



Cleantech company reducing emissions and pollutants

Capital raising to support new production facility

Investor Presentation

29 July 2022

ASX: CG1

Company snapshot



- ❖ ASX listed Cleantech company producing patented activated carbon products ('AC') to eliminate toxic pollutants from industrial gas and wastewater streams
- ❖ The ONLY US manufacturer of industrial AC Pellets
- ❖ Operating in large addressable markets with rapidly growing industrial use cases
- ❖ Large and sticky customer base, with a number of 3-5 year contracts with high retention
- ❖ Multiple near term value drivers provide shareholders with significant growth opportunities



SUMMARY

Share Price (\$)¹	\$0.15
Shares on Issue (m)	189.5
Market Cap. (\$m)¹	\$28.4
Cash (\$m) (30 June 2022)	\$1.10
Debt (\$m) (31 December 2021)	\$5.03
Enterprise Value (\$m)¹	\$32.33
Options/Warrants (m)	36.54

1. As at 20 June, 2022
2. As at 31 March, 2022

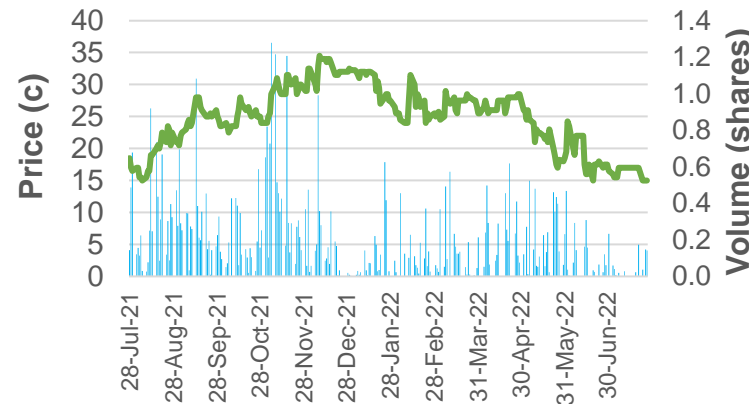


BOARD OF DIRECTORS

Name	Position	Shares (m)
Matthew Driscoll	Chairman	1.58
Warren Murphy	MD	1.08
David Mazyck	Director	0.43
TOTAL		1.63%



PRICE AND VOLUME CHART



Volume

ClosePrice



SHARE REGISTER

Pie Funds Management	7.8%
L A Andrews Investments	4.2%
Sufian Ahmed	3.6%
Altior Capital Management	2.9%

Transformational investment opportunity



1

CG1 has signed term sheets for the establishment and financing of 50% ownership in a new state-of-the-art activated carbon plant located in eastern Kentucky, USA in collaboration with KCP, an established, well capitalised and well connected participant in the US market

2

Increases current production capacity from ~16,000 tonnes to over 25,000 tonnes (a 57% increase), with a further expansion available thereafter. All capacities are in CG1 economic ownership terms (i.e. 50% of new capacity)

3

Right time in the cycle; pricing of all forms of CG1's activated carbon products are up 40% in the last six months to between US\$3,200 and US\$3,800 per ton as evidenced through new contracts

4

Cost of production for incremental Kentucky volumes expected to be materially less than existing capacity due to higher quality feedstock, low-cost renewable power source and shared services with KCP. Provides Gross Margins of approximately 55% based on initial contracts. Modest incremental operating cost requirement for CG1, resulting in significant operating leverage

5

Production Facility located adjacent to established and operational, renewable waste-to-energy facility, providing synergistic opportunities to further improve operating costs and quality control

6

World class ESG credentials – Management believes that Kentucky will operate as one of the most sustainable plants of its kind in the world

7

CG1 emerges with a diversified manufacturing portfolio in North America with plants located in Kentucky, Minnesota and Georgia

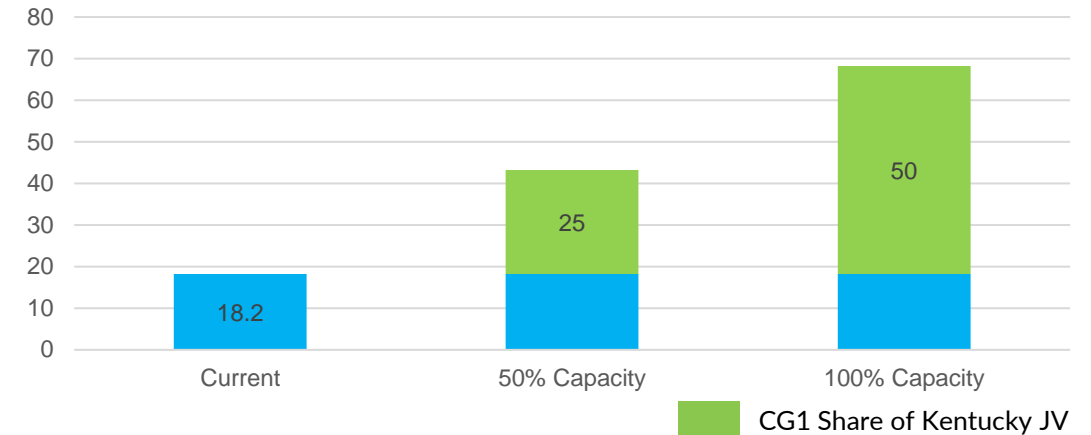
Kentucky project delivers significant production capacity



