserves.

3. Column 3 represents the Summarised Pro forma Consolidated Statement of Financial Position of Carbonxt after the pro forma adjustments detailed at point 2 above.

4. Intangible assets include a licensed patent with an amortised value as at 30 June 2017 totalling $1,039,202. Carbonxt acquired the license in 2012 in consideration for the licensor becoming entitled to royalties based on a percentage of revenue from the sale of products by Carbonxt that use the technology. The fair value of future royalty payments on the acquisition date was assessed at $1,445,822, which is deemed to be the cost of the asset acquired.

5. Trade Payables and customer deposits includes a customer deposit of $975,039 relating to a contract with Customer E. Refer to Section 3.5.

6. Borrowings comprise convertible notes maturing on 31 December 2017. Subsequent to the end of the 2017 financial year, the maturity date was extended to 31 December 2019, and further to 31 December 2021 if an IPO is completed, and the Notes can be converted into shares at $0.50 per share.

7. Other non-current liabilities comprise the fair value of royalties payable to the licensed patent owner. The patent has been recognised as an intangible asset (refer to note 4 above) and the corresponding liability for future royalties is valued using a probability weighted discounted cash flow methodology.

4.6. Review of Significant Accounting Policies and Material Accounting Matters

Set out below are a number of significant accounting policies and other material accounting matters that have been relevant to the preparation of the Financial Information.

Carbonxt Group Limited (the Parent) is a company limited by shares incorporated in Australia. The shares are not publically traded. Carbonxt Group Limited does not have an ultimate holding company.

a. Basis of preparation

The financial reports are general purpose financial reports prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial information has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars which is the Company's functional and presentation currency, unless otherwise noted.

b. Compliance with IFRS

The financial information complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c. Inventories

Inventories are stated at the lower of cost and net realisable value on a "first in first out" basis. 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.

Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost of Activated Carbon and Raw Materials are valued at average cost including haulage.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated future selling price in the ordinary course of business, based on prevailing metal prices, less the estimated costs of completion and the estimated costs necessary to make the sale.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or recoverable amount less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is measured at cost less depreciation and impairment losses. The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office Equipment	10-37.5%
Plant and Equipment	20%
Motor Vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Intangibles

Capitalised Expenditure

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

4. FINANCIAL INFORMATION

f. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

g. Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity.

Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

h. Contributed Equity

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.

i. Sales revenue, cost of sales, other testing and production costs

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that it can be reliably measured.

Revenue from the sale of activated carbon is recognised in the financial period during which the activated carbon is produced or purchased, provided that prior to the reporting date they are either sold or delivered in the normal course of business in accordance with agreements with purchasers. Sales revenue represents amounts invoiced, excluding applicable taxation.

Cost of sales includes purchase and production testing costs, milling, blending and bagging costs. Other Production Costs include direct labour costs, storage and freight handling costs.

All revenue is stated net of the amount of goods and services tax (GST).

j. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period, where this approximates the rate at the transaction date.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.



SECTION 5
RISKS

5. RISKS

Section 5 describes potential risks associated with Carbonxt's business and investment in the Shares. An investment in Shares should be regarded as speculative. Investors should have the capacity to sustain the loss of all or part of their investment. Any potential investor should appreciate that the business activities of the Company are subject to various risks. Some risks may be mitigated by appropriate actions by the Company but many are outside the control of the Company. The value of the Shares can rise or fall.

The Shares offered by this Prospectus carry no guarantee with respect to return of capital, payment of dividends, or whether the Shares can be sold or if so, the price at which the Shares can be sold.

5.1. Risks specific to an investment in Carbonxt

Ability to retain existing clients and attract new clients

The Company's business depends on its ability to retain existing customers, together with its ability to attract further business from existing customers or attract new customers.

Whilst the Company endeavours to enter into long term contracts with utilities for the supply of its products, the Company does not generally require customers to commit to minimum product supply. There is a risk that customers reduce their usage of Carbonxt's products in the future, or do not renew contracts upon their expiry.

The loss of existing customers or the inability to attract new customers would have an adverse impact on the financial position of the Company.

Regulatory Risk

Carbonxt is heavily reliant on US environmental policies and regulation. The Company's primary market opportunity results from EPA's MATS regulations that came into force in April 2016 to tightly regulate the emission of mercury released through the burning of coal and the proposed ELGs which are due to come into effect in 2018. Any change to or reversal of current MATS legislation, in particular, along with any delay to the implantation of the ELGs would have a significant negative effect on the Company's business model and financial performance.

President Trump has made several statements impacting on US environmental legislation, including his intention to dismantle the EPA, unravel the Clean Power Plan, and cancel the Paris Climate Change Agreement.

The Company has reviewed literature from Professor Dan Esty, Director of the Yale Center for Environmental Law & Policy who is of the view that it would be difficult for the Trump administration to succeed in reversing MATS legislation. Essentially, MATS legislation was introduced as mercury was identified as a threat to public health and therefore there is an obligation to regulate. Therefore, it is simplistic to believe that the Trump administration could regulate against MATS, as it would have to issue a scientific finding that mercury exposure is not a health threat, which would be extremely challenging to prove. Any change to environmental policy would be a long and detailed process.

Furthermore, Professor Esty discusses President Trump's comment on dismantling the EPA. While he sees that the current administration could make it difficult for the EPA by imposing budget cuts and eliminating certain programs, they could not universally dismantle the EPA which exists because a law was passed by congress. The Trump administration cannot undo laws but could submit legislation to reverse it, however this would require approval by the Democrats which Professor Esty views unlikely[1].

Intellectual Property Risk

The Company relies heavily on its technology and know-how and there can be no assurance that competitors of the Company or other parties will not seek to imitate or develop technology and know-how that competes with the Company or supersedes the Company's technology. The unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company which could erode the Company's competitive advantage. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protects its trade secrets and unpatented know-how and keep them secret. There is an inherent risk with any licensed technology that the license may be terminated in accordance with its terms or the patent invalidated by a third party.

Certain employment and consultancy agreements with key executives do not contain provisions with respect to the assignment of existing and future intellectual property rights in inventions or designs, among other things. The Company is currently in negotiations with these executives however there is a risk that the Company's existing or future intellectual property is not protected (refer to Section 10.7.12.2 for a summary of David Mazyck's consultancy agreement).

1. Source, Yale University, Yale Center for Environmental Law & Policy. http://envirocenter.yale.edu/news/environmental-policy-predictions-under-trump-administration-qa-professor-dan-esty-and-friendly.

5. RISKS

Patent rights

The Company relies on its ability to obtain and maintain adequate and valid patent protection of its products and to operate without infringing on the proprietary rights of third parties or having third parties circumvent the Company's rights.

The Company's patent portfolio comprises four current United States granted Patents and eight patent applications pending. While the Directors believe that the Company's current patent applications will be successful, no guarantee can be given that such protection will be successfully and validly obtained by the Company, nor does the grant of a patent guarantee that the patent concerned is valid or that the patented technology does not infringe the rights of others. If the patents are not granted, it may be possible for a third party to imitate or otherwise obtain and use the Company's technology without authorisation or to develop and use similar technology independently. While the Company believes it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places that the Company does business, or enable the Company's rights to be enforced with any adequacy.

The Company's patent portfolio also includes an exclusive license to a granted patent pursuant to a license agreement (refer to Section 10.7.2 of this Prospectus for a summary of the material terms of the EPS Patent License Agreement).

Trade Secrets

In addition to its patent and licensing activities, the Company also regards its trade secrets, trademarks, domain names and similar intellectual property as important to its success. The measures that the Company employs to protect its intellectual property right may not always be sufficient to protect its trade secrets. The unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company which could erode the Company's competitive advantage.

The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

Infringement of Company or third party intellectual property rights

The Company is not aware of any material violation or infringement of its trademarks and the intellectual property rights of others. However, there can be no assurance that in the future, the Company will not inadvertently infringe the intellectual property rights of others, or be subjected to infringement claims or litigation arising out of patents and pending applications of its competitors, or additional proceedings initiated by third parties or the USPTO to re-examine the patentability of licenses or owned patents. Although no litigation is current or threatened by or against the Company, in the future litigation may be necessary to enforce the Company's issued patents, licences, to protect its trade secrets and know-how, or to determine the enforceability, scope and validity of the proprietary rights of others.

The defence and prosecution of intellectual property suits, USPTO proceedings, and related legal and administrative proceedings are expensive and time consuming and may divert valuable resources from and disrupt the conduct of its business. Further, the Company may not be successful in its infringement claims which will lead to a drain on its financial resources. Adverse determinations in such litigation could result in loss of proprietary rights or subject the Company to significant liabilities, which could impact upon the Company's financial performance.

Sell-down by Existing Shareholders

There will be a large number of Existing Shareholders whose Shares will not be subject to escrow as they are unrelated seed capitalists that have held their shareholdings for a period greater than 12 months prior to Quotation. There is a risk that Existing Shareholders may seek to sell-down their shareholdings in Carbonxt immediately on Quotation or shortly after. A significant sale of Shares after Quotation, or a perception that a sell-down may occur after Quotation, could adversely affect the price of the Shares.

Reliance on Key Personnel

The Company currently employs, or engages as consultants, a number of key management and scientific personnel (Refer to Sections 6.1 and 6.2 of this Prospectus for details of key personnel). The Company's success is dependent upon a number of highly qualified and experienced personnel and a stable workforce. In particular, the senior management team has accumulated a significant number of years' experience. The Company's future will be dependent upon the continued performance, efforts, abilities and expertise of its key management personnel. While the Company has in place long term service contracts, there can be no assurance that the Company will be able to retain its key personnel or attract other suitably qualified personnel in the future, if required. The inability to attract and retain the necessary technical and managerial personnel could have a material and adverse effect upon the Company's business, results of operations and financial condition.

Competitive and Dynamic Market

The Company operates in a dynamic market for AC primarily driven by the United States EPA regulations. This may provide existing or new competitors with stimulus to 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 Company intends to operate.

The entry of additional competitors in the AC market could result in reduced operating margins and loss of market share. Such occurrences could adversely affect the Company's operating and financial performance. Additionally, there is also a risk that a competitor could develop similar or more advanced technology or develop and market new products in a way that creates extensive competition for the Company. Where this occurs, it could increase the Company's research and development costs, decrease the value of its products and reduce the future profitability of the Company.

In addition to the above, changes to tariffs, quotas and other regulations dealing with import tariffs could have a material adverse effect on the competitiveness of the Company's product.

New Production Facility

Carbonxt has recently executed contracts for the development of a new production facility and the sourcing of new raw materials that are expected to significantly reduce its cost of goods sold. Construction of the new facility has only recently commenced with an expected completion date prior to 30 June 2018. There are inherent risks associated with any new production facility and the supply chain for sourcing new raw material, and any delays or disruption to supply could result in cost savings not being achieved and margins not being increased. There is a risk that there could be a costs overrun in the development of the new production facility. However, the Company's exposure is limited to its reimbursement of the lessor's costs through the minimum monthly rent which is capped.

Off Shore Operations

The Company's corporate management is in Australia, but for the foreseeable future it will have its day to day operating management, manufacturing, research and development, and marketing efforts located in the United States. The Company has operated in the United States for some time and the majority of its employees are located in the United States.

Given the global nature of the coal-fired generation business and the United Nations initiatives in respect of mercury capture, the Company's activities may in the future extend to other countries. Geographic diversity adds risk to the ability of the Company to manage its operations and employees. As a result, the Company is also subject to risks relating to the general economic, regulatory, legal, social and political environment in the jurisdictions in which it intends to operate.

Accordingly, the Company's business, financial conditions and results of operations could be materially adversely affected by factors specific to investing in these jurisdictions. The Directors intend to obtain all necessary formal sign-offs prior to commencement of operations in any foreign jurisdiction to ensure compliance with local laws and are not aware of any legal impediments to the conduct of business in any jurisdiction that the Company is likely to operate in as at the date of this Prospectus.

Safety and Industrial Accidents

The production of the Company's products is subject to safety related risks, which is being managed carefully by the Company. Despite the relevant safety guards there is no guarantee a serious accident will not occur in the future. A serious accident may negatively affect the financial performance and/or financial position of the Company.

Exchange Rate Risk

The Company is exposed to movements in exchange rates. Financial statements are maintained in Australian dollars however for the foreseeable future the vast majority of the Company's revenue and expenses will be denominated in United States dollars. Adverse movements in the AUD/USD exchange rate may have an adverse effect on the financial performance and/or financial position of The Company. The Directors will implement foreign exchange hedging policies for the Company as considered appropriate and will immediately convert the majority of funds from the offer to USD.

Liquidity Risk

There can be no guarantee that an active market in the Shares will develop or continue, or that the market price of the Shares will increase. If a market does not develop or is not sustained, it may be difficult for investors to sell their Shares. Furthermore, the market price for the Shares may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused any trading in a relatively small number of Shares. If illiquidity arises, there is a real risk that Shareholders will be unable to realise their investment in the Company.

5. RISKS

Brand establishment and maintenance

Establishing and maintaining its brand in the industry is critical to growing the Company's proposed customer base and product acceptance. This will depend largely on the effectiveness of its products and processes. The Company must also maintain and support its existing customer relationships to maintain its brand and attract further customers. Prior to entering into supply agreements, the Company is required to undertake vigorous testing of its AC products. If these tests are unsuccessful, the Company's brand, its business and operating results could be adversely affected.

Product liability and uninsured risks

The Company 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 Company has liability insurance to help manage such risks, the Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, or the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards, there is still the potential for its products to contain defects that may result in damage to customers' systems in turn causing a financial or reputational loss. For Carbonxt, these defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, injury to the Company's reputation or increased insurance costs. If the Company fails to meet its customers' expectations, the Company's reputation could suffer and it could be liable for damages.

The Company gives no assurance that all such risks will be adequately managed through its insurance policies to ensure that such loss does not have an adverse effect on its performance.

5.2. General risks of an investment in Carbonxt

General equity market risks

There can be no certainty that, following listing, an active market in the Shares will develop. In addition, Shares may trade on the ASX at a discount or premium to the Issue Price. The price at which Shares trade on the ASX may be affected by a number of factors, including the financial and operating performance of the Company and external factors over which the Company and its Directors have no control.

These external factors include actual, expected and perceived general economic conditions, changes in government policy or regulation, significant events such as natural disasters or acts of terrorism, investor attitudes, changes in taxation, movements in interest rates, movements in stock markets, and general conditions in the markets in which the Company will operate.

In addition, investors should consider the historical volatility of Australian and overseas share markets.

General economic conditions

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, the Company's future revenue and operations can be affected by these factors which are beyond the control of the Company.

Revenue and expenditure of the Company may be affected by changes in international, federal, state, or local government laws, regulations or policies, or in taxation legislation. Government legislation and policies are subject to review and change from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability.

Factors beyond the control of the Directors that could affect the revenues and value of the Company include, but are not limited to, inflation, currency fluctuation, interest rates, supply and demand of relevant inputs and outputs and industrial disruption.

