



ASX RELEASE

31 March 2020

Carbonxt Group Limited – COVID-19 Update

Overview

- The “essential services” nature of Carbonxt’s customers ensure any impact of COVID-19 can be mitigated.
- Discussions within the Pellet segment continue to materialise, with the long-term opportunities far outstripping any potential short-term COVID-19 impact. However, the timing of closing transactions is being impacted by the working conditions being imposed on our customers.
- As a result of the further delays in contracts that were expected, we are amending our revenue guidance to be in a range of \$18m to \$24m (i.e. a range in line with last year’s results to the bottom of the previous revenue guidance range). This is still expected to represent growth on FY19.
- The Company is forecast to be EBITDA positive for the remainder of the financial year. To further maintain cash reserves, the directors and senior management have agreed to accept shares instead of cash salaries which is roughly equivalent to two months of director remuneration.
- For prudence sake, an EGM Notice has been dispatched to refresh our Placement capacity and to approve the issue of shares to directors.

COVID-19 Impact on Carbonxt

Coal fired power plants are a significant employer of US residents, and their designation as an essential service presents little risk of plant closures through this difficult period.

Discussions within the Pellet segment continue to materialise, with the long-term opportunities far outstripping any potential short-term COVID-19 impact.

From a supply chain perspective, Carbonxt is well placed to weather the pandemic. Relative to competitors who source most of their raw materials from China, Carbonxt source predominantly from the USA ensuring minimal disruption.

Carbonxt believe opportunities may eventuate based on the fallout from COVID-19.

These opportunities are based around the potential for both customers and competitors to shift away from the historical practices of the Activated Carbon industry.

These can be summarised as follows:

- i) Expectation that US customers will buy increasing amounts of American sourced product.
- ii) Expectation that Chinese supply chains could remain impacted for some time given global border / haulage restrictions.
- iii) Expectation that competitors may look to source local US raw materials as opposed to procuring through China.

All the above represent a departure from current industry processes and present potential upside for Carbonxt based on our industry position.



Summary and Financial Outlook

- The Company continues to develop its customer pipeline in particular with regards to activated carbon pellet products and is active contract discussions with several parties. As with many companies, our customers are conducting all meetings by tele-conference and are working from home. From an efficiency perspective, this is presenting delays in concluding these contractual discussions.
- Due to these delays in contracts that were expected to start earlier this calendar year, it seems likely that the Company will report FY20 revenue between last year's revenue of circa \$18m and at the lower end of the previous guidance of \$24m. Final revenue amount for FY20 will depend on how soon these new customers commence their proposed purchases with Carbonxt.
- The Company sees negligible sales impact from COVID-19, and is seeing an uplift in enquiries, particularly in the activated carbon pellet sector. Carbonxt manufactures product in the US and to the best of our knowledge do not believe any part of our supply chain is reliant on imports from China nor impacted by COVID-19.

This announcement has been authorised for release to ASX by the Board of Directors of Carbonxt Group Limited.

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Enquiries

Warren Murphy
Managing Director
+61 413841216
w.murphy@carbonxt.com

About Carbonxt

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