



ASX RELEASE

30 April 2020

Carbonxt Group Limited – March 2020 Quarterly Activity Report

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the March 2020 Quarter and provides the following update on the key areas of activity for the period -- all numbers are in A\$.

Principal Activities

Carbonxt is a cleantech company that develops and manufactures environmental technologies that support air and water emission requirements and the removal of harmful pollutants. The Company's primary operations are in the US and include a significant R&D facility as well as manufacturing plants for activated carbon pellets and powdered activated carbon. Carbonxt has recently expanded its pellet product portfolio to address additional industrial applications as well as removal of nutrients from water bodies.

Overview