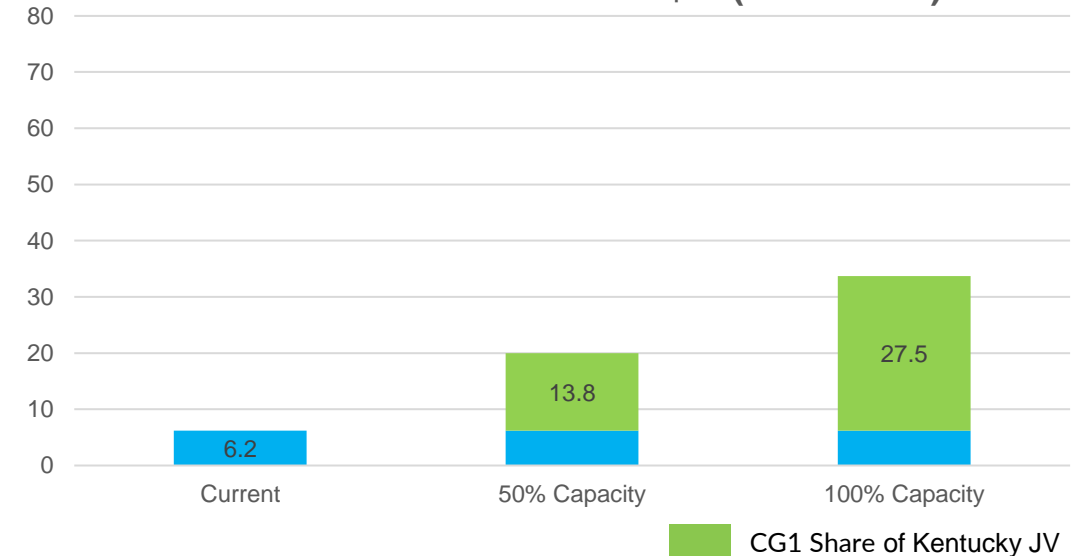
- ❖ New activated carbon production plant located in eastern Kentucky alongside innovative waste to energy ('WTE') provider Inez Power LLC
- ❖ Significantly increases production capacity and gross margin and allows existing capacity to be repositioned to produce more specialised products
- ❖ Activated carbon market continuing rapid growth as energy intensive industries commit to reducing emissions
- ❖ Facilitates entry into the ~US\$500m granular activated carbon ('GAC') market, dramatically increasing CG1's addressable market
- ❖ The GAC market in the US is set to outpace the current market for pellets;
 - GAC consumption of 110k-120k tons per year is set to increase by a further 25-50% tons per annum based on decarbonisation trends
- ❖ Due to a number of supply and demand forces, activated carbon prices have increased by ~40% in 2022. The Kentucky expansion provides scale and cost benefits, allowing CG1 to capitalise on the structural growth within activated carbon markets at attractive operating margins
- ❖ Production expected from Kentucky facility before 30 June 2023

New contracts announced for ~2,400 tons (1,200 CG1 share) at average of US\$3,725 per ton to support new production capacity, with ongoing discussions for additional volume

Indicative Revenue A\$m (CG1 Share)*



Indicative Gross Profit A\$m (CG1 share)*



*Current reflects 1H FY22 annualised. Initial and Total calculated based on utilising additional Kentucky capacity at an average activated carbon price of US\$3,500 p/t, with 70c AUD: USD exchange rate, and 55% gross profit margin

Benefits delivered from unique plant characteristics

- ❖ Design and engineering work underway, with first production anticipated prior to 30 June 2023
- ❖ Strategic location adjacent to Inez Power's WTE facility (*refer image*)
- ❖ Economies of scale for the initial construction and long-term operation of the plant;
 - Close to high quality raw material (carbon) sources
 - Strategically located beside a modern four-lane regional highway – within one day's delivery to two thirds of the US population
- ❖ Synergistic opportunities to deliver much lower costs of operation, including high-quality feedstock, shared services with KCP and access to low-cost, renewable energy source
- ❖ Electricity from WTE facility to be used as an energy source, resulting in the lowest cost of production for CG1's activated carbon plant in the US;
 - ~US\$0.06 k/Wh compared to typical commercial rate of over US\$0.20 k/Wh.
 - Represents a > 10% reduction in production costs, from renewable source.
- ❖ Significant volumes (2,400t) newly contracted to CG1 partners and new customers in multiple industrial sectors



World class ESG credentials offered by Kentucky project



Innovative technology

Electric kiln technology - Improved energy efficiency from greater temperature regulation, while eliminating emissions created by conventional natural gas fired kilns

No fossil fuels

CG1's processes avoids the use of fossil fuels as its primary heating source, a defining advantage over its peers

Powered 100% by renewable energy

CG1's pellets, powders and granular activated carbon products will be the first of its kind to be manufactured using a fully renewable energy source

Sustainable use of plant emissions

High quality and consistent syn gas emissions produced from the plant will be used in Inez Power's WTE facility, resulting in increased and more efficient electricity production

CG1's believes its plant will be the greenest and most sustainable of its kind in the world

Broadened product range underpinned by unrivalled IP



Proprietary Activated Carbon Pellet technology ('ACP')

- ❖ The **only** North American manufacturer of industrial ACP products, in a fast growing and largely underpenetrated market
- ❖ Entered US market in FY18 – \$9m+ revenue in first full year and in FY20 despite largest customer being affected by COVID-19
 - Enquiries increasing as awareness of Pellet capabilities grows - >10 customers with 8 added in the last 12 months
- ❖ Existing Manufacturing facility in Arden Hills (Minnesota) and new facility to be built in Kentucky with operations commencing 2QFY22
 - 16,000t p.a. total capacity (economic interest) depending on product produced; (avg. price A\$5,000/ton);