Absence of dividends

The ability of the Company to pay any dividend in the future is dependent on many factors including the Company's ability to generate sufficient revenue. Many of the factors that will affect the Company's ability to pay dividends and the timing of those dividends will be outside the control of the Company and its Directors. The Directors cannot give any assurance regarding the payment of dividends in the future.

Geopolitical factors

The Company may be affected by the impact that geopolitical factors have on the world, US or Australian economies or on financial markets and investments generally or specifically, and governmental responses to such activities. These may include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's products and the ability of the Company to conduct business. The Company has only a limited ability to insure against some of these risks.

Shareholder dilution

Carbonxt in the future, may wish to elect to issue shares or engage in capital raisings. While the Company will be subject to constraints, Shareholders at the time may be diluted as a result of such issues of shares and capital raisings.

Changes in taxation rules of their interpretation

Changes in taxation law, or changes in the way taxation laws are interpreted may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. In addition, an investment in shares involves tax considerations which may differ for each shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Carbonxt.

Litigation

In the ordinary course of business, Carbonxt may be involved in litigation disputes from time to time. Litigation disputes brought by third parties including, but not limited to customers, suppliers, business partners, employees and government bodies may adversely impact the financial performance and industry standing of the business, in the case where the impact of legal proceedings is greater than or outside the scope of the Company's insurance. Such litigation could negatively impact the industry standing of Carbonxt, cause Carbonxt to incur unforeseen expenses, occupy a significant amount of Management's time and attention and could negatively affect the Company's business operations and financial position.

As at the date of the Prospectus, the Directors are not aware of any legal proceedings pending or threatened against or no material legal proceedings affecting the Company.

Force majeure events

Events may occur within or outside Australia or the United States that could impact upon the Company and the value of shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for Carbonxt's products and its ability to conduct business. The Company only has a limited ability to insure against some of these risks.

Unforeseen risk

There may be other risks of which the Directors are unaware at the time of issuing this Prospectus which may impact Carbonxt, its operations and/or the valuation and performance of Shares. The above list of key risks ought not to be taken as exhaustive of the risks faced by Carbonxt or by investors in Carbonxt. The above risks and others not specifically referred to above may in the future materially affect Carbonxt, its financial performance or the value of Shares.

SECTION 6
KEY PEOPLE, INTERESTS AND BENEFITS

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1. Board of Directors

The Directors bring to the Board relevant experience and skills including industry and business knowledge, financial management and corporate governance.

Director	Experience
Matthew Quinn *Independent Non-Executive Chairman*	Matthew was Managing Director of Stockland, Australia's largest diversified property group from 2000 to 2013. He is now a Non-Executive Director of CSR Limited (ASX listed) and Landcom, and Chairman of Class Limited (ASX listed). Matthew graduated with first class honours in Chemistry and Management Science from Imperial College, London. He went on to join Price Waterhouse and is a qualified Chartered Accountant. He is a major shareholder in Carbonxt Group Limited.
Warren Murphy *Managing Director*	Warren was 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 Infigen Energy (and its unlisted predecessor, Global Wind Partners) where he served as a Director from inception until June 2009. He was also a Director of the ASX listed Alinta Limited and Sydney Gas Limited, as well as the unlisted Coogee Resources Limited. Warren has led a large number of acquisitions and financings across the energy, resources and infrastructure sectors. Warren led the development of over 2,000 MW of Greenfields power stations and the acquisition of over 3,000 MW of generation.
David Mazyck *Executive Director*	Dr. Mazyck is a world-leading expert on Activated Carbon (AC) and its applications including mercury capture. He has developed AC products for the major multinational AC manufacturers and has regularly consulted for them on technical issues. Dr. Mazyck is Chairman of the Activated Carbon Standards Committee for the American WaterWorks Association and has developed products for NASA. He is a member of the World Coal Association and an appointee to the United Nations, playing a key role in the efforts to develop a global treaty for mercury. He received his PhD from Penn State University in Environmental Engineering where he also earned a PhD Minor in fuel science. David is also the Chief Executive Officer of Carbonxt Inc.

6.2. Key Personnel

The Company currently has nine employees in Gainesville, Florida, US. Six are highly qualified chemists and engineers who have earned (or are in the process of earning) advanced degrees (masters or PhD) and are active in various industry-recognised organisations.

Employee	Experience
David Mazyck *Executive Director*	See Section 6.1
Regina Rodriguez *Chief Operating Officer*	Regina is a PhD Candidate in Environmental Engineering and leads the efforts on solutions development, sorbent advancement and product testing. She has developed an expertise in Activated Carbon and mercury removal strategies through her graduate studies and is an active member of the Institute of Clean Air Companies (ICAC), leading work groups on the downside of bromine applications.
Jack Drwiega *Operations Director*	Jack oversees Carbonxt's operations including production and delivery, Activated Carbon Injection (ACI) test programs, and managing engineering projects. Prior to joining Carbonxt, Jack worked as an environmental engineering consultant serving as a project engineer and project manager in the water and wastewater treatment field. A graduate of the University of Florida, Jack earned a Bachelor of Science and Master of Engineering in Environmental Engineering.

6. KEY PEOPLE, INTERESTS AND BENEFITS

Employee	Experience
Dr. Christine Valcarce *R&D Director*	Christine is a graduate of the University of Florida where she earned a Bachelor of Science, Master of Engineering, and Doctor of Philosophy in Environmental Engineering. Her graduate studies were funded by the prestigious NSF graduate research fellowship and focused on multi-variable regression modelling of Activated Carbon performance in water treatment. Previous research experience includes photo catalysis of VOCs from frack water and redox bio-chemistry of iron in landfill leachate. Since joining Carbonxt as R&D Director, Christine has been researching and developing sorbent products for mercury capture from WFGD wastewater.
Curt Larson *Vice President of Sales*	Curt has a B.S. ChE and extensive experience in activated carbon and other technical product sales. Prior to joining Carbonxt, Curt was an International Sales Manager for one of the leading Activated Carbon distributors. Curt leads the company's sales efforts and manages both the internal and external sales teams.
Dennis Baranik *Commercial Manager and Chief Financial Officer*	Dennis has a Master in Business Administration (MBA) and executive management experience in the automotive, cold chain supply, marketing communications, consulting and investing industries. He coordinates day-to-day operations of the company including the finance function.

6.3. Interests and benefits

6.3.1. Employee Option Plan

The Company is proposing to adopt an employee option plan known as the Carbonxt Group Limited Employee Option Plan (**Plan**). The terms of the Plan and any grant of options to Directors under the Plan are subject to shareholder approval at the Annual General Meeting to be held on 30 November 2017. Pursuant to the terms of the Plan, the Board has discretion to offer Options to subscribe for Shares (**Options**) to Directors and senior management as a form of long term equity incentive.

A summary of the proposed Plan is set out below:

a. The Plan is open to certain senior management employees, contractors and Directors of the Company (and, if relevant, any Directors or senior employees of a subsidiary of the Company), as determined by the Board.

b. The Board may invite eligible persons to participate in the Plan. Participation is voluntary. The Board may determine the number of Options to issued under the Plan and other terms of issue of the Plan.

c. Each Option enables the holder to be issued one Share upon exercise, subject to the rules governing the Plan (**Plan Rules**) and (if applicable) the ASX Listing Rules.

d. Optionholders are not permitted to participate in new issues of securities by the Company but adjustments may be made to the number of Shares over which the Options are granted or the exercise price to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules governing the Plan and (if applicable) the ASX Listing Rules.

e. The Plan limits the number of Plan Options that the Company may issue, such that the sum of all Plan Options on issue and offered under all employee incentive schemes of the Company does not, if they are all exercised, equate to more than 10% of the Shares on issue by the Company.

The Options proposed to be issued to Directors under the Plan are subject to shareholder approval at the AGM, and any Shares issued on exercise of these Options will be subject to escrow for a period of 24 months from listing on the ASX. The number of Options proposed to be granted under the Plan to each Director is set out below:

Name of Plan participant	Number of Options to be issued under the Plan subject to Shareholder approval
Matthew Quinn	1,000,000
Warren Murphy	1,500,000
David Mazyck	1,000,000

Subject to Shareholder approval, each Option will be issued at no cost but will be exercisable at $0.50 per Share (post-Share Consolidation) at any time prior to 30 November 2021.

The Plan Options will not be listed and will not be transferable without the prior written consent of the Board.

6.3.2. Director remuneration

Below is a table detailing the total compensation each Director of Carbonxt is entitled to receive as at the date of this Prospectus in relation to their duties as a Director and their executive role:

Director	Appointment date	Remuneration per annum (inclusive of Superannuation)
Matthew Quinn	10 May 2013	$131,400
Warren Murphy	22 March 2013	$219,000*
David Mazyck	10 May 2013	US$300,000* plus the allotment for no cost of 0.27 million shares

* Please refer to Section 10.7.12 for summary of consultancy agreement between the Company and Warren Murphy and contractor agreement between the Company and David Mazyck.

6.3.3. Interests of Directors, advisers and promoters

The table below sets out each Director's shareholding in the Company:

	As at date of this Prospectus		Upon Completion of the Offer			
Directors	Shares	% held	Shares*	% held	Options**	% held (on a fully diluted basis)
Warren Murphy	200,000	0.4%	200,000	0.3%	1,500,000	2.2%
Matthew Quinn	2,620,000	4.7%	2,620,000	3.6%	1,000,000	4.7%
David Mazyck	267,500	0.5%	267,500	0.4%	1,000,000	1.6%

* Assuming that the Directors do not participate under the Offer.

** Assuming that Shareholders approve the Option Plan and the issue of Options to Directors at the Annual General Meeting on 30 November 2017. For more information see Section 6.3.1.

6. KEY PEOPLE, INTERESTS AND BENEFITS

6.3.4. Deed of access and indemnity for Directors

The Company has entered into deeds of access and indemnity with each Director.

The deeds confirm each Director's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. The seven-year period can be extended where certain proceedings or investigations commence before the seven years expires.

The deeds indemnify the Director against all liabilities to another person that may arise from their position as Director or other officer of the Company to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

The deed also states that the Company must maintain a D&O insurance policy for each Director during the Director's period of office and for a period of seven years after the Director ceases to hold office. The seven-year period can be extended where certain proceedings or investigations commence before the seven-year period expires.

6.3.5. Corporate Governance Policies

The Board oversees the Company's business and is responsible for the overall corporate governance of the Company. It monitors the operational, financial position and performance of the Company and oversees its business strategy, including approving the strategy and performance objectives of the Company.

The Board is committed to maximising performance and generating value and financial returns for Shareholders. To further these objectives, the Board has created a framework for managing the Company, including the adoption of relevant corporate governance policies and practices which the Board believes are appropriate for the business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company are summarised below. A copy of the policies can be obtained on the Company's website.

Board of Directors

The Board is currently comprised of one Independent Non-Executive Director (the Chairman) and two Executive Directors.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as a Non-Executive Director or Executive Director, as applicable, without constraint from other commitments. The Board will seek to appoint another independent, non-executive in due course.

Board Charter

The roles and responsibilities of the Board are set out in the Company's Board Charter. Although it provides for the ability for the Board to delegate some of its responsibilities, given the small size of the Company, there are no such committees in place at this point in time and the whole Board complies with the Committee Charters.

Nomination and Remuneration Committee Charter

The Company's Nomination and Remuneration Committee Charter sets out the framework and policies for:

- the remuneration framework for directors, including the process by which any pool of directors' fees approved by security holders is allocated to directors;
- the remuneration packages to be awarded to senior executives;
- equity based remuneration plans for senior executives and other employees; and
- superannuation arrangements for directors, senior executives and other employees.

Audit and Risk Committee Charter

The Board has adopted an Audit and Risk Committee Charter to, amongst other things, ensure the Company has an effective risk management system in place and to manage key risk areas, appoint the Company's external auditors and oversee the integrity of the Company's financial reporting systems and financial statements.

Code of Conduct Policy

This policy sets out the Company's key values and the standards of ethical behaviour that the Company expects from its Directors, officers and employees.

Diversity Policy

This policy sets out the Company's objectives for achieving diversity amongst its Board of Directors and employees.

Trading Policy

The Trading Policy is a code that is designed to minimise the potential for insider trading. Directors, senior executives and other officers of the Company are permitted to trade in Company shares as long as they comply with the Company's Trading Policy.

As at the date of its ASX-listing, the Company will have complied in most respects with the ASX Corporate Governance Principles and Recommendations as far as practicable, as set out below. Full details of the Company's corporate governance framework will be included in the Company's first annual report following listing on the ASX.

ASX CG Principles	Compliance by the Company
Principle 1 – Lay solid foundations for management and oversight *A listed entity should establish and disclose the respective roles and responsibilities of board and management and how their performance is monitored and evaluated.*	
Recommendation 1.1 A listed entity should disclose the respective roles and responsibilities of its board and management, and those matters expressly reserved to the board and those delegated to management.	The Company has adopted a formal charter (Board Charter) clearly setting out the respective roles and responsibilities of the Board and management. The key responsibilities of the Board include: – setting the long-term strategy and annual business plan including objectives and milestones to be achieved; – monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies; – assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists; – appointing, removing and determining the terms of engagement of the Directors, Managing Director and Company Secretary; – overseeing the delegation of authority for the day to day management of the Company; – ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance; – reviewing major contracts, goods or services on credit terms, acceptance of counter-party risks and issuing guarantees on behalf of the Company; – approving the capital structure and major funding requirements of the Company; – establishing a Disclosure and Communication Policy to ensure that the Company complies with its disclosure obligations under the ASX listing rules; – approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and – ensuring that recruitment, retention, termination, remuneration, performance review and succession planning policies and procedures are in place and complied with.

6. KEY PEOPLE, INTERESTS AND BENEFITS

ASX CG Principles	Compliance by the Company
Recommendation 1.2 A listed entity should: a. undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and b. provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	– The Board currently undertakes appropriate checks before appointing or nominating board candidates. – The Company will provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director at a general meeting.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	All directors (and proposed directors) and senior executives have entered into written appointment agreements with the Company. Specifically: – the non-executive directors have each executed a letter of appointment setting out the terms and conditions of their appointment; and – the executive director and senior executives of the Company have entered into service contracts, setting out the terms and conditions of their employment.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary is accountable directly to the Board, through the chairperson, on all matters to do with the proper functioning of the Board. The Company has adopted a formal board charter (Board Charter) setting out the Company Secretary's responsibilities. Under the Board Charter, the Company Secretary is responsible for: – advising the Board and its committees (if relevant) on governance matters; – monitoring the Board and committee policy and procedures are followed; – coordinating the timely completion and dispatch of Board and committee papers; – ensuring the business at Board and committee meetings is accurately captured in the minutes; and – helping to organise and facilitate the induction and professional development of Directors and the Company Secretary.