Activated Carbon Pellet (ACP)



Proprietary Powdered Activated Carbon ('PAC')

- ❖ Mercury capturing PAC that doesn't contain bromine and does not corrode capital equipment
- ❖ Long sales lead time and competitive market – lead time expected to shorten as Company moves into scale and profitability
- ❖ Carbonxt manufacturing facility in Black Birch (Georgia, USA) currently at ~70% utilisation
 - 10,000t p.a. capacity (avg. price A\$1,800/t); Gross margin expected to increase with scale to ~40% from ~34% today

Powdered Activated Carbon (PAC)



Granular Activated Carbon technology ('GAC')

- ❖ GAC is the best-known technology for addressing "forever chemicals" (PFOAs). PFOAs are widespread and man-made, found often as a byproduct of manufacturing non-stick, stain-, water-, and heat-resistant products. Many States are regulating the use of PFOAs
- ❖ Accordingly, the Market for GAC products set to grow significantly
 - Consumption of 115,000 tons per year is set to increase by 30,000 to 60,000 tons per annum based on PFOAs and decarbonisation trends

Granular Activated Carbon ('GAC')



Strong macro tail winds driving the cleantech sector



Unprecedented levels of investment in low carbon cleantech assets – ESG mandated assets are projected to make up half of all professionally managed assets globally by 2024



CG1's success in addressing major environmental concerns of airborne emissions and water contamination was recently featured on US National TV (CNBC) series 'Advancements' with Ted Danson on the 11th September 2021 – <http://advancementstv.com/segments/>



Biden Administration embracing steep cuts to industrial carbon emissions - US budget included a US\$12 billion allocation for the Environmental Protection Agency (EPA), highest budget ever and a 29% increase on previous levels

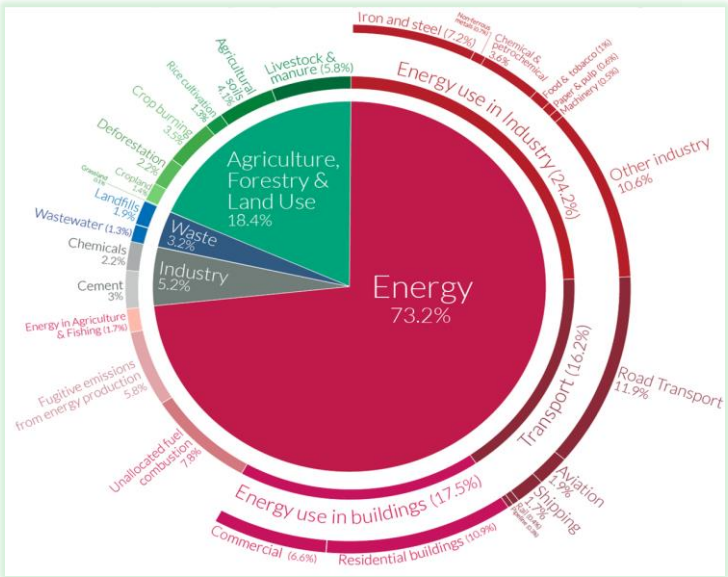


World's largest 217 companies reported their financial impact from climate related risks at US\$1 trillion – it is cheaper to manage these physical and transitional risks up front



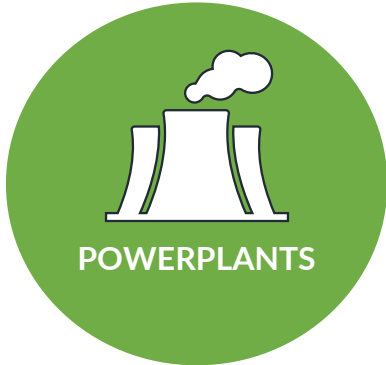
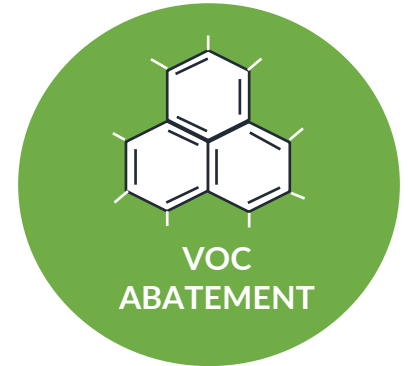
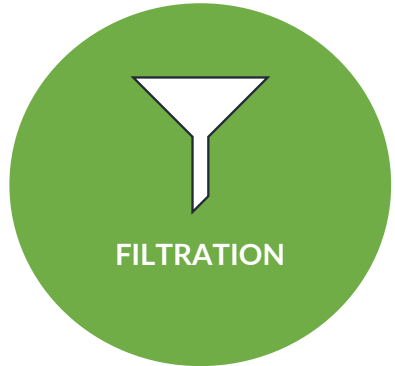
Source: Morningstar Direct

US sustainable funds flow – ESG attracted US\$70 billion in new assets in 2021



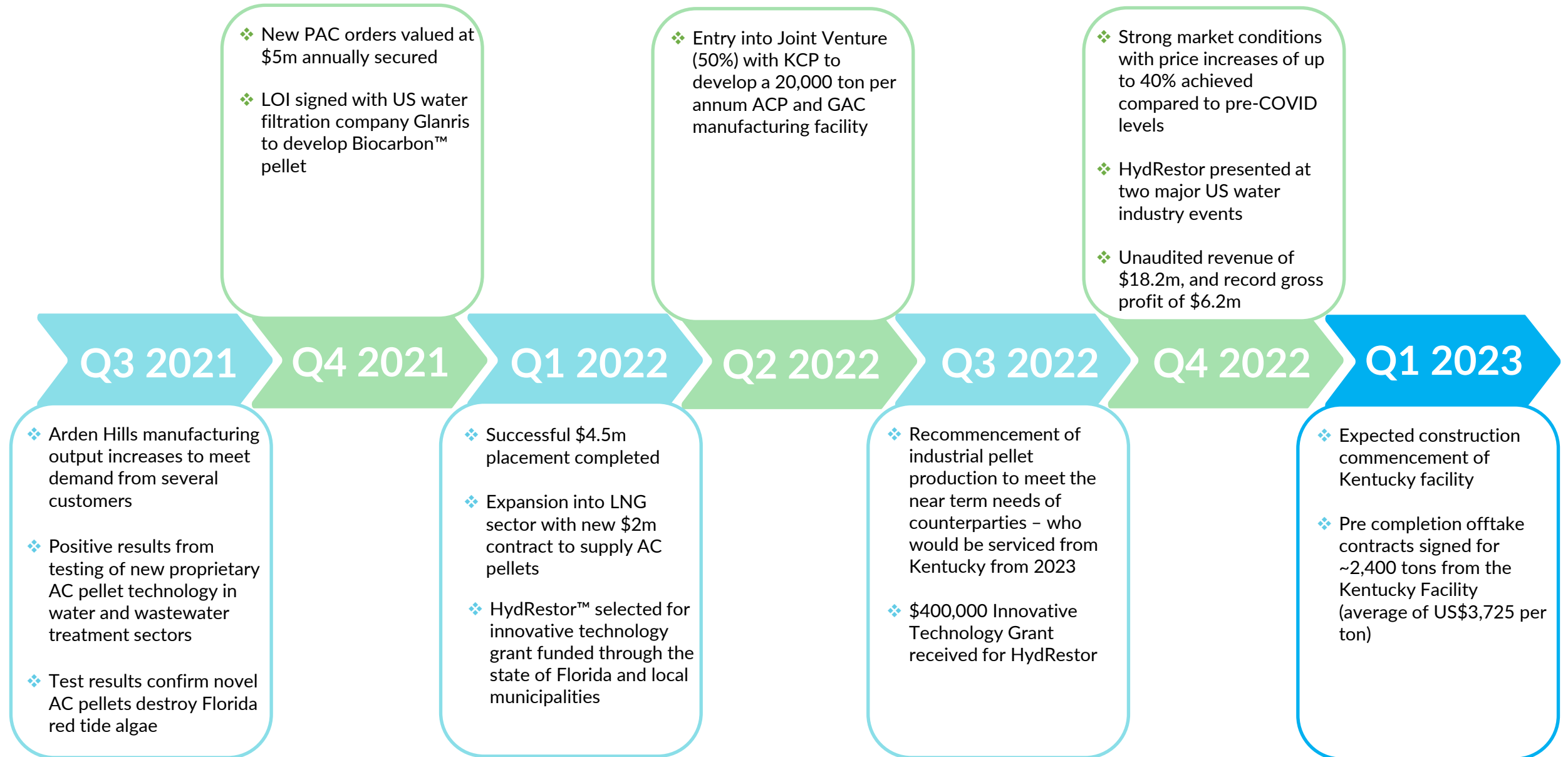
Global breakdown of greenhouse gas emissions

Broad industry applications with large addressable markets



- ❖ AC Peller market expanding rapidly across a broad range of industrial applications
- ❖ Pellets for the Granular Activated Carbon (GAC) market lower the pressure drop for users thereby reducing energy consumption and carbon emissions. GAC is a US\$500m market
- ❖ Development of new solutions continue to expand the addressable market into new industries, creating strong and immediate growth opportunities