ASX CG Principles	Compliance by the Company
Recommendation 1.5 A listed entity should: a. have a diversity policy which includes requirements for the board or a relevant committee of the board for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b. disclose that policy or a summary of it; and c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: i. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company has a diversity policy in place (**Diversity Policy**). The Diversity Policy entrusts the Board with the responsibility for designing and overseeing the Diversity Policy. Under the Diversity Policy, the Board is: – required to develop initiatives that will promote and achieve diversity goals; – responsible for reviewing this diversity policy and will assess the status of diversity within the Company and the effectiveness of this policy in achieving the measurable objectives which have been set to achieve diversity; and – responsible for assessing the effectiveness of the Company's diversity objectives each year
Recommendation 1.6 A listed entity should: a. have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Under the Board Charter, each Director's performance is assessed when standing for re-election. Before each annual general meeting, the Chairperson of the Board assesses the performance of any Director standing for re-election and the Board will determine their recommendation to shareholders on the re-election of the Director (in the absence of the Director involved). The Board (excluding the Chairperson), will conduct the review of the Chairperson.
Recommendation 1.7 A listed entity should: a. have and disclose a process for periodically evaluating the performance of its senior executives; and b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Under the Board Charter, senior executives' performance will be considered by the independent Directors in a meeting separate to the Board meetings. The Chairperson is responsible for ensuring independent Director meetings take place on a regular basis.

6. KEY PEOPLE, INTERESTS AND BENEFITS

ASX CG Principles	Compliance by the Company
Principle 2 – Structure the board to add value *A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.*	
Recommendation 2.1 The board of a listed entity should: a. have a nomination committee which: i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director; and disclose iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b. if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company has not constituted a Nomination Committee given the size of the Board and the nature and scale of the Company's operations. The full Board carries out the role of a nomination committee in accordance with the Nomination and Remuneration Committee Charter. The Nomination and Remuneration Committee Charter is available on the Company's website.
Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board has not, at this time, adopted a board skills matrix. However, the Company will seek to have directors with an appropriate range of skills, experience and expertise and an understanding of and competence to deal with current and emerging issues of the business. In addition, the Company's succession plans are designed to maintain an appropriate balance of skills, experience and expertise on the Board.
Recommendation 2.3 A listed entity should disclose: a. the names of the directors considered by the board to be independent directors; b. if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c. the length of service of each director.	Out of the proposed Board members, Matthew Quinn is considered to be an independent Director, giving assessment to each of the factors set out by the ASX in the ASX Corporate Governance Principles and Recommendations. The Board will regularly assess the independence of each Director in light of the interests disclosed by them. That assessment will be made at least annually at, or around the time, that the Board considers candidates for election to the Board, and each independent Director is required to provide the Board with all relevant information for this purpose. If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely fashion.
Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	The Board currently consists of two Executive Directors and one Non-Executive Director. The Board, having regard to the company's small size and its operations, considers the current composition of the Board appropriate. The Board intends to appoint another well qualified Independent Non-Executive director in due course.
Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairperson of the Board will be Matthew Quinn, who is an independent, non-executive director. Warren Murphy will be the Managing Director.

ASX CG Principles	Compliance by the Company
Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Under the Board Charter, the Directors are expected to participate in any induction or orientation programs on appointment, and any continuing education or training arranged for them. The Company Secretary will help to organise and facilitate the induction and professional development of Directors.
Principle 3 – Act ethically and responsibly *A listed entity should act ethically and responsibly.*	
Recommendation 3.1 A listed entity should: a. have a code of conduct for its directors, senior executives and employees; and b. disclose that code or a summary of it.	The Board has adopted a code of conduct (Code of Conduct) which sets out the values, commitments, ethical standards and policies of the Company and outlines the standards of conduct expected of the Company's business and people, taking into account the Company's legal and other obligations to its stakeholders. The Code of Conduct will apply to all Directors, as well as all officers, employees, contractors, consultants, other persons that act on behalf of Carbonxt, and associates of Carbonxt. The Code of Conduct is available on the Company's website.
Principle 4 – Safeguard integrity in corporate reporting *A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.*	
Recommendation 4.1 The board of a listed entity should: a. have an audit committee which: i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and ii. is chaired by an independent director, who is not the chair And disclose: iii. the charter of the committee; iv. the relevant qualifications and experience of the members of the committee; and v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b. if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company has not constituted an Audit Committee given the size of the Board and the nature and scale of the Company's operations. The Board as a whole fulfils the functions normally delegated to the Audit Committee in accordance with the Audit and Risk Committee Charter. The Audit and Risk Committee Charter is available on the Company's website.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Board will implement a process to receive written assurances from its CEO and Chief Financial Officer that the declarations that will be provided under section 295A of the Corporations Act 2001 (Cth) are founded on a system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks. The Board will seek these assurances prior to approving the annual financial statements for all half year and full year results that follow.

6. KEY PEOPLE, INTERESTS AND BENEFITS

ASX CG Principles	Compliance by the Company
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company has adopted a formal Disclosure and Communication Policy, where there is an express requirement that the external auditor will attend the AGM and be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.
Principle 5 – make timely and balanced disclosure *A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.*	
Recommendation 5.1 A listed entity should: a. have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b. disclose that policy or a summary of it.	Consistent with the Board's commitment to improving its disclosure policy, the Board has adopted a Disclosure and Communication Policy, which sets out Carbonxt's commitment to the objective of promoting investor confidence and the rights of shareholders by: – complying with the continuous disclosure obligations imposed by law; – ensuring that company announcements are presented in a factual, clear and balanced way; – ensuring that all shareholders have equal and timely access to material information concerning Carbonxt; and – communicating effectively with shareholders and making it easy for them to participate in general meetings. The Disclosure and Communication Policy is available on the Company's website.
Principle 6 – Respect the rights of security holders *A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.*	
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary will be primarily responsible for ensuring communications with shareholders are delivered in accordance with this strategy and with its current market disclosure policy. The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement. However as stated above, for a period, the Company did not communicate with shareholders and other stakeholders in a timely manner. Information concerning the Company and its governance practices will be made available on its website in due course.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	As mentioned above under Recommendation 5.1, the Board has adopted a Disclosure and Communication Policy which supports its commitment to effective communication with its shareholders. In addition, the Company intends to communicate with its shareholders: – by making timely market announcements; – by posting relevant information on to its website; – by inviting shareholders to make direct inquiries to the Company; and – through the use of general meetings.

ASX CG Principles	Compliance by the Company
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company's Shareholders may elect to receive information from the Company and its registry electronically. Otherwise, the Company and its registry will communicate by post with shareholders who have not elected to receive information electronically.
Principle 7 – Recognise and manage risk *A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.*	
Recommendation 7.1 The board of a listed entity should: a. have a committee or committees to oversee risk, each of which: i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director, and disclose: iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Board has not constituted a Risk Committee given the size of the Board and the nature and scale of its activities. The Board as a whole is responsible for the oversight of the Company's risk management and internal compliance and control framework. From admission to quotation, responsibility for control of risk management will be delegated to the appropriate level o management within the Company, with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework in accordance with the Audit and Risk Committee Charter. The Company has adopted an Audit and Risk Committee Charter which is available on the Company's website.
Recommendation 7.2 The board or a committee of the board should: a. review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b. disclose, in relation to each reporting period, whether such a review has taken place.	Under the Board Charter, the Board will ensure that the Company has in place an appropriate risk management framework and will set the appetite within which the Board expects management to operate. As part of this process, the Board will review, at least annually, the Company's risk management framework in order to satisfy itself that it continues to be sound. The Company intends to disclose, at the relevant time, whether a review the Company's risk management framework was undertaken during the relevant reporting period.
Recommendation 7.3 A listed entity should disclose: a. if it has an internal audit function, how the function is structured and what role it performs; or b. if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Board is responsible for ensuring that the Company has appropriate internal audit systems and controls in place, and for overseeing the effectiveness of these internal controls. The Board will also be responsible for conducting investigations of breaches or potential breaches of these internal controls. In addition, the Board will be responsible for preparing a risk profile which describes the material risks facing the Company, regularly reviewing and updating this risk profile, and assessing and ensuring that there are internal controls in place for determining and managing key risks.

6. KEY PEOPLE, INTERESTS AND BENEFITS

ASX CG Principles	Compliance by the Company
Principle 8 – Remunerate fairly and responsibly *A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interests with the creation of value for security holders.*	
Recommendation 8.1 The board of a listed entity should: a. have a remuneration committee which: i. has at least three members, a majority of whom are independent directors; and ii. is chaired by an independent director, and disclose: iii. the charter of the committee; iv. the members of the committee; and v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b. if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company has not constituted a Nomination and Remuneration Committee given the size of the Board and the nature and scale of the Company's operations. The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Nomination and Remuneration Charter. The Nomination and Remuneration Committee Charter is on the Company's website.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors.	The Company's remuneration policy is disclosed in the Directors' Report which forms part of the Annual Report. The policy has been set out to ensure that the performance of Directors, key executives and staff reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: a. have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b. disclose that policy or a summary of it.	Directors, senior executives and other officers of the Company are permitted to trade in Company shares as long as they comply with the Company's Trading Policy. The Trading Policy is a code that is designed to minimise the potential for insider trading. A copy of the Trading Policy is available on the Company's website.

6.3.6. Related party transactions

There are no existing agreements or arrangements and there are no currently proposed transactions, in which the Company was, or is, to be a participant, and in which any related party had or will have a direct or indirect material interest, other than as set out in Sections 6.3.3 and 6.3.4 and the compensation arrangements with Directors and executive officers, which are described this section and Sections 6.3.2 and 10.7.12 of this Prospectus.

SECTION 7 DETAILS OF THE OFFER

7. DETAILS OF THE OFFER

7.1. Overview of the offer

This Prospectus relates to an initial public offering of up to 14.3 million Shares at an Issue Price of $0.70 per Share, raising gross proceeds of up to $10.0 million. The Minimum Subscription to be raised under the Offer is $10.0 million (before Offer Costs) being. No New Shares will be issued unless the minimum amount is achieved and the Company has received conditional approval from the ASX for Quotation. The Company will apply to the ASX for Quotation within 7 days of lodgment of the Prospectus.

7.2. Opening and Closing Date of the Offer

The opening date of the Offer will be 30 November 2017 and the Closing Date for the offer will be 5:00pm AEST on 7 December 2017 unless otherwise extended.

The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

7.3. Purposes of the Offer and use of funds

The purpose of the Offer is to raise up to $10.0 million before expenses. It is anticipated that the funds raised from the Offer will be indicatively applied as follows:

Use	$ million	%
Construction/purchase of manufacturing facilities*	5.0	50%
Repayment of convertible notes**	2.5	25%
Working capital***	1.1	12%
Costs of the offer	1.4	13%
Total Uses	**10.0**	**100.0%**

* All of the funds will be used towards the facility subject of the lease described in Section 10.7.3.

** Convertible note holders have the option to convert shares at $0.50 per share in lieu of repayment. In the event that convertible note holders elect to convert to ordinary shares, 5.0 million shares will be issued and $2.5 million will be included in working capital.

*** Working capital includes employment costs, administrative expenses and other overheads.

7.4. The Offer is Conditional

The Offer set out in this Prospectus is conditional on permission being granted for the Quotation of the New Shares on the ASX.

The Company has lodged an application with the ASX for admission of the Company to the official list of the ASX and Quotation of all Shares (including New Shares issued pursuant to this Prospectus) on the ASX.

If the Company's application for listing is accepted by the ASX, it is anticipated that the Company will be listed on the ASX on or about 20 December 2017.

The Offer is also conditional on the Minimum Subscription being achieved and Shareholders approving the Share Consolidation at the Annual General Meeting to be held on 30 November 2017.

It is the responsibility of the Applicants to check their allocation of New Shares prior to trading.

7.5. Underwriting

The Offer is not underwritten.

The Offer will be managed by Shaw and Partners Limited who has been appointed as Lead Manager.

7.6. How to apply

7.6.1. Broker firm offer

The Broker Firm Offer is open to retail investors who have received a firm allocation of Shares from their broker. You should contact your broker to determine whether you can receive an allocation of Shares from them under the Broker Firm Offer.

If you receive an invitation to apply for Shares from your broker and wish to apply for those Shares under the Broker Firm Offer, you should contact your Broker to request a Prospectus and Application Form, or download a copy at http://www.carbonxt.com/. Your Broker will act as your agent and it is your broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Sydney time) on the Closing Date or any earlier closing date determined by your Broker.

Broker clients should complete and lodge their Application Form and Application Monies with the broker from whom you received your invitation to acquire Shares under this Prospectus. Applicants under the Broker Firm Offer must pay their Application Monies to their broker in accordance with the instructions provided by that broker.

Application Forms must be completed in accordance with the instructions given to you by your broker and the instructions set out on the back of the Application Form. Applicants under the Broker Firm Offer must not send their Application Forms or Application Monies to the Share Registry.

Application Forms completed online must not be completed by third parties (e.g. the Applicant's Broker). Applications must be for a minimum of 2,858 New Shares ($2,000.60), and thereafter in multiples of 286 New Shares ($200.20). There is no maximum value of New Shares that may be applied for under the Offer.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Shaw and Partners and the Company reserve the right not to accept Applications in the Broker Firm Offer that are from persons who they believe may be Institutional Investors, to reject any Application, or to scale back any Application.

The Company, Shaw and Partners, and the Share Registry take no responsibility for acts or omissions committed by your Broker in connection with your Application.

The allocation of Shares to Brokers was determined by Shaw and Partners in consultation with the Company. Shares which have been allocated to Brokers for allocation to their eligible retail clients will be issued or transferred to successful Applicants who have received a valid firm allocation of Shares from their Brokers. The allocation of Shares among Applicants under the Broker Firm Offer will be at the sole and absolute discretion of the relevant Broker. Those Brokers (and not the Company or underwriter) will be responsible for ensuring that their clients who have received an allocation from them, receive the relevant Shares.

7.6.2. Institutional offer

The Institutional Offer will be conducted using a process managed by the Lead Manager. Full details of how to participate, including bidding instructions, will be provided to eligible participants by the Lead Manager.

The Institutional Offer will open at 9.00am (Sydney time) on 30 November 2017 and close at 5.00pm (Sydney time) on 7 December 2017. The Company, in consultation with the Lead Manager, reserves the right to vary the times and dates of the Offer, including to close the Offer early, extend the closing date or accept late Applications or bids, either generally or in particular cases, without notification.

Bids in the Institutional Offer may be amended or withdrawn at any time up to the close of the Institutional Offer. Any bid not withdrawn at the close of the Institutional Offer is an irrevocable offer by the relevant bidder to apply or procure Applicants for the Shares bid for (or such lesser number as may be allocated) at the Issue Price.

Bids can be accepted or rejected in whole or in part without further notice to the bidder. Acceptance of a bid will give rise to a binding contract on allocation of Shares to Successful Applicants.

Details of the arrangements for notification and settlement of allocations applying to participants in the Institutional Offer will be provided to participants by the Lead Manager.

7. DETAILS OF THE OFFER

7.7. How to pay

Payment

The consideration for the New Shares, of $0.70 per New Share, is payable in full on Application.