Recent successes and near-term value drivers



Revenue back to pre-COVID levels, record gross profit, EBITDA positive

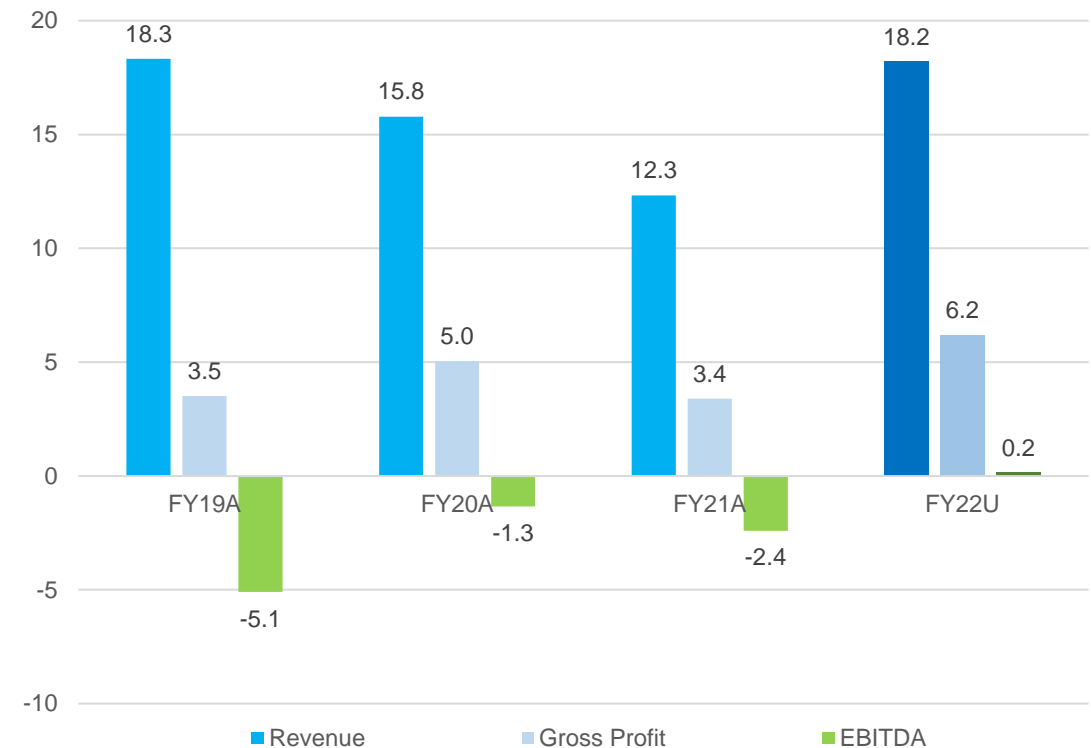


- ❖ Unaudited FY22 revenues exceed pre-pandemic levels: COVID-19 related disruptions are now resolved. Expansion plans being executed to meet market demand.
- ❖ Demonstrable progress to cash flow positive operations. Unaudited revenue back to pre-COVID levels, record gross profit, and EBITDA positive in FY22
- ❖ Business momentum continues:
 - Signed LOI with US water filtration company Glanris to develop Biocarbon pellet (December 2021)
 - Univar Solutions contract win for expansion into LNG sector (March 2022)
 - HydRestor selected for innovative grant through state of Florida (March 2022)
 - New contracts for ~2,400 tons at average of US\$3,725 per ton:

Contract Party	Price / ton	Term	Volume (tons)
Customer A	\$3,500	1 year	500
Customer B	\$3,800	3 years	500
Customer C	\$3,800	1 year	400
Four Distributors	\$3,800	1 year	~1,000

- ❖ Demand from customers increasing with new customer orders received; operations at Arden Hills and Black Birch nearing maximum capacity and on a 24/7 cycle
 - Margin improvement expected as higher volumes decrease fixed plant costs on a per unit basis
- ❖ Cash receipts have improved since COVID-19 disruptions, with operating cash flow trending positively

Revenue, Gross Profit and EBITDA



A = Audited
U = Unaudited

Unaudited FY22 results show revenue growth, record gross profit and EBITDA positive operations



Equity Raising

Key details of the offer

Capital raising details	<ul style="list-style-type: none"> ❖ CG1 will undertake a pro-rata accelerated non-renounceable entitlement offer of 1 new share for every 4 shares on issue, to raise up to \$6.6 million (“Entitlement Offer”) <ul style="list-style-type: none"> ○ \$2.0 million of the Entitlement Offer is underwritten, with sub-underwriting support from existing and new sophisticated and professional shareholders
Offer pricing metrics	<ul style="list-style-type: none"> ❖ The Entitlement Offer will be conducted at \$0.14 per share (the “Issue Price”), which represents: <ul style="list-style-type: none"> ○ 6.7% discount to CG1’s closing share price on Thursday 28 July 2022 of \$0.15 per share ○ 10.1% discount to CG1’s 10-day VWAP on Thursday 28 July 2022 of \$0.156 per share ○ 5.4% discount to TERP¹ of \$0.148 per share
Entitlement Offer overview	<ul style="list-style-type: none"> ❖ The Retail Entitlement Offer will open on Friday, 5 August 2022 and close on Friday, 2 September 2022 ❖ Eligible existing shareholders in Australia and New Zealand have the opportunity to apply for additional New Shares in addition to their entitlement under a “Top-up Facility”, subject to scale back at the Company’s discretion ❖ \$2.0 million of the Entitlement Offer is underwritten with sub-underwriting support from existing shareholders. The Company reserves the right to place any additional shortfall for 3 months following the completion of the Entitlement Offer ❖ Further details in relation to the Entitlement Offer will be provided to eligible shareholders in Australia and New Zealand in due course
Ranking	<ul style="list-style-type: none"> ❖ New shares under the Entitlement Offer will rank equally with existing shares on issue
Director Participation	<ul style="list-style-type: none"> ❖ Australian based Directors, Matthew Driscoll (Chair) and Warren Murphy (Managing Director) will take up their full entitlement

1. TERP means the “theoretical ex-rights price” at which CG1 should trade immediately after the ex-date of the Offer and is adjusted for entitlement offer shares. TERP is a theoretical calculation only and the actual price at which CG1’s shares trade will depend on many factors and may not be equal to the TERP.