Applicants under the Broker Firm Offer and the Institutional Offer must pay their Application Monies to the Lead Manager in accordance with instructions provided by the Lead Manager.

7.8. CHESS

The Company will apply to participate in the Securities Clearing House Electronic Subregister System (CHESS), and will maintain an electronic CHESS sub-register and an electronic issuer sponsored sub-register.

Accordingly, the Company will not issue Share certificates to successful Applicants but as soon as practicable after allocation, successful Applicants will receive a holding statement that sets out the number of Shares that have been allocated to them pursuant to this Prospectus. The holding statement will also set out each successful Applicant's unique "Holder Identification Number" in the case of a holding on the CHESS sub-register, or "Securityholder Reference Number" in the case of a holding on the Company's issuer sponsored sub-register.

Shareholders will be provided with periodic Holding Statements showing any changes in their holdings of Shares. Shareholders may request a Holding Statement at any time (although an administration fee may be charged for these additional statements). It is the responsibility of Shareholders to determine their holding prior to trading in any Shares.

7.9. Foreign Selling Restrictions

7.9.1. General

The Offer is being made to retail investors in Australia only, and institutional investors in Australia, New Zealand and Hong Kong. This Prospectus does not constitute an offer in any place which, or to any person whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia, New Zealand and Hong Kong may be restricted by law and persons who come into possession of this Prospectus in such jurisdictions should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the New Shares or the Offer, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia, New Zealand and Hong Kong.

7.9.2. Beneficial holders

The foreign selling restrictions under the Offer apply to the underlying beneficial holder. Applicants applying on behalf of persons whose registered address is not in Australia, New Zealand and Hong Kong are responsible for ensuring that applying for New Shares does not breach securities laws in the relevant overseas jurisdictions. Applicants who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

The Company is not required to determine whether or not any Applicant is acting as a nominee or the identity or residence of any beneficial interest holder applying for New Shares. If any nominee or custodian is acting on behalf of a foreign person, that nominee or custodian, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

7.9.3. Hong Kong Special Administrative Region securities law requirements

This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

WARNING: The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

7.9.4. New Zealand securities law requirements

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

7.10. Queries

This Prospectus provides information for investors to decide if they wish to invest in the Company and should be read in its entirety. If you have any questions about investing in the Company, please contact your stockbroker, financial planner, accountant, lawyer or other professional advisers.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders or investors. As a result, Shareholders and investors should consult their professional tax adviser in connection with any aspect of the Offer and/or applying for New Shares under this Prospectus.

Any queries regarding the Application Form should be directed to the Lead Manager on 02 9238 1238 from 8.30am until 5.30pm (Sydney time) Monday to Friday.

7.11. Disputes

The Board may settle, in any manner it thinks fit, any disputes or anomalies which may arise in connection with or by reason of the operation of the Offer, whether generally or in relation to any Shareholder, investor, Applicant or Application. The decision of the Board will be conclusive and binding on all persons to whom the determination relates.

7.12. Change to the terms of the Offer

The Company reserves the right to waive strict compliance with or vary any provision of the Terms of the Offer, or to vary, suspend or terminate the Offer at any time without notice. If the Offer does not proceed, Application Payments will be refunded. No interest will be paid on any Application Money refunded as a result of the withdrawal or termination of the Offer.

Failure to notify Shareholders or investors of changes to, suspension or termination of the Offer or the Terms of the Offer will not invalidate the change, suspension or termination.

The Company reserves the right to issue no New Shares or fewer New Shares than an Applicant applies for under the Offer if the Board believes the issue of those New Shares would contravene an ASIC Class Order, requirements or policies, any law or any ASX Listing Rule.

7.13. Privacy

The Company collects information in relation to each Applicant as provided on an Application Form (Information) for the purposes of processing the Application Form and, should the Application be successful, to administer the Applicant's security holding in the Company (**Purposes**).

The Company may use the Information for the Purposes and the Company may disclose the information for the Purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, and to ASX, ASIC and other regulatory authorities.

The Information may also be used and disclosed to persons inspecting the Share Register, including bidders for your securities in the context of takeovers, licensed securities dealers, mail houses, and regulatory bodies including the Australian Taxation Office.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. The Company aims to ensure that the personal information it retains about you is accurate, complete and up to- date. To assist with this, please contact the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

SECTION 8 INDEPENDENT LIMITED ASSURANCE REPORT

8. INDEPENDENT LIMITED ASSURANCE REPORT

HALLCHADWICK
Corporate Finance & Advisory Services

INVESTIGATING ACCOUNTANT'S REPORT

22 November 2017

The Directors
Carbonxt Group Limited
Level 12, 225 George Street
SYDNEY NSW 2000

Dear Sirs,

Independent Limited Assurance Report on Historical, Pro-forma and Forecast Financial Information

We have prepared this Independent Limited Assurance Report (report) at the request of the Directors of Carbonxt Group Limited (the "Company"), for inclusion in a Prospectus relating to the offer of 14.3 million Ordinary Shares at an issue price of $0.70 per share to raise approximately $10 million before Offer Costs.

Expressions and terms defined in the Prospectus have the same meaning in this report.

Hall Chadwick Corporate (NSW) Limited holds an Australian Financial Services License (No. 227902) issued by the Australian Securities and Investments Commission for use in providing financial product advice, including an Investigating Accountant's report.

Scope

You have requested Hall Chadwick Corporate (NSW) Limited to review the following financial information of the Company included in the Prospectus.

The Pro-forma Historical Financial Information, Historical Financial Information and Forecast Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Historical Financial Information

a) The historical consolidated Statements of Financial Performance for the years ended 30 June 2015 ("FY15"), 30 June 2016 ("FY16") and 30 June 2017 ("FY17");
b) the historical consolidated Statements of Cash Flow for FY15, FY16 and FY17; and
c) the historical consolidated Statement of Financial Position as at 30 June 2017;

HALL CHADWICK CORPORATE (NSW) LIMITED

ACN 080 462 488

SYDNEY

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PrimeGlobal
An Association of Independent Accounting Firms

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which is together termed the "Historical Financial Information".

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been derived from the respective financial reports of the Company, which have been audited by Ernst & Young. The audit reports for these periods included a paragraph on material uncertainty regarding the continuation of the Company as a going concern.

Pro-forma Historical Financial Information

a) the pro-forma historical consolidated Statement of Financial Position as at 30 June 2017 assuming completion of the Offer and material subsequent events as described in Section 4.5 of the Prospectus (the "Pro-forma Consolidated Statement of Financial Position").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro-forma adjustments relate, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro-forma Historical Financial Information does not represent the Company's actual or prospective financial position.

Forecast Financial Information

a) the forecast consolidated Statement of Financial Performance of the Company for the year ending 30 June 2018 ("FY18") and for the six month period ending 31 December 2018 ("HY19"), as described in Section 4.2 of the Prospectus;

termed the "Forecast Financial Information".

The Directors' best-estimate assumptions underlying the Forecast Financial Information are described in Section 4.3 of the Prospectus. The stated basis of preparation used in the preparation of the forecast is the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies.

The Historical Financial Information, Pro-forma Historical Financial Information and Forecast Financial Information are known as the "Financial Information".

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the Historical Financial Information and Pro-forma Historical Financial Information, including the selection and determination of pro-forma adjustments made to the Historical Financial Information and included in the Pro-forma Historical Financial Information. They are also responsible for the preparation of the Forecast Financial Information, including the best-estimate

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assumptions underlying the forecast. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Historical Financial Information, Pro-forma Historical Financial Information and Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, Pro-forma Historical Financial Information, Forecast Financial Information, best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit report on any financial information used as a source of the Financial Information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation.

Pro-forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-forma Historical Financial Information, as described in Section 4.5 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation.

Forecast Financial Information

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the forecast Statements of Financial Performance of the Company for FY18

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Corporate Finance & Advisory Services

and HY19 do not provide reasonable grounds for the forecast; and

- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the Directors' best-estimate assumptions as described in Section 4.3 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company.

Evidence may be available to support the Directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed and that the information provided to use for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

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Independence

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of this issue other than in its capacity as Investigating Accountant for which normal professional fees will be received. Hall Chadwick Corporate (NSW) Limited does not hold nor have any interest in the ordinary shares of the Company.

Restriction on Use

Without modifying our conclusions, we draw attention to fact that the purpose of the financial information is for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial information to which it relates, for any purpose other than that for which it was prepared.

Hall Chadwick Corporate (NSW) Limited was not involved in the preparation of any part of the Prospectus, and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Consent

Hall Chadwick Corporate (NSW) Limited consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully



Drew Townsend
Director
HALL CHADWICK CORPORATE (NSW) LIMITED

8. INDEPENDENT LIMITED ASSURANCE REPORT

HALLCHADWICK
Corporate Finance & Advisory Services

FINANCIAL SERVICES GUIDE

Dated 22 November 2017

What is a Financial Services Guide (FSG)?
This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (**HCC**).

This FSG includes information about:

- HCC and how they can be contacted;
- the services HCC is authorised to provide;
- how HCC are paid;
- any relevant associations or relationships of HCC;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Investigating Accountant's Report (**Report**) which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product. The contents of the disclosure document, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that HCC is authorised to provide
HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you
HCC has been engaged by the Directors of Carbonxt Group Limited to prepare an investigating accountant's report (**Report**) for inclusion in a Prospectus in relation to the issue of shares in Carbonxt Group Limited (**Offer**).

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. HCC nor the employees of HCC are acting for any person other than Carbonxt Group Limited. HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice
As HCC has been engaged by Carbonxt Group Limited, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

Fees HCC may receive
HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Carbonxt Group Limited. Fees are agreed on either a fixed fee or a time cast basis. In this instance, Carbonxt Group Limited has agreed to pay HCC $40,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals
HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships
Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this Report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (**HC Entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. HC Entities have provided, and continue to provide advisory services to the Client for which professional fees are received. Over the past two years professional fees of $61,000 have been received from Carbonxt Group Limited.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, Carbonxt Group Limited or has other material financial interests in the Offer.

Complaints resolution
If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on (02) 9263 2600 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

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External complaints resolution process
If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:
Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements
HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact details
You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800

SECTION 9 INTELLECTUAL PROPERTY REPORT

9. INTELLECTUAL PROPERTY REPORT

BEUSSE WOLTER SANKS & MAIRE, PLLC
INTELLECTUAL PROPERTY ATTORNEYS

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Robert L. Wolter
Direct: 407-926-7706
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November 16, 2017

Warren Murphy, Director
Carbonxt Group Limited
3951 NW 48th Terrace
Suite 111
Gainesville, FL 32606

Re: Carbonxt Patent and Patent Application Report

Dear Mr. Murphy:

Beusse Wolter Sanks & Maire, PLLC ("BWSM") submit this Report in response to Carbonxt Limited Group's (hereinafter "CLG) request that my firm perform due diligence with respect to U.S patents issued to or that have been assigned to, and pending patent applications filed by CLG, Carbonxt, Inc. (hereinafter "CI") and/or Clear Carbon Innovations LLC (hereinafter "CCI") (collectively referred to as "Carbonxt"). This Report also includes one patent under which CLG is licensed. This report is for inclusion in an entitlement offer prospectus to be lodged at the Australian Securities & Investment Commission by CLG. BWSM consents to the inclusion of this Report in the prospectus in the form and context in which it is included.

BWSM

BWSM is an AV rated law firm founded in 2001 and has its principal office located in Orlando Florida. BWSM specializes in intellectual property including patent and trademark prosecution trade secrets, copyrights, licensing and litigation. BWSM has eighteen attorneys, sixteen of which are patent attorneys licensed to practice before the United States Patent and Trademark Office (the "USPTO"). The BWSM patent attorneys have expertise in a wide variety of technical fields including, but not limited to electrical and mechanical engineering, software, microbiology, chemistry, pharmaceuticals, lasers, inkjet printing, condition monitoring systems

etc. Several of the BWSM patent attorneys have post-graduate engineering and/or science degrees.

Scope of Report

There are five United States ("U.S.") patents and eight U.S. patent applications that are the subject of this Report as set out in the below tables, which further detail the status of each Carbonxt patent and patent application, including the status of any corresponding foreign patent applications.

This Report focuses on the United States patents and patent applications with a general overview of these assets including filing dates, issue dates, ownership, and expiration dates, and the status of patent applications. The Report also identifies any foreign filings and to the extent we could determine the status of any pending foreign applications, that information has been provided.

In order to verify the status of any U.S. or foreign patents, patent applications, we searched databases available on the www.uspto.gov and www.espacenet.com websites. In addition we searched these databases to find any patents for which any of the Carbonxt entities is the listed owner. We also searched for any Patent Trial and Appeal Board proceedings that may have been filed naming Carbonxt or EPS as a party. Finally, we searched the database on www.pacer.com to identify any lawsuits that have been filed in any U.S. federal district court in which any one of the Carbonxt companies and EPS has been named as a party.

General Principals and Terms Associated with Patents and Patent Applications

A patent document has several sections: a background section, a detailed description of the invention, one or more drawings that correspond to the detailed description, and a set of claims that define the scope of protection to which the patent owner is entitled. There is also an abstract of the invention and there may be a summary of the invention along with a set of objectives of the invention. However, the claims are the most important part of the patent and the examination of the patent is primarily an examination of the claims to determine their allowable breadth in view of the prior art and the accompanying detailed description.

The claims of a patent determine the scope of protection to which the patent owner is entitled. The claims may be independent or dependent. The dependent claims "depend" from other claims and incorporate each and every element of the claims from which they depend.

The Carbonxt patents and pending applications include system claims and method claims. System claims cover apparatuses, devices, products, machines and the like. Typically, system claims include multiple components or elements that make-up the system. For example, a

9. INTELLECTUAL PROPERTY REPORT

system for activating carbonaceous material may comprise a carbonaceous feedstock unit, a digestion unit, a separation unit, a dryer unit and a thermal unit.

Often times, the function of a system claim can be written in the form of a method claim, which includes multiple steps that define the method. For example, a method for activating a carbonaceous material may comprise providing a digestion unit, feeding an acid mixture into the digestion unit, feeding a supply of pre-wetted carbonaceous material into the digestion unit, feeding a digested carbonaceous material into a thermal unit and heating the digested carbonaceous material.

Carbonxt U.S. Patents

The five Carbonxt Patents subject to this report include, U.S. Patent No. 7,879,136 owned by Engineering Performance Solutions LLC and licensed to Carbonxt Group Limited as well as the referenced patents in the below table.

With respect to U.S. issued patents, maintenance fees are due to be paid at 3 ½, 7 ½, and 11 ½ years from the issue date of a patent. If the fees are not paid, the patent will expire; however, the patent owner may petition the USPTO to reinstate the patent. To the extent any maintenance fees have come due with respect to the Carbonxt patents, all maintenance fees have been paid.

Foreign Filings

With respect to international patent filings, a PCT application was filed for each of the Carbonxt Patents; however, for the most part the National Phase was not entered and the PCT applications were abandoned, or if the National Phase was entered, foreign applications were abandoned. The status of foreign filings for each Carbonxt Patent is detailed in the below table.

PATENT & APPLICATION NUMBERS	FILING DATES	ISSUE DATES	TITLE	FOREIGN FILINGS	LAST LISTED OWNER	EXPIRATION DATES AND MAINTENANCE FEES
Patent No. 7,879,136 App. No. 12/049,814	03/17/08	02/01/11	Magnetic activated carbon and the removal of contaminants from fluid streams	EP 04701487 (Abandoned) CA 2512520 (Abandoned)	Engineering Performance Solutions LLC (No assignment recorded)	Expiration: 07/12/24 First Maintenance Fee paid. Second Maintenance Fee due: 08/02/18
Patent No. 8,617,492 App. No. 12/008,287	01/08/08	12/31/13	System and method for making low volatile carbonaceous matter with supercritical CO_2	PCT/US0309/030447 (Abandoned)	Carbonxt Group Limited (Assignment recorded) 020389/0518	Expiration: 02/14/31 First Maintenance Fee paid. Second Maintenance fee due 07/01/20
Patent No. 8,628,707 App. No. 12/008,268	01/08/08	01/14/08	System and method for making carbon foam anodes	PCT/US09/ 30448 (Abandoned)	Carbonxt Group Limited (Assignment recorded) 020391/0351	Expiration: 02/28/30 First Maintenance Fee paid Second maintenance fee due 06/14/21
Patent No. 8,691,166 App. No. 12/467,007	10/10/08	04/08/14	System and Method for Activating Carbonaceous Material	MX 2011003732 (Abandoned) JP 2012504496 (Abandoned) EP 2349926 (Abandoned) CN 102292289 (Abandoned) CA 2753129 (Abandoned) AU 2009302677 (Abandoned)	Carbonxt Group Limited (Assignment recorded) 021638/0001	Expiration: 07/08/31 First Maintenance Fee paid. Second Maintenance Fee due 10/08/21
Patent No. 9,089,816 App. No. 14/252,428	04/14/14	07/28/15	Systems, and Methods for Post Combustion Mercury Control using Sorbent Injection and Wet Scrubbing	PCT/US2014/034023 EP 2986915 (Abandoned) CA 2909639 (pending)	Carbonxt Inc. (Assignments recorded) 035978/0790	Expiration: 04/14/34 First Maintenance Fee due: 01/28/19

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9. INTELLECTUAL PROPERTY REPORT

Disclosed and Claimed Invention

The inventions disclosed and claimed in the patents generally cover compositions, methods of making compositions of activated carbon, powdered activated carbon and/or magnetic powdered activated carbon (MPAC). In addition, the inventions and patents cover systems and methods that use these compositions for removing contaminants from a fluid stream. In particular, the removal of mercury from a flue gas stream generated at a power plant is referenced in the patents. A particular benefit referred to in some of the patents is that the claimed compositions, systems and methods, especially those including magnetic powdered activated carbon, allow for the effective separation of the MPAC from fly ash, which is commonly used for concrete production.

A couple of the patents, including the '492 Patent and the '707 Patent disclose systems and methods for generating low volatile activated carbonaceous material by removing highly volatile compounds from a carbon feedstock. The '707 Patent further discloses and claims the use of the low volatile activated carbon in fabrication of anodes for fuel cells.

Note, the U.S. Patent Laws grant a patent owner the exclusive right to make, use, sell, offer to sell in the United States and to an import into the United States the patent owner's patented invention. The Carbonxt patents not only cover products that are made within the United States but also products or systems made in foreign countries and imported into the United States. In addition, the Carbonxt patents cover products that are made in foreign countries using methods claimed in the Carbonxt patents, wherein such products are imported into the United States. The Carbonxt patents do not cover products that are made and sold in foreign countries, or methods practiced in foreign countries to make products that are then sold in foreign countries.

Ownership of U.S. Patents

As indicated above, each Carbonxt Patent has been assigned to Carbonxt Group Limited or Carbonxt Inc. with the exception of the '136 Patent, which is owned by EPS. The assignments have been recorded with the USPTO. The reel/frame numbers for these recordings are identified in the table above.

With respect to the '136 Patent, pursuant to a license agreement (the "Agreement') having an effective date of December 14, 2010, EPS granted to Carbonxt Group Limited an exclusive transferable, sublicensable, worldwide license. The exclusive license agreement between EPS and Carbonxt Limited Group regarding '136 was amended by letter agreement ("Amendment) dated February 13, 2013. Per the Amendment the term of the exclusive license agreement extends through the expiration date of the '136 Patent, which expires July 12, 2024.

Carbonxt U.S. Patent Applications

Other than the applications filed that issued as the above patents, Carbonxt has filed eleven patent applications over the years and beginning in 2005. Three of those have been abandoned. There are eight U.S patent applications that are currently pending and the subject of this Report. Five of those applications were filed with the USPTO in 2015, and all five patent applications were abandoned; however, each of the five applications has been revived. In addition, an additional three patent applications have been filed in 2017. Each of the pending applications is listed in the below table and includes information on the listed owner of the pending application, if an assignment has been executed. Assignments have not been executed for all the pending applications.

Foreign Filings

PCT applications were filed for most of the Carbonxt patent applications. The status of each of the PCT application and any foreign filings are set forth in the table below. In summary, the PCT application and any foreign corresponding application have been abandoned, with the exception of a recently filed PCT application. More specifically, PCT/US17/59606 was filed Nov. 1, 2017 and corresponds to U.S. Patent App. No. 15/801,266.

Application Number	Filing Date	Title	Status	Foreign Filings	Owner/Applicant
14/349,636	02/20/13	Magnetic Adsorbent, Methods for Manufacturing a Magnetic Adsorbent, and Methods for Removal of Contaminants from Fluid Streams	Pending Non-final Office Action; Response due 01/19/18	PCT/2013/026863 JP, CN, EP (abandoned) AU (pending) CA (pending)	Clear Carbon Innovations LLC is listed as the Applicant however there is no assignment of record. Assignment to Carbonxt Group Ltd expected and then to Clear Carbon Innovations, LLC
14/754,297	06/29/15	Systems and Methods for Powder Injection resulting in Reduced Agglomeration	Pending; Restriction response due 12/27/17	PCT/2015/038643 National Phase due 12/29/16; PCT claimed priority to a provisional filed 12/30/14; pending in CA, EP and HK	Assigned to Carbonxt, Inc.; recorded under 035932 / 0079 and 035932 / 0125 on 06/29/15
14/793,595	07/07/15	High Mechanical Strength Sorbent Product, System, and Method for Controlling Multiple Pollutants from Process Gas	Pending; Awaiting first office action	PCT/US16/41324 National Phase due 01/07/17; abandoned for failure to pay PCT fees	No assignment of record
14/810,988	07/28/15	CIP: Systems and Methods for Post Combustion Mercury Control Using Sorbent Injection and Wet Scrubbing	Allowed; Issue fee and 312 amendment due 11/12/17	PCT/US16/44510 ; this PCT application has been withdrawn for failure to pay fees.	Assigned to Carbonxt, Inc. Recorded 036201 / 0445 on 07/28/15
14/922,031	10/23/15	CIP: Magnetic Adsorbent, Methods for Manufacturing a Magnetic Adsorbent, and Methods of Removal of Contaminants from Fluid Streams	Pending; Awaiting first office action	PCT/2016/58537; this PCT application has been withdrawn for failure to pay fees	Assigned to Carbonxt, Inc.; recorded 043083/0436
15/486,580	04/13/17	System and Methods for Removing Dissolved Metals from Wastewater Streams	Pending Awaiting first office action	Filed Non-Provisional without fees; no foreign filings	Assigned to Carbonxt, Inc.; recorded 042799/0263
62/481,916	04/05/17	Systems and Methods for Post Combustion Mercury Control Using Sorbent Injection and Wet Scrubbing	Pending Awaiting first office action	This was converted to a non-provisional 15/801,266 and PCT/US17/59606 filed 11/01/17.	Assigned to Carbonxt, Inc.; recorded 042124/0321
15/801,266	11/01/17	CIP: Systems and Methods for Post Combustion Mercury Control using Sorbent Injection and Wet Scrubbing	Pending Awaiting first office action	PCT/US17/59606 filed 11/01/17; filed as CIP of '988 app. and as a conversion of the '916 provisional application	Awaiting execution of assignment.

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Disclosed and Claimed Inventions for Pending Applications

The '636 Application discloses and claims a magnetic adsorbent used to remove contaminants (e.g. mercury, arsenic and selenium) from an effluent stream (e.g. flue gas coal combustion devices). The magnetic adsorbent comprises a magnetic additive implanted on an adsorbent material. The '595 Application generally describes a sorbent product that includes a sorbent material and a binder. The product is configured to remove multiple contaminants from a process gas. The sorbent product is described as being capable of removing sulfur oxides, nitrogen oxides and mercury from a gas stream, such as flue gas.

In general, the '297 Application discloses nozzles/lances that may include orifices and baffles disposed on one or more tubular members through which a powdered activated carbon is injected into a flow stream to remove contaminants (e.g. mercury) from the gas flow. The orifices and/or baffles are configured in such a manner to prevent agglomeration of the powdered activated coal.

The invention disclosed in the specification of the '988 Application, is an additive injector positioned downstream of a particulate control device and upstream of the powdered sorbent injector, which injects powdered activated carbon into the stream of flue gas. Examples of additives include organosulfides, acids, bases, metal oxides etc. The specification of the '916 Application includes much of the disclosure of the '988 Application. Apparently, the inventors discovered that the use of powdered sorbents where 50% of their distribution having a particle size of less 15 microns creates several issues. For examples, such particle size creates dusting and opacity issues, plugging of vacuum filter cloths, and plugging of emissions monitoring equipment.

The '031 Application discloses and claims an admixture of an adsorbent and a magnetic material that may include an additional additive. A magnetic adsorbent with sufficient oxidizing power, affinity, and surface area for the capture of mercury from the flue gas of coal combustion devices is provided. The '580 Application describes and claims systems and methods for removing dissolved metals from a wastewater stream. The example described in the specification includes a photocatalytic reaction unit that is used to remove dissolved metals from an effluent stream generated by a coal-fired power plant.

The recently filed '266 Application, which claims priority to the '916 provisional application discloses and claims a powdered sorbent composition for removal of mercury from flue gas, and methods of removing mercury from a flue gas using a powdered sorbent. The powdered sorbent of the composition and the method are directed to a fifty percent distribution size of from about 20 micrometers to about 75 micrometers.

Ownership of U.S. Patent Applications

The inventors have executed assignments for the '297, '988, '031, and the '580 non-provisional Applications and the '916 provisional application. Carbonxt, Inc. is the assignee of each of these applications. The assignments for each of these applications have been recorded

9. INTELLECTUAL PROPERTY REPORT

with the USPTO. Assignments are expected to be executed and recorded for any remaining pending applications set forth in this report.

Statement Regarding Challenges to Carbonxt Patents and Patent Applications

In order to challenge the validity of any of the Carbonxt patents in federal court, one would have to name the owner of the patent as a party to the lawsuit. We were not able to find any lawsuits filed in any United States federal district court naming any of the three Carbonxt companies or Engineering Performance Solutions LLC as a party. Accordingly, the validity of any one of the Carbonxt patents has not been challenged. Similarly, we did not find any proceedings filed with the Patent Trial and Appeals Board that challenged the validity of any of the Carbonxt patents or the EPS patent.

One basis for challenging the validity or enforceability of a U.S. patent is the applicant's failure to disclose prior art that is material to the patentability. Indeed, each person associated with the filing of a U.S. patent application has a duty of candor and good faith to disclose such information. One mechanism an applicant may use to disclose material prior art is the filing of an Information Disclosure Statement ("IDS") listing any prior art material to patentability.

With respect to each of the Carbonxt patents, the applicant submitted at least one IDS listing prior art patents. An IDS was filed in each of the Carbonxt patents 2-4 above that referenced International Search Reports (ISR), including prior art cited therein, issued in corresponding PCT applications. With respect to the '136 Patent owned by EPS, the filed IDS did not cite the ISR of the corresponding PCT application; however an IDS was filed that cited all the patents and/or published applications

With respect to the '816 Patent, an IDS was filed citing prior art patents. An IDS was not filed citing the ISR of the corresponding PCT application; however, the ISR was not issued until October 20, 2015, which is well after the '816 Patent issued on July 28, 2015. Thus the obligation to disclose this information did not arise during the course of prosecution of the application for the '816 Patent.

The USPTO does not have a mechanism whereby a third party can challenge or otherwise participate in the prosecution of any U.S. patent applications. Accordingly, the above referenced U.S. Patent Applications have not been challenged.

General Statements about the Status of Patents and Patent Applications

We believe the information provided here to be accurate but caution that the accuracy of such information is, of necessity, subject to the accuracy of the databases accessed.

Enforcement of patent rights varies from country-to-country. The remedies for unauthorized use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs. In some countries the patent owner can also file criminal complaints against the infringer.

This Report is not a "Freedom to Operate" opinion and BWSM makes no assertion that the patents and patent applications are valid or enforceable or that Carbonxt has the freedom in any country to exploit the technology referred to in the relevant patent specifications without infringing intellectual property rights of third parties. In addition, the Report is not an opinion as to the patentability of any of the claims of the Carbonxt pending applications. While BWSM reviewed the claims for purposes of describing the invention, the patentability of the claims was not evaluated.

Further, it is important to note that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention.

BWSM cannot guarantee that the Carbonxt patents, even if valid, will adequately cover any commercial products commercialized by Carbonxt, its licensees or sub-licensees, or that the inventions achieve the stated results or advantages.

Independence

This is an independent Report. When considering this Report, it should be noted that:

a) BWSM has reviewed the data on record for the Carbonxt Patents and patent applications and provided this Report accordingly. This service was charged according to BWSM standard terms of engagement, being hourly rates for time spent. Carbonxt will receive a total of approximately $7,500.00 (USD) for the services relating to the preparation of this Report.

b) Neither BWSM, nor any of its principals, partners or employees that were involved in the review of the Carbonxt Patents and the Carbonxt Patent Applications have any entitlement to any shares in Carbonxt, or has any interest in the promotion of Carbonxt, and has no financial interest in the outcome of the offer under a proposed pro rata rights offer by Caronxt to raise up to $10,000,000, which will be offered pursuant to a prospectus.

c) BWSM has prepared this Report. As noted above, BWSM will be paid a total of approximately $7,500.00 (USD) for the services relating to the preparation of this Report and for services in relation to Carbonxt's due diligence relating to the Carbonxt Patents and the Carbonxt's other intellectual property in connection with the offering. Payment of this amount is not contingent on the outcome of the offer under the Prospectus. BWSM confirms that the

9. INTELLECTUAL PROPERTY REPORT

Warren Murphy, Director
Carbonxt Group Limited
November 16, 2017
11 | Page, cont'd.