Sources of Funds	\$m
Underwritten Entitlement Offer	2.0
Convertible Note Facility	5.0
Additional Loan Facility	8.5
Total Sources of Funds	15.5

Uses of Funds	\$m
Kentucky facility (CG1 50% share)	
- Equipment	8.5
- Electrical and mechanical	3.0
- Site preparation and installation	2.0
- Contingency	1.0
Cash to balance sheet	0.5
Costs associated with offer	0.5
Total Uses of Funds	15.5

- ❖ The funds raised under the offer will be used to fund the capital expenditure requirements for the Kentucky facility currently under construction
- ❖ In addition to the funds raised from the Entitlement Offer, the Company has executed term sheets for:
 - ❖ Convertible Note Facility : provided by two domestic institutional investors; and
 - ❖ Loan Facility : extension of the Pure Asset Management facility
- ❖ New Secured Loan Facility and Converting Note Facility subject to final documentation and approval by Shareholders at the AGM
 - ❖ Summary of key terms included in Appendix to this presentation
- ❖ Substantial progress already made on Kentucky facility
 - ❖ Site fully permitted
 - ❖ Ground-works commenced
 - ❖ Equipment identified (all US based / local suppliers with stock)
 - ❖ Equipment and services fully costed at current market
- ❖ Any additional amounts raised under the Entitlement Offer will provide additional working capital for the company

Equity raising timetable



Event	Time and date (AEDT)
Trading Halt	Friday, 29 July 2022
Announcement of the Equity Raising, Institutional Entitlement Offer open	Friday, 29 July 2022
Institutional Entitlement Offer closes	3:00pm, Friday, 29 July 2022
Announcement of results of Institutional Entitlement Offer	Tuesday, 2 August 2022
Trading halt lifted and trading recommences on an ex-entitlement basis	Tuesday, 2 August 2022
Record date for determining entitlement to subscribe for New Shares	7:00pm, Tuesday, 2 August 2022
Retail Entitlement Offer opens and retail offer booklet despatched	Friday, 5 August 2022
Settlement of New Shares issued under the Institutional Entitlement Offer	Tuesday, 9 August 2022
Retail Entitlement Offer closes	Friday, 2 September 2022
Announcement of results of Retail Entitlement Offer	Tuesday, 6 September 2022
Settlement of New Shares issued under the Retail Entitlement Offer	Thursday, 8 September 2022
Allotment of New Shares issued under the Retail Entitlement Offer	Friday, 9 September 2022
Quotation of New Shares issued under the Retail Entitlement Offer	Monday, 12 September 2022
Expected despatch of holding statements	Tuesday, 13 September 2022



CONTACT

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Risks

Regulatory Risk	Carbonxt is heavily reliant on US environmental policies and regulation, in particular 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 Effluent Limitation Guidelines (ELGS) which progressively come into effect from December 2018. Any change to or reversal of current legislation would have a significant negative effect on the Company's business model and financial performance. It should be noted that the current President has mooted substantially changes in the operation of the EPA and regulation, including MATS, may be affected. At this stage, the utilities that Carbonxt conducts business with have indicated no change to their future planned operating procedures and planning.
Expected Financial Impact	Carbonxt has undertaken an analysis of the expected financial impact that the new production facility will have on the financial performance of the Company. Any guidance referred to in this presentation is the Company's best estimate of anticipated financial results based on the information available at the date that guidance was given. However, there is a risk that unforeseen issues or factors outside of the control of the Company may cause the actual results achieved to differ or be weaker than anticipated, and such differences may be material to the Company's financial performance.
Competition Risk	The Company operates in a dynamic AC market primarily driven by the US EPA's regulations. There is a possibility that existing or new competitors may increase competitive pressure through technological advancements, volume increases or pricing and other strategies. Any significant advancements in technology for producing AC have the potential to change the competitive environment in which the Company operates.
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.
Intellectual Property Risk	The Company relies on its intellectual property (including technology, know how, trademarks, designs and patents) and there can be no assurance that competitors or other parties will not imitate or develop technology and know how that challenges or competes with the Company or supersedes the Company's intellectual property. In addition, any unauthorised use or disclosure of Carbonxt's intellectual property may also have an adverse effect on the Company's financial performance.
Reliance on Key Personnel	Carbonxt employs, or engages as consultants, a number of key management and scientific personnel. The inability of the Company to retain and attract highly qualified and experienced personnel could have a material adverse impact on the Company's business and financial performance.
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, which may negatively affect the financial performance of the Company.

Brand Establishment and Maintenance	Establishing and maintaining its brand in the industry is critical to growing the Company's customer base and product acceptance. Prior to entering into supply agreements, the Company is required to undertake vigorous testing of its Activated Carbon solutions. While the Company has so far been successful in tests undertaken to support the effectiveness of its products and processes, any future unsuccessful tests for potential customers could adversely affect the Company's brand, and its business and operating results could be adversely affected. The Company must also maintain and support its existing customer relationships to maintain its brand and attract further customers.
Offshore Operations	While the Company's corporate management is in Australia, its operations are based in the United States. The global nature of the coal fired generation business and the United Nations initiatives in respect of mercury capture, may result in the Company's activities extending to other countries in the future. Geographic diversity adds risk to the ability of the Company to manage its operations and employees, and introduces additional risks relating to the general economic, regulatory, legal, social and political environment in the jurisdictions in which it intends to operate, which may in turn adversely affect the Company's business and financial condition.
Exchange Rate Risk	The Company is exposed to movements in exchange rates as the vast majority of the Company's revenue and expenses are denominated in USD. Adverse movements in the AUD/USD exchange rate may have an adverse effect on the reported financial performance and/or financial position of the Company.
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 any such claims.
General Market Risks	General economic factors such as interest rates, exchange rates, inflation, business and consumer confidence and general market factors may have an adverse impact on Carbonxt's performance, prospects or value of its assets. The market price of the Company's shares will fluctuate due to various factors, many of which are not specific to Carbonxt, including domestic and international general economic conditions, inflation rates, interest rates, exchange rates, changes in government, fiscal and monetary policies, regulatory changes, global investment markets, geo-political events and hostilities and other factors that may affect the Company's financial performance and position. In the future, these factors may cause Carbonxt shares to trade at or below their issue price.
Litigation	In the ordinary course of business, Carbonxt may be involved in litigation disputes from time to time. Litigation disputes may adversely impact the operational and financial performance of and industry standing of the Company. 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 affect Carbonxt's financial position.
Other Risks	The above risks should not be taken as a complete list of the risks associated with an investment in Carbonxt. The risks outlined above and other risks not specifically referred to may in the future materially adversely affect the Company, or the value of the Shares and their performance. Accordingly, no assurance or guarantee of future performance or profitability is given by Carbonxt in respect of the Company or the Shares.