Report has been prepared by Robert L. Wolter, who is not associated with Carbonxt and has no financial interest in the outcome of the offer under Carbonxt pro rata rights offering.

Sincerely,

Robert L. Wolter

RLW/bam

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SECTION 10 ADDITIONAL INFORMATION

10. ADDITIONAL INFORMATION

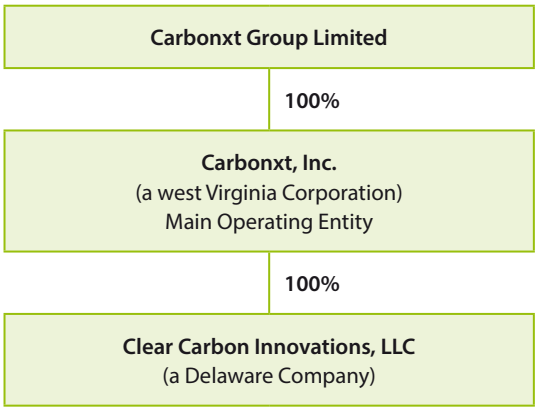
10.1. Incorporation

Carbonxt was incorporated on 25 June 2001 as a public company.

10.2. Company tax status

The Company has a balance date of 30 June. The Company is taxed in Australia as a public company for the purpose of Australian income tax law. Any subsidiaries of the Company (current or future) will be subject to tax in the relevant jurisdictions in which they operate.

10.3. Corporate structure



10.4. Capital structure of the Company

The table below sets out the Substantial Shareholders, Directors, senior executives, employees and other Existing Shareholders of the Company as at the date of the Prospectus and on completion of the Offer. The figures are based on the assumption that Shareholders approve the Share Consolidation at the Company's AGM.

	Shares held at Prospectus Date[1]		Shares issued/ acquired	Shares held on Completion[1]	
	(m)	(%)	(m)	(m)	(%)
Werft Pty Ltd and Walker Group Holdings Pty Ltd (Lang Walker and associated entities)	13.3	23.7%	–	13.3	18.2%
Beville Investments Pty Limited No 9 and Beville Executive Super Fund Pty Ltd (John Beville and associated entities)	4.5	8.0%	–	4.5	6.2%
United Conveyor Corporation	2.8	5.1%	–	2.8	3.9%
Super Quinn Pty Ltd < Quinn Investment A/C> and Super Quinn Pty Ltd <Quinn Super Fund A/C> (Matthew Quinn and associated entities)	2.6	4.7%	–	2.6	3.6%
David Mazyck	0.3	0.5%	–	0.3	0.4%
Ashburton Finance Pty Ltd (Warren Murphy)	0.2	0.4%	–	0.2	0.3%
Other Senior Executives	0.2	0.3%	–	0.2	0.2%
Other Employees	0.0	0.1%	–	0.0	0.1%
Other Existing Shareholders	32.2	57.3%	–	32.2	44.0%
Converting note holders	–	0.0%	2.7	2.7	3.7%
New investors in the Offer	–	0.0%	14.3	14.3	19.6%
Total Shares	**56.1**	**100.0%**	**17.0**	**73.1**	**100.0%**

1. Assuming no participation in the Offer by Existing Shareholders. Accordingly, the shareholdings set out above may change if Existing Shareholders participate in the Offer.

Options	Options held on Completion of the Offer
Directors*	3,500,000
Shaw Options	500,000
Total number of Options on issue at Completion of the Offer	**4,000,000**

* This assumes that Shareholders approve the terms of the Plan and the issue of Options to Directors at the AGM on 30 November, 2017.

Refer to Section 10.6 for details of other securities on issue.

10.5. Rights and liabilities attaching to the Shares

The Company is proposing to adopt a New Constitution at the Annual General Meeting. If the resolution to approve the New Constitution is passed, the Shares issued under the Offer will be subject to the Company's New Constitution. Below is a summary of the rights and liabilities which would attach to the Shares under the New Constitution.

The rights and liabilities attaching to the New Shares under the New Constitution can be summarised as follows:

a. Voting rights

Subject to any right or restrictions for the time being attached to any class or classes of Shares (at present there are none), at a general meeting, every holder of Shares present in person or by proxy, attorney or corporate representative has one vote on a show of hands and one vote per Share on a poll.

A person who holds a Share which is not fully paid is entitled to a fraction of a vote equal to the amount paid up (but not credited as paid up) on the Share divided by the total amount paid and payable on the Share (excluding amounts credited).

b. Dividend rights

The Board may declare or pay dividends as it sees fit and determine that a dividend is payable and fix the amount, the time for payment and the method of payment.

Subject to the rights of holders of Shares issued with any special or preferential rights (at present there are none), holders of fully paid Shares on which any dividend is declared or paid are entitled to participate in that dividend equally.

Each Share which is not fully paid is entitled to a fraction of the dividend declared or paid on a fully paid Share equivalent to the proportion which the amount paid (not credited) on the Share bears to the total amounts paid and payable (excluding amounts credited) on the Share.

c. Rights on winding-up

Subject to the rights of holders of Shares issued upon special terms and conditions (at present there are none), a liquidator may with a sanction of a special resolution of the Company, divide among the holders of Shares any surplus assets on a winding-up of the Company in proportion to the number of Shares held by them respectively (irrespective of the amounts paid or credited as paid on the Shares) or vest all of the Company's assets in a trustee on trusts determined by the liquidator for the benefit of the Shareholders.

d. Transfer of Shares

Subject to the constitution, the Corporations Act and any other applicable laws of Australia and rules of the ASX, Shares are freely transferable. The Board may refuse to register a transfer of shares if permitted by the Corporations Act or the ASX Rules. The ASX Rules also require the Board to refuse to register a transfer if it relates to Shares which are subject to escrow requirements.

e. Future increases in capital

The allotment and issue of any Shares or other Securities is under the control of the Directors. Subject to the constitution and the Corporations Act, the Directors may allot or otherwise dispose of Shares or other Securities on such terms and conditions as they think fit.

f. Variation of rights

The rights attaching to the Shares and other Securities may be varied by the written consent of holders of such Shares or other Securities with at least 75% of the votes in the class or with the sanction of a special resolution passed at a meeting of the class of holders holding Shares or other Securities in the relevant class.

10. ADDITIONAL INFORMATION

g. Meetings and notice

A Director may call a meeting of the Company's shareholders. Annual meetings and meetings requested by the Company's shareholders are called and arranged in accordance with the Corporations Act (including requirements as to notice).

If Shareholders do not approve the new Constitution at the Annual General Meeting, the Shares issued under the Offer will be subject to the Company's current constitution which complies with ASX Listing Rules.

10.6. Other securities on issue

As at the date of this Prospectus, the Company has 2,500,000 convertible notes maturing on 1 January 2020 or if the Company completes an IPO before 1 January 2020, the maturity date is automatically extended to 1 January 2022. The Company also has on issue 1,500,000 convertible notes maturing on 31 July 2018 which automatically convert on listing. For more detail regarding the terms of the convertible notes, see Section 10.7.11.

The Company has issued 500,000 unlisted options to Shaw and Partners (Shaw Options) with an exercise price of $0.60 and an expiry date of 8 June 2020 (Expiry Date). The Shaw Options may be exercised at any time prior to the Expiry Date by Shaw giving notice in writing to the Company and paying the exercise proceeds within 7 days of the date of such notice. As noted in Section 10.9, the Shaw Options are subject to ASX mandatory escrow for a period of 24 months from Quotation.

Upon completion of the Offer, and assuming that Shareholder approve the terms of the Plan at the Annual General Meeting dated 30 November 2017, the Company will also have the following director and executive unlisted Options on issue exercisable at $0.50 at any time up to 30 November 2021:

Name of Plan participant	Number of Options to be issued under the Plan subject to Shareholder approval
Matthew Quinn	1,000,000
Warren Murphy	1,500,000
David Mazyck	1,000,000

10.7. Material contracts

Set out below is a brief summary of certain contracts which have been entered into by the Company. These are important contracts for the Company and have accordingly been identified as relevant information of which an investor in the Company should be aware.

10.7.1. Offer Management Letter

The Company has appointed Shaw to act as the sole lead manager, broker and book runner and provide the Company with such assistance in undertaking the offer as is customary and appropriate in this type of transaction.

In consideration for the provision of services, upon completion of the issue of Shares, the Company shall pay to Shaw 6.0% of the offer proceeds plus GST, as applicable. The Company will also pay a Corporate Advisory Success Fee of $300,000, payable on Carbonxt being admitted to the official list of the ASX.

The Company will pay, or reimburse Shaw, for all legal fees (capped at $25,000) and expenses incurred by the Shaw in connection with the offer.

The agreement terminates on the earlier of:

- the completion of the Offer; and
- 12 months after the date of the Agreement,

unless terminated earlier by mutual written agreement or as specified below.

Shaw may terminate the agreement with or without cause by written notice to the Company, at any time prior to the signing of an underwriting or alike agreement in connection with the Offer (Selling Agreement). If a Selling Agreement is entered into, the offer may only be withdrawn and/or agreement terminated in accordance with the Selling Agreement. The Company will offer Shaw the right to act as financial advisor for any takeover defence within 24 months of the date of an IPO. Shaw will be engaged on the terms customary for a takeover defence transaction.

10.7.2. Patent License Agreement between Engineering Performance Solutions LLC (EPS) and Carbonxt Group Limited

The Company entered into a patent license agreement with EPS effective on 14 December 2010, which was subsequently amended on 13 February 2013 (EPS License). Under the EPS License, EPS granted the Company an exclusive, transferable, sub-licensable, world-wide right to use US Patent Number 7,879,136 in relation to the product until the expiry of the patent. This agreement is governed by the laws of the state of West Virginia and the United States.

EPS is entitled to the following royalty payments based on product sale prices:

- Under or up to USD $2,000/ton – payment of USD $20.00/ton of product;
- Between USD $2,001/ton and $2,500/ton – 2% royalty;
- Between USD $2,501/ton and $3,000/ton – 3% royalty; and
- Above USD $3,001/ton – 4% royalty.

Royalty payments must be paid on a quarterly basis no later than the fifteenth day of the following month of the quarter when the payment is due.

EPS is not permitted to terminate the grant or agreement under any circumstance. EPS acknowledges that the grant of the right to practice and use the patent is irrevocable and exclusive. In the event the Company breaches the agreement, EPS will be entitled to obtain all legal relief up to amounts payable as royalty payments and subject to the limits of liability in the agreement. Refer to Section 5.1 for risks associated with licensed technology.

10.7.3. Lease Agreement for manufacturing Activated Carbon

On October 24, 2017, Carbonxt Inc. (as **Lessee**) entered into a lease agreement (**Lease**) with a Louisiana limited liability company, (**Lessor**) to operate industrial facility and equipment (**Facility**) for the manufacture of Activated Carbon from the premises (**Premises**).

The initial term of the lease is for 50 years (**Initial Term**), commencing 7 days after the Lessor delivers written notice to the Lessee that the Facility is ready for occupancy. The lease will automatically continue for 3 additional terms of 10 years each, unless written notice of termination from either party is received at least 60 days before the end of any term. The Lessee will have right to terminate the Lease if the Lessor fails to deliver written notice to the Lessee by 1 February 2018 that the Facility is ready for occupancy.

The Lessor may terminate the Lease in the event of default by the Lessee which includes default in payment of rent or performance of any term or condition of the Lease or fails to correct the default within 30 days after notice. The Lessee may terminate the Lease within the first 30 days without reasons.

The Lessor will be in default of its obligations under the Lease if it has failed to perform an obligation within reason within 30 days after written notice by the Lessee. In the event of default, the Lessee will have the right to pursue any remedies which may be provided at law or equity. If the Lessee performs any of the Lessor's unperformed obligations, it is entitled to recover all reasonable costs and expenses from the Lessor in performing those obligations. If the Lessor does not pay such amount with 30 days of receipt of an invoice, the amount may be offset against any rent owing.

The Lessee is required to make variable monthly payments (Variable Rent) based on a fixed amount per ton of activated carbon manufactured and sold by the Lessee during the preceding month to customers. The rental payments are due regardless of whether the Lessee is paid by its customers for the product delivery. The parties agreed to a minimum rent (Minimum Rent)amount until the earlier of the third anniversary of the initial lease term, the date that the financing that the lessor used to construct and furnish the Facility has been repaid and the date of closing under the purchase option extended to the Lessee. Based on the product volumes assumed in the financial forecasts in Section 4, the Directors expect that the Variable Rent will exceed the Minimum Rent.

Further to the above, the rent may be adjusted after the first three years of the Initial Term if the Lessee's expenses in operating the Facility exceed a specified amount.

Under the terms of the Agreement, the Lessor and Lessee have entered into an exclusive sale and purchase arrangement with respect to raw feed stock materials (**Feedstock**). The Lessor must exclusively supply the Lessee with a minimum of 10,000 tons of Feedstock from within a 300-mile radius of the Facility on an annual basis (**Feedstock Supply**). The Lessee will only be required to purchase such quantity of Feedstock as needed by the Lessee and which meet the quality standard required by the Lessee. The purchase price is subject to review after three years but is subject to a cap. In the event that the Lessor cannot supply the Lessee with the requisite Feedstock Supply, the Lessee is entitled to obtain Feedstock from other suppliers and will receive a credit against rent due. In the event that Lessee requires more than 10,000 tons of Feedstock, the Lessee may purchase such Feedstock from other suppliers at its expense and will not receive any credit against rent.

10. ADDITIONAL INFORMATION

During the first 3 years of the Initial term, the Lessee has the option to purchase the Facility and the equipment (**Purchase Option**). The Lessee must provide 30 days' written notice of the Lessee's intent to exercise the Purchase Option, with closing of the purchase to occur within 2 months of the notice.

The Lessee has a right of first refusal to purchase the Premises (or any portion thereof) upon receiving a bona fide offer from a third party. If the Lessee accepts, they must pay the stipulated deposit under the offer within 3 business days. The Lease will remain in effect until completion of the purchase occurs.

The Lessee cannot assign its rights and duties under the lease or sublease the premises without the prior, express and written consent of the Lessor. However, the Lessee may without the Lessor's consent assign or sublease the lease under certain circumstances including an assignment to a controlling entity or subsidiary.

The Lessee must surrender the Premises to the Lessor on the expiration or termination of this Lease. If the Lessee holds the premises after termination, a month-to-month tenancy will be created at a fixed rental in an amount equal to 125% of the base monthly rental paid by the Lessee over the last 12 months of the agreement prior to its expiry.

Both parties agree to indemnify each other against any and all claims, liabilities, losses, damages and actions as a result of the other's breach of the Lease.

10.7.4. Sales Representation Agreement between Carbonxt Inc. and United Conveyor Corporation

United Conveyor Corporation (UCC) is a global leader in ash handling solutions for the power generation industry and a preferred supplier for dry sorbent injection, Activated Carbon injection and reagent handling. Carbonxt Inc. is party to a Sales Representation Agreement with UCC pursuant to which Carbonxt Inc. has appointed UCC as the exclusive sales representative for engineered sorbent products for coal-fired power plants in North America. UCC is entitled to a commission of 6% on all such sales, whether UCC is the procuring cause of such sale or not. Carbonxt Inc. will also pay UCC an annual bonus commission of 1%, to be paid as shares in Carbonxt Inc. at an issue price of US$0.056 per share.

The term of the agreement is for five years, expiring in 2020.

The agreement is terminated if there is a change in UCC's ownership/management structure or key on-site personnel. UCC cannot assign the agreement without the prior written consent of Carbonxt Inc.

Either party may terminate the agreement at any time, with or without cause, by giving 90 days' notice, provided that both parties must consent to the termination. However, no consent shall be required from the other party if the terminating party has good cause supporting the termination.

Carbonxt Inc. can terminate the agreement if for any reason, whether or not reasons or causes beyond UCC's control, UCC is unable, unwilling or fails, or is in default, and such failure to perform or default is not cured in 90 days after Carbonxt Inc. has given written notice thereof to UCC.

10.7.5 Services agreement between Carbonxt Inc. and Powder Technology Incorporated

Power Technology Incorporated (PTI) specialises in designing, developing, and manufacturing a comprehensive range of laser products for scientific, biomedical, industrial, semiconductor inspection, machine vision, defense and security applications.

Carbonxt Inc. entered into a six-year agreement with PTI on 22 January 2016 whereby PTI will produce and supply Activated Carbon pellet products on equipment provided by Carbonxt Inc. Carbonxt Inc. has committed to utilising PTI for all product production relating to the Corporation's agreements with Customer E.

Either party may terminate for any or no reason with 365 days' written notice. Either may terminate if a party does not cure, or diligently work towards curing, a breach within 30 days after receiving written notice from the other party. Either party may terminate upon insolvency/bankruptcy of the other party. If the Carbonxt Inc./Customer E contract ends, then Carbonxt Inc. can terminate the agreement on 30 days written notice to PTI. Neither the expiration nor termination of the agreement shall affect the rights or responsibilities of the parties hereunder with respect to products processed by PTI during the term of the agreement.

Neither party can assign the contract without the approval of the other party.

PTI agrees that it shall:

a. not make any use whatsoever of any of the confidential information, other than in connection with the processing,

b. not disclose or reveal any confidential information to any third party for any reason, and not reproduce or distribute confidential information in any form, tangible or otherwise and

c. restrict access to all of the confidential information to those of its employees and agents reasonably requiring such access in connection with the processing.

10.7.6. Purchase Orders between Carbonxt Inc. and Customer A

Customer A providers wholesale power generation and high-voltage transmission to co-op member-owners.

Carbonxt Inc. currently has a three year term agreement with Customer A commencing 21 June 2017, renewed annually. Under the purchase order, Carbonxt Inc. supplies PAC Material Cxt-2100 as needed for one power station.

Customer A reserves the right to cancel the purchase order with thirty (30) days written notice due to cause or without cause in accordance with the terms and conditions.

Customer A can cancel part or entire order terms and conditions specified in the Order are not met by Carbonxt Inc., without any cost or charge to Customer A. Customer A can cancel at its convenience upon it which it will pay Carbonxt for work already completed.

The purchase order may not be assigned by Carbonxt without the express written consent of Customer A.

Carbonxt Inc. shall assume responsibility for and protect, defend, and save harmless Customer A from and against all claims, demands, and causes of action of every kind and character arising from the safety practices wholly in Carbonxt Inc.'s possession and control and directly associated with Carbonxt Inc.'s equipment, facilities, and services or material provided under the agreement.

Carbonxt Inc. agrees to indemnify, defend and hold harmless Customer A from and against any and all claims, liability, loss, damage, injuries, suits, actions, proceedings, judgements or expenses arising from the performance of the orders by Carbonxt Inc, its employees, affiliates and/or subcontractors as a result of its breach of warranty, pollution or contamination and/or an allegation of infringement of a patent, copyright or trade secret notwithstanding whether caused by either party except for injuries caused by Customer A's sole negligence.

10.7.7. Powdered Activated Carbon Purchase and Sale Agreement between Customer B and Carbonxt Inc.

Customer B is a regulated public utility, generates, transmits, and distributes electricity for sale.

Carbonxt Inc. entered into a Powdered Activated Carbon Purchase and Sale Agreement with Customer B effective on 1 January 2014, and the term has been extended to 2019. Under the agreement, Customer B will advise Carbonxt Inc. of the pounds of PAC it requires and Carbonxt Inc. will deliver within five calendar days. Carbonxt Inc. has title and risk of loss until it passes through the receiving flange at the destination PAC storage silo.

Carbonxt Inc. will generally indemnify Customer B for matters and issues relating to environmental compliance, rates, intellectual property and other liabilities.

10.7.8. Blanket Purchase Order between Customer C and Carbonxt Inc.

Customer C generates and sells electricity. The company operates three coal-fired electric generating units and related facilities with an aggregate net capacity of over 1,800 megawatts.

Carbonxt Inc. entered into an agreement with Customer C in 2016 and then in 2017 for Carbonxt Inc. to deliver PAC. The parties have now entered into a blanket purchase order for the period between 12 June 2017 and 30 June 2020.

Customer C reserves the right to cancel or suspend the purchase order by written notice. Except in the case of termination for breach, Customer C's sole obligation shall be to pay Carbonxt Inc. all amounts due and not previously paid to Carbonxt Inc. for goods furnished or services rendered in accordance with the purchase order. Refusal or failure of Carbonxt Inc. to deliver the goods or perform the work and/or services in accordance with the delivery schedule or within a reasonable time if a schedule is not specified will result in a breach of the purchase order.

Customer C reserves the right to assign the purchase order to successors, affiliates, or subsidiaries without further notice to Carbonxt Inc. Carbonxt Inc. shall not assign the purchase order without the prior written consent of Customer C,. In no event shall Customer C's written consent be construed as discharging or releasing Carbonxt Inc. from the performance of its obligations specified in the purchase order. Carbonxt Inc. shall remain jointly and severally liable with any assignee of its rights or obligations.

Carbonxt Inc. acknowledges that all information furnished by Customer C and the work product developed by Carbonxt shall remain the proprietary and confidential information of Customer C. Carbonxt Inc. shall not disclose any such information or work product to any other entity or person, or use such information or work product for any purpose other than performing Carbonxt Inc's obligation(s) under the purchase order unless Carbonxt Inc's obtains prior written consent from Customer C.

10.7.9. Purchase Order between Carbonxt Inc. and Customer D

Customer D is an electric utility in the South-West of the US.

Carbonxt Inc. has a purchase order with Customer D. Under the purchase order, Carbonxt Inc. provides PAC Material CXT-1100 as needed for one power station.

Customer D reserves the right to withhold any disputed amounts from any payment made under any invoice from Carbonxt Inc.

10. ADDITIONAL INFORMATION

As applicable, Customer D reserves the right to inspect the deliverables above prior to acceptance. Customer D may reject any unsatisfactory or nonconforming goods. Such inspection or rejection shall not relieve Carbonxt Inc. of the performance of its obligations.

Carbonxt Inc. agrees to indemnify Customer D from any liability, loss or damage which the Customer D, its shareholders, affiliates, directors officers, employees and agents may suffer as a result of any threatened or actual claim arising out of or in any way connected with the goods or Carbonxt Inc's performance under the order, except to the extent any such liability, loss or damage is attributable to the negligence of Customer D.

Carbonxt Inc. cannot assign the order without the prior written consent of Customer D.

10.7.10. Long term supply agreement between Carbonxt Inc. and Customer E

Carbonxt Inc. has standing arrangements with Customer E for Carbonxt Inc. to supply activated coke pellets, entered into on 11 September 2015. The relationship is defined by one purchase order, a long-term supply agreement, and two amendments to the long-term supply agreement. A third amendment was made to the agreement on 13 June 2017.

There is a US$750,000 prepayment schedule in place for the agreement.

As security for this prepayment, Customer E has a lien on the equipment located at PTI, which lien is to be released after Carbonxt Inc. delivers US$750,000 of product to Customer E.

Customer E may need to adjust the Activated Carbon (AC) specifications due to factors outside of its control, such as new EPA regulations or unexpected performance issues to the systems in place. Customer E shall work with Carbonxt Inc. in good faith to meet the required specs. If the changed specs cannot be met within the time frame and price acceptable to Customer E, Customer E can terminate. If Carbonxt Inc. exercises this right to terminate after January 1, 2016, Carbonxt Inc. shall be entitled to retain any and all prepayment installments, but shall not be liable for any additional prepayment Installments or any other amounts.

If Carbonxt Inc. commits a default under the agreement, it has 10 days to cure the default, or if necessary up to 30 days to cure the default.

10.7.11. Convertible Note Deeds

Convertible Notes maturing 1 January 2020

The Company has 2,500,000 convertible notes on issue maturing on 1 January 2020 or if the Company completes an IPO, 1 January 2022 (**Maturity Date**).

Issue Price

The issue price is $1.00 per note.

Interest rate

The interest rate is 8% per annum on the face value of the note calculated on a simple interest basis on actual delays elapsed and a year of 365 days and accrues on and from 1 January 2018 ceasing on the date the notes are redeemed or converted. Interest is payable monthly in arrears.

Conversion Rights

The noteholder may only convert the notes at any time before 20 business days before the Maturity Date at a price of $0.50 cents.

Redemption time and payment

The Company must redeem each note that has not been converted on the earlier of:

- the day following the Maturity Date;
- the date of receipt by the Company of a written notice from the Noteholder that an event of default has occurred;

by paying the noteholder an amount equal to the face value of the note plus all interest accrued in cash.

The Company may at any time 6 months after completion of an IPO redeem the notes that have not been converted or are not part of a conversion notice by giving the noteholder 30 days' notice.

Convertible Notes maturing 31 July 2018

The Company has on issue 1,500,000 convertible notes maturing on 31 July 2018. Each note ranks behind all obligations of the Company under the Convertible Notes maturing on 1 January 2020 notes.

The notes are on the following terms:

Issue Price

The notes are being issued for $1.00 per note.

Interest rate

10% p.a. on the face value of the note calculated on a simple interest basis on actual delays elapsed and a year of 365 days and ceases on the date the notes are redeemed, converted or cancelled. Interest is payable monthly and in arrears.

Conversion Rights

The noteholder can only convert the notes in one of the following scenarios:

1. General Right

If, 20 days before 31 July 2018, certain IPO conditions are not met, including the receipt of application moneys under a prospectus and the receipt of conditional approval from the ASX to admit the Company to official list of the ASX (IPO Conditions), then the noteholder can convert all or part of the noteholder's notes into Shares at $0.50 per share (post consolidation).

2. IPO

If all the IPO Conditions are satisfied, the Company must convert all of the noteholder's notes at $0.56 per share (post consolidation).

3. Future Capital Raising

If a capital raising is completed other than through an IPO, then the notes are automatically converted into shares at the lessor of $0.50 per share (post consolidation) and 80% of the issue price of the Shares issued under the further capital raise, if several conditions are satisfied:

- The Company raising equity capital of $3,000,000 or greater by an issue of shares in one tranche; and
- The pre-money equity value of the Company prior to the capital raising being $40,000,000 or greater.

4. Takeover

If a takeover offer occurs for all or a substantial part of the Company's assets, the noteholder may convert all notes at the lessor of $0.50 per share (post consolidation) and 80% of the price per share under the takeover.

Redemption time and payment

The Company must redeem each note that has not been converted on the earlier of:

- the day following 31 July 2018 by paying to the noteholder an amount equal to 100% of the face value of the note together with interest;
- the date of receipt by the Company of a written notice from the Subscriber that an event of default has occurred an amount equal to 100% of the face value of the note together with interest; or
- if a takeover offer for all or a substantial part of the Company's assets occurs an amount equal to 150% of the face value of the note together with interest.

10.7.12. Related Party Agreements (including key employment agreements)

The party has entered into the following related party agreements:

10.7.12.1. Consultancy Agreement between the Company and Warren Murphy

Mr. Murphy entered into a consultancy agreement with the Company on 22 March 2013. Mr. Murphy performs the role of Managing Director and receives a remuneration package of $219,000 per annum.

The Company can terminate the contractor contract immediately for serious breaches of the terms of the agreement and for serious misconduct. If the Company terminates the agreement for the above reasons, Mr. Murphy will not be entitled to any payment other than for work performed or invoiced prior to the termination date.

The agreement contains intellectual property clauses and confidentiality clauses that are robust and survive termination of the agreement. The agreement also contains a clause prohibiting Mr. Murphy from being directly or indirectly engaged or involved in any other employment, position or business by any company that is competitive to the business carried on by the Company during their period of employment.

10.7.12.2. Contractor Agreement between the Company and David Mazyck

Dr. Mazyck entered into a contractor agreement with the Company on 10 May 2013. Dr. Mazyck receives a remuneration package of US$36,000 as a Director of the Company and a further US$263,999.97 per annum for his services with Carbonxt Inc. He is also entitled to receive 0.27 million shares per annum for nil consideration.

The agreement does not contain any intellectual property assignment provisions or confidentiality clauses nor does the agreement contain any non-compete provisions. Dr. Mazyck has in principle agreed to these terms under a proposed agreement, however the Company is in the process of negotiating a long form agreement with Dr. Mazyck.

The Company can terminate the contractor contract immediately for serious breaches of the terms of the agreement and for serious misconduct. If the Company terminates the agreement for the above reasons, Dr. Mazyck will not be entitled to any payment other than for work performed or invoiced prior to the termination date.

10. ADDITIONAL INFORMATION

10.8. Dividend Policy

The Company may pay dividends to Shareholders after considering its operating results, available cash flows, financial condition, taxation position, future capital requirements, general business conditions and other factors the Directors consider relevant.

No dividend is expected to be paid until the Company is generating substantial revenues and profits. In the foreseeable future, any surplus cash flow will be invested into the growth of the business.

Once the Company is generating a substantial and sustainable level of cash flow after commitments, the Directors intend to review this policy and possibly commence payment of dividends.

10.9. Escrow

A number of Shareholders are restricted from dealing in their Shares.

With respect to ASX imposed restrictions, the ASX Listing Rules require that certain persons or entities such as seed capitalists, promoters and related parties enter into restriction agreements under which they are restricted from dealing in a specified number of their Shares for up to 24 months from the date of quotation of those Shares. The restriction agreements will be in the form required by the ASX Listing Rules over such number of Shares and for such period of time as determined by the ASX, and restrict the ability for the holder of the Shares from disposing of, creating any security interest in or transferring effective ownership or control of such Shares.

The Company is also proposing to enter into voluntary escrow agreements. The table below sets out the periods during which certain Shareholders are restricted from dealing in their Shares pursuant to ASX restrictions.

The ASX will make the final determination of the mandatory escrow to be applied to Shares and Options which may be different from that set out in the Prospectus.