Loan Facility Term Sheet Summary

Loan Facility term sheet summary



The Company has entered into a Term Sheet with Pure Asset Management Pty Limited (Pure) under which Pure makes available to the Company a secured term loan facility (Loan Facility) the terms of which may be summarised as below.

It should be noted that the Company has an existing loan from Pure for the amount of approximately \$5.5 million (Existing Loan). As detailed below, the new Loan facility is for an amount of \$14 million which, after paying back the Existing Loan, makes available to the Company an amount of \$8.5 million (before costs).

Facility Terms		
1.	Facility Amount	\$14,000,000
2.	Purpose	The Loan must be applied: (a) first, towards full payment of outstanding fees; (b) second, funding the Kentucky Joint Venture; (c) third, towards acquisitions and product development, and (d) fourth, towards working capital and general corporate purposes, or such other purposes approved by Pure in writing
3.	Repayment Date	48 months after utilisation (or earlier upon default of other prescribed events.
4.	Establishment Fee	2.00% of the Facility Amount, payable on the utilisation date
5.	Ranking and Security of Note Facility	The Notes will be secured by a first ranking general security interest over the assets of the Company and its subsidiaries.
6.	Interest Rate	9.50% per annum (14.00% per annum following a an event of default or other events which will be specified in the formal agreement governing the Loan Facility (Facility Agreement)
7.	Drawdown	The Facility Amount will be made available in cleared funds on execution of Facility Agreement.
8.	Financial Covenants and other undertakings	<div> <div>(a)</div> <div>Cash balance to be greater than A\$3,000,000 at all times;</div> </div> <div> <div>(b)</div> <div>Beginning 30 June 2023, Net Debt / trailing 6m EBITDA must be below 8x, tested quarterly.</div> </div> <div> <div>(c)</div> <div>Trailing 12-month EBITDA greater than A\$7,000,000 as at 30 June 2025.</div> </div> <div> <div>(d)</div> <div>Beginning 30 June 2023, Net Debt / trailing 6m EBITDA must be below 6x,.</div> </div> <div> <div>(e)</div> <div>The Company will provide other undertakings to Pure which are customary with senior lenders.</div> </div>
9.	Information Rights	Pure will have information and audit rights which are customary with senior lenders.

Loan Facility term sheet summary (cont'd)

Facility Terms		
10.	Warrants	<p>The Company shall be required to issue 50,000,000 warrants (Warrants) to Pure or its nominees with an exercise price (Exercise Price) being the lower of the following:</p> <ul style="list-style-type: none"> (a) Exercise Price relating to each individual Warrant Shares tranche: <ul style="list-style-type: none"> i) 14,000,000 exercisable at \$0.20 ii) 13,000,000 exercisable at \$0.24 iii) 12,000,000 exercisable at \$0.28 iv) 11,000,000 exercisable at \$0.32 (a) If the Company makes an issue of equity securities (or a series of consecutive issuances of equity securities in any period not exceeding 12 months) and the diluted amount of those equity securities (in aggregate) exceeds 15% of the number of Company shares on issue immediately before the announcement of the issue or first issuance: <ul style="list-style-type: none"> i) the Adjusted Price; or ii) in the case of a series of issuances, the volume weighted Adjusted Price in relation to those issuances. <p>The Adjusted Price is the price calculated in accordance with the following formula: $(A + B) / C$, where:</p> <ul style="list-style-type: none"> A = market capitalisation of the Issuer on the trading day prior to the announcement of the issue of equity securities; B = the number of equity securities the subject of the issue multiplied by their issue price; and C = the number of Shares on immediately before the announcement of the issue of equity securities plus the diluted amount of the issued equity securities issue <p>The Warrant Price Adjustment mechanism does not apply to equity issuances above the Exercise Price.</p> <p>The Warrants may be exercised during the period commencing on the date of the issue of the Warrant and expiring at 5.00pm AEST on the date that is 7 days prior to the Repayment Date.</p>
11.	Other terms including Defaults, Representations and Warranties	Customary events of default, representations, warranties, and indemnities.
12	Conditions Precedent	<p>The Facility will be subject to various conditions including:</p> <ul style="list-style-type: none"> • Definitive documentation being finalised subject to the satisfaction of the parties. • Receiving any necessary shareholder approvals for the capital raising and the issue of Warrants.