Escrowed Party	Number of Shares subject to mandatory escrow	Period of Escrow	Number of Shares proposed to be voluntarily escrowed	Period of Escrow	Options held in Escrow
Related Parties/Promoters					
Warren Murphy	200,000	24 months from the date of Quotation	Nil	NA	1,500,000
David Mazyck	267,500	24 months from the date of Quotation	Nil	NA	1,000,000
Matthew Quinn	610,560	24 months from the date of Quotation	2,009,440	Release of HY19 results	1,000,000
Oliver Quinn	2,857	24 months from the date of Quotation	Nil	NA	NA
Lang Walker and Associates	2,865,242	24 months from the date of Quotation	10,423,379	Release of HY19 results	NA
Shaw and Partners	Nil	NA	Nil	NA	500,000
Seed Capitalists/unrelated shareholders who received Shares inthe last 12 months	2,099,000	12 months after the date of issue, being sometime between June 2018and August	Nil	NA	NA
Total	**6,045,159**		**12,432,801**		**4,000,000**

Escrowed shares held by or on behalf of related parties and promoters (or their associated entities) on Completion of the Offer will be subject to escrow as follows: 5.4% of existing Shares, all of the 3.5 million EOP Options issued to Directors and the 500,000 options held by Shaw and Partners will be subject to mandatory escrow for a period of 24 months from the date of quotation and Shares comprising 17.0% of the issued capital of the Company will be subject to voluntary escrow until commencing on the date the Company is admitted to the official list of the ASX and ending on the close of day the Company's HY19 financials have been released on the ASX platform, expected to be on or around February 2019, subject to certain exceptions, but in any event, no longer than a period of 16 months from the date of quotation.

The Company has applied for a declaration that the Corporations Act is modified such that the Company does not have a relevant interest in its own shares by virtue of entering into the voluntary escrow deeds. If the Company is not granted relief, the Company will not be able to enter into the voluntary escrow arrangements which would result in the Company having greater than 20% relevant interest in its own shares.

The Company has also applied to the ASX for relief from escrow requirements for seed capitalists who have small holdings. If relief is obtained the number of shares subject to be escrow maybe significantly less.

10.10. Litigation and claims

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature involving Carbonxt which has prospects of success or is likely to have a material adverse impact on the business or financial position of Carbonxt.

10.11. Australian taxation considerations

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

Australian tax implications of investing in the Company

The taxation consequences of any investment in the Company will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the Australian taxation consequences of an investment in the Company.

This general overview of the Australian taxation implications of investing in the Company is based on current tax law and ATO taxation rulings and is limited in scope to Australian resident Investors holding Shares on capital account. The information contained in this Section is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

Introduction

The comments in this Section are based on the *Income Tax Assessment* Act 1936, the *Income Tax Assessment* Act 1997, *A New Tax System (Goods and Services Tax)* Act 1999, the relevant stamp duties legislation and current ATO taxation rulings as at the date of this Prospectus.

The general overview contained in this Section is limited in scope to Australian resident Investors holding Shares on capital account. If you are in doubt as to the course you should follow, you should seek independent tax advice.

Income tax position of the Company

The Company will be taxed as a company at the prevailing company tax rate (currently 30% for businesses with an aggregate turnover of more than $25,000,000 for FY18). Where the Company incurs a tax loss for income tax purposes in any given year, it cannot distribute the loss to Investors. The tax loss may be carried forward and offset against future taxable income of the company subject to satisfaction of the loss recoupment tests.

The Company will derive income from foreign operations (via dividends) due to trading operations in the United States. Local taxes will apply in the country in which the income is derived.

The Company will be required to maintain a franking account and may declare franked dividends to Investors.

Income tax position of Investors

Disposal of Shares

The disposal of Shares will give rise to a CGT event for Investors. Investors will derive a taxable capital gain where the capital proceeds that are received on disposal exceed the cost base of the Shares.

Likewise, Investors should generally incur a capital loss where the reduced cost base of the Shares exceeds the capital proceeds.

Generally, the capital proceeds that are received on disposal of the Shares will be equal to the consideration received on disposal. The cost base of the Shares will generally be equal to the amount paid in respect of the acquisition of the Shares plus any incidental costs of acquisition or disposal.

Provided Investors (other than corporate Investors) have held their Shares for 12 months prior to the disposal, the CGT discount concession may be available in relation to any capital gain arising as a result of the disposal. Where this concession applies, any such capital gain will be reduced (after applying capital losses) by the following discount percentages:

a. 50% for an individual, partnership or trust; or

b. 33.33% for a complying superannuation fund.

10. ADDITIONAL INFORMATION

Dividends

Dividends paid on Shares will constitute assessable income in the hands of Investors. Any dividend on Shares may or may not have franking credits attached. Where a franking credit is attached, an amount equal to the franking credits attaching to the dividends will be included in the assessable income of the Investor. Investors will generally be entitled to a tax offset equal to the amount of the franking credits on the dividend (i.e. Investors will effectively get a tax credit for the corporate tax paid in respect of the dividends), if the 45 day holding rule is satisfied. Certain Investors (including individuals and complying superannuation funds) may be entitled to a refund of 'excess franking credits' where their tax offset in respect of the franked dividends exceeds their tax liability. Some corporate Investors may be entitled to converting excess franking credits to a tax loss.

Where any dividend is unfranked, no franking credit will attach to the dividend. Accordingly, the dividend should be included in the Investor's income tax return, with no offset available.

10.12. Consents

Each of the following parties (each a Consenting Party), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Consenting party	Capacity in relation to the Company	Reports or statements
Thomson Geer	Australian legal adviser	No
Beusse, Wolter Sanks & Maire, PLLC	US IP legal adviser	Patent Attorney Report
Hall Chadwick Corporate (NSW) Limited	Investigating Accountant	Investigating Accountant's report
Boardroom Pty Ltd	Share registry	No
Shaw and Partners	Lead manager of the Offer	No
Ernst & Young	Auditor	No

To the maximum extent permitted by law, each of the parties named in this Section 10.12:

a. states that it has not authorised or caused the issue of this Prospectus;

b. is not taken to have made, or purported to have made, any representation or warranty in relation to the Company either express or implied or any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and

c. expressly disclaims and takes no responsibility for any part of this Prospectus other than as referred to in this Prospectus as having been made by such party.

10.13. Interest of experts and advisers

Other than as set out no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

i. has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or

ii. has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Hall Chadwick Corporate (NSW) Limited has prepared the Investigating Accountant's Report in Section 8 of this Prospectus and undertaken financial due diligence services in relation to the Offer and is to receive fees amounting to, approximately $40,000 excluding GST but excluding disbursements.

Thomson Geer has acted as the Australian legal advisers to the Company for the purposes of the Offer. For this work, Thomson Geer is to receive fees amounting to approximately A$95,000 excluding GST but excluding disbursements.

Beusse, Wolter Sanks & Maire, PLLC has acted as the US IP legal advisers to the Company for the purposes of the Offer. For this work, Beusse, Wolter Sanks & Maire, PLLC is to receive fees amount to approximately US$7,500 excluding disbursements.

Shaw and Partners has acted as the Lead Manager to the Offer and a description of the fees paid or agreed to be paid by the Company to the Lead Manager are described in Section 10.7.1.

Boardroom Pty Ltd is acting as Share Registry to the Company in relation to the Offer. The Company has paid, or agreed to pay the Share Registry approximately A$3,500 in respect of these services.

10.14. Costs of the Offer

The total costs of the Offer are estimated to be $1,440,000 million, and are expected to be applied towards the items set out in the table below:

Item of Expenditure	$m
Management and broker fees	0.90
Insurance fees	0.15
Legal Fees[1]	0.15
ASX listing fees	0.14
Investigating Accountant's Report and audit fees	0.04
Other costs and contingencies	0.06
Total	**1.44**

1. This includes the US legal fees which were converted at a rate of AUD1.00:USD0.77.

10.15. Supplementary Information

A supplementary prospectus will be issued if the Company becomes aware of any of the following between the issue of this Prospectus and the date the Shares issued:

a. a material statement in this Prospectus is misleading or deceptive;

b. there is a material omission from this Prospectus;

c. there has been a significant change affecting a matter included in this Prospectus; or

d. a significant new circumstance has arisen and it would have been required to be included in this Prospectus.

10.16. Brokerage and Handling Fees

No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.

10.17. Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office of the Company for a period of not less than 12 months from the date of this Prospectus:

- each Director's consent for the lodgement of this Prospectus;
- the consents referred to in Section 10.12 of this Prospectus; and
- the Constitution.

10.18. ASX/ASIC Waivers

The Company has applied for a declaration from ASIC that the Corporations Act is modified such that the Company does not have a relevant interest in its own shares by virtue of entering into the voluntary escrow deeds. If the Company is not granted relief, the Company will not be able to enter into the voluntary escrow arrangements which would result in the Company having greater than 20% relevant interest in its own shares.

The Company has also applied to the ASX for relief from ASX-imposed escrow requirements for numerous unrelated investors who invested in the last 12 months and who have small holdings. The Company will apply to ASX for relief from Listing Rule 10.11 to permit the Company to issue 0.27 million Shares to David Mazyck under his consultancy agreement. The terms of this agreement and related risks have been disclosed in Sections 10.7.12.2 and 5 of the Prospectus, respectively. If relief is granted, the Company will be able to issue Shares to David Mazyck without Shareholder approval. However, any further issue of Shares in subsequent years will require Shareholder approval.

10.19. Governing law

This Prospectus and the contracts that arise from the acceptance of the applications under this Prospectus are governed by the law applicable in New South Wales, and each applicant submits to the exclusive jurisdiction of the courts of New South Wales.

10. ADDITIONAL INFORMATION

10.20. Statement of Directors

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statement made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in the Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgment of this Prospectus with ASIC, or the Director's knowledge, before any issue of Shares pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgment of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is authorised by each of the Directors of the Company, pursuant to a resolution of the Board.

Signed for and on behalf of the Company by:



Matthew Quinn
Non-Executive Chairman

30 November 2017

SECTION 11
GLOSSARY

11. GLOSSARY

Term	Description
$	Australian Dollars
AC	Activated Carbon
Activated Carbon	A form of carbon processed to have small, low-volume pores that increase the surface area available for adsorption or chemical reactions
Annual General Meeting	The annual general meeting of the Company to be held on 30 November 2017
Applicant	A person who submits an Application
Application	An application made to subscribe for New Shares under this Prospectus
Application Form	The entitlement and acceptance form attached to this Prospectus.
Applicantion Monies	The amount of money accompanying an Entitlement and Acceptance Form submitted by an Applicant
Application Payment	The payment of the Issue Price under the Offer submitted by an Applicant for the purposes of making an Application
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	The official Listing Rules of the ASX
ATO	The Australian Taxation Office
AU	Australia
AUD/A$	Australian Dollars
Board	The board of directors of Carbonxt
Broker	Any ASX participating organisation selected by the Lead Manager and Carbonxt to act as a broker to this Offer
Broker Firm Offer	The offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received an invitation to participate from their Broker, as described in Section 7.6.1
Carbonxt or **CXT**	Carbonxt Group Limited
CAGR	Compound annual growth rate
COGS	Cost of Goods Sold
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital Gains Tax
Chairman	The chairman of the Company
Closing date	The date on which the Offer is expected to close, being 7 December 2017
Company	Carbonxt Group Limited (ACN 097 247 464)
Completion	The completion of the Offer, being the date upon which Shares are issued to Successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of Carbonxt
Corporations Act	*The Corporations Act 2001* (Cth)
Directors	Each of the directors of Carbonxt from time to time
EBIT	Earnings before net interest and tax expenses

Term	Description
EBITDA	Earnings before net interest and financing costs, tax, depreciation and amortisation expenses
ELG	Effluent Limitation Guidelines
EOP Options	The Options to be issued under the Plan
EPA	United States Environmental Protection Agency
EU	European Union
Existing Shares	The Shares already on issue in the Company as at the Prospectus Date
Existing Shareholder	A person holding Existing Shares as at the Prospectus Date
Financial year or **FY**	Year to 30 June
Forecast Financial Information	The financial information described as Forecast Financial Information in Section 4
Hg	The symbol for mercury as per the periodic table of elements
Institutional Offer	The invitation to institutional investors under this Prospectus to acquire Shares, as described in Section 7.6.2
IPO	Initial Public Offering
Issue Price	$0.70 per New Share
Lead Manager	Shaw and Partners Limited ACN 003 221 583
MATS	The US Environmental Protection Agency's Mercury Air Toxic Standards
Minimum Subscription	Applications under the Offer for $10 million of Shares
New Constitution	The constitution proposed to be adopted at the Annual General Meeting
New Shares	Shares to be allotted and issued under the Offer
New Shareholders	Investors who become Shareholders by acquiring Shares under the Offer.
NPAT	Net profit after tax
Offer	The offer of up to 14.3 million New Shares under this Prospectus, subject to the terms and conditions set out in this Prospectus
Offer period	The period from the Opening Date and ending on the Closing Date
Offer Costs	Direct costs of the Offer including fees paid to advisers and to providers of specific services to cover share registry, printing and postage costs
Opening date	The date on which the Offer opens, being 30 November 2017
Original Prospectus	The prospectus, which this Prospectus replaces, dated 22 November 2017, and lodged with ASIC on that date
PAC	Powder Activated Carbon
Plan	The employee option plan proposing to be adopted at the Company's AGM.
Professional Investor	An investor to whom an offer of securities can be made without disclosure as defined in the Corporations Act 2001
Prospectus	This document (including the electronic form of this Prospectus) dated 30 November 2017
Prospectus Date	The date on which a copy of the Original Prospectus was lodged with ASIC, being 22 November 2017
Quotation	Quotation of the Shares on the Official List of the ASX
Share	A fully paid ordinary share in the capital of Carbonxt
Share Consolidation	The 10 for 1 share consolidation of the current Shares subject to the approval of Shareholders at the Annual General Meeting

11. GLOSSARY

Term	Description
Shareholder	A holder of a Share
Sophisticated Investor	An investor to whom an offer of securities can be made without disclosure as defined in the Corporations Act 2001
Substantial Shareholder	A Shareholder who has a relevant interest of 5% or more in the Company either directly and or with associates
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer
U.S. Securities Act	The U.S. Securities Act of 1933, as amended
US	United States of America
USD/US$	United States Dollars
USPTO	United States Patent and Trademark Office

CORPORATE DIRECTORY

Carbonxt Group Limited registered office

Level 12, 225 George Street
Sydney, NSW, 2000, Australia

Lead Manager

Shaw and Partners
Level 15, 60 Castlereagh Street
Sydney, NSW, 2000, Australia

Legal Adviser

Thomson Geer
Level 25, 1 O'Connell Street
Sydney, NSW, 2000, Australia

Investigating Accountant

Hall Chadwick Corporate (NSW) Limited
Level 40, 2 Park Street
Sydney, NSW, 2000, Australia

Auditor

Ernst & Young
200 George Street
Sydney, NSW, 2000, Australia

Corporate website

www.carbonxt.com



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