Convertible Note Term Sheet Summary

Convertible Note Facility term sheet summary



The Company has entered into Term Sheets with Altor Capital Management and Regal Funds Management (Investors) under which the Investors makes available to the Company a convertible note facility (Convertible Note Facility) the terms of which may be summarised as follows:

Facility Terms		
1.	Facility Amount	\$5,000,000 by the issue of up to 5,000,000 convertible notes (Notes) with a face value of \$1.00 each
2.	Purpose	The issue of the Notes in connection with a proposed equity raising will be used to partially fund the Company's equity contribution to the Kentucky Joint Venture.
3.	Maturity Date of Notes	36 months from the date of issue.
4.	Face Value of Notes	A\$1.00 per Note
5.	Ranking and Security of Note Facility	The Notes will be secured by second ranking general security interest over the assets of the Company and its subsidiaries. This security will rank behind any security given to Pure Asset Management Pty Limited (see the summary below in relation to the proposed Debt Facility).
6.	Interest Rate	The Notes bear interest from the date of issue at 9.5% per annum, due quarterly in arrears payable in additional notes or cash at the election of the Company.
7.	Drawdown	The Facility Amount will be made available in cleared funds on execution of binding facility documentation.
8.	Conversion	<p>Noteholders can convert all or a partial number of Notes at any time (after the initial 6 months post issue of the Notes) at a 20% discount to the 14-day VWAP.</p> <p>The number of shares issued will be calculated as follow if a Conversion Event occurs:</p> $S = (N \times V) / P$ <p>Where:</p> <p>S = the number of Shares in the Company into which each Note will convert</p> <p>N = number of Notes</p> <p>V = Face Value</p> <p>P = the lower of (a) the 14-day VWAP price at notice of Conversion x 80% or (b) the Valuation Ceiling. However, the price will not be any lower than the Valuation Floor.</p> <p>Valuation Ceiling:</p> <p>Valuation Ceiling: \$0.21 per share</p> <p>Valuation Floor:</p> <p>Valuation Floor: \$0.12 per share.</p>

Convertible Note Facility term sheet summary (cont'd)



Facility Terms		
9.	Valuation Ceiling and Floor Repricing	The Valuation Floor and Valuation Ceiling are subject to a repricing mechanism in the event that the Company raises equity or any other type of security which has an implied equity price per share of less than \$0.12 and \$0.21 respectively. This excludes the equity capital raise being completed in parallel with this Facility.
10.	Conversion Conditions Precedent	<p>The Notes at Maturity will mandatorily convert if the following events are met at Maturity:</p> <ol style="list-style-type: none"> 1. Trailing 12-month EBITDA of at least A\$12.0m. This will include both statutory EBITDA and normalised EBITDA. 2. A minimum cash balance of \$3.0 million. 3. No review event persisting as per clause 12. <p>In the event, these conditions are not met at Maturity, the Company will have 3 months to meet these conditions or otherwise the Notes will be repaid by cash.</p>
11.	Covenants	<p>The Facility will have the following covenant associated with it, whereby any breach will result in Carbonxt having a 2-month cure period or otherwise Clause 20 will apply.</p> <ul style="list-style-type: none"> • Minimum cash balance of A\$1,500,000. • Minimum cash balance and net working capital of A\$1,250,000.
12.	Review Events	<p>Management will inform the Note Holders within 15 business days of the end of each financial quarter if following has occurred:</p> <p>FY23 Events</p> <ol style="list-style-type: none"> 1) H1: Gross Margin as released to the ASX of A\$3.0m. 2) H2: Gross Margin as released to the ASX of A\$4.0m. <p>FY24 Events</p> <ol style="list-style-type: none"> 1) H1: Gross Margin as released to the ASX of A\$6.0m. 2) H2: Gross Margin as released to the ASX of A\$7.5m. <p>FY25 Events</p> <ol style="list-style-type: none"> 1) H1: Gross Margin as released to the ASX of A\$8.0m. 2) H2: Gross Margin as released to the ASX of A\$8.5m. <p>Default interest will apply in addition to the Interest Rate until remedied or repaid.</p>

Convertible Note term sheet summary (cont'd)



Facility Terms		
13.	Reporting of material information	The Company will give a general undertaking to provide all material information reasonably requested by the Investors.
14.	Transferability	The Notes are freely transferable, unless to a competitor.
15.	Reorganisation	The conversion price shall be subject to adjustments for standard dilutive events including subdivision, consolidation and re-classification, and bonus issues.
16.	Voting rights	None
17.	Default Interest Rate	In the event of default and/or breaching covenants, a 5% penalty rate will be applied in addition to the Interest Rate.
18.	Other terms including Defaults, Representations and Warranties	<p>Customary events of default including breaches of law, breaches of loan documentation, material disposals, cross defaults, change of control, trading suspension, insolvency/administration, material litigation, etc. but subject to reasonable cure period of 2 months. In the case of an Event of Default as a result of customary events of default listed above, the Facility is repayable immediately.</p> <p>In the case of an Event of Default as a result of covenant breaches, the Lenders will have the right, but not the obligation, to accelerate, the repayment of any outstanding principle of the Loan including accrued interest.</p> <p>Customary representations, warranties, and indemnities.</p>
19.	Conditions Precedent	<p>The Transaction will be subject to various conditions including:</p> <ul style="list-style-type: none"> Definitive documentation being finalised subject to the satisfaction of the Lender. Definitive documentation for the extension of the Pure Asset Management senior facility Launching an equity capital raising of no less than A\$2.0 million. Receiving total commitments of A\$5 million under the Facility Receiving any necessary shareholder approvals for the capital raising and the issue of Notes.

It is important to note that, notwithstanding the terms of the Note Facility Terms Sheet summarised above, it is possible that the facility is not obtained on the above terms (or at all). This may be for various reasons including the failure of the parties to agree final definitive terms or the Company's shareholders failing to approve the terms (to the extent that approval is required).

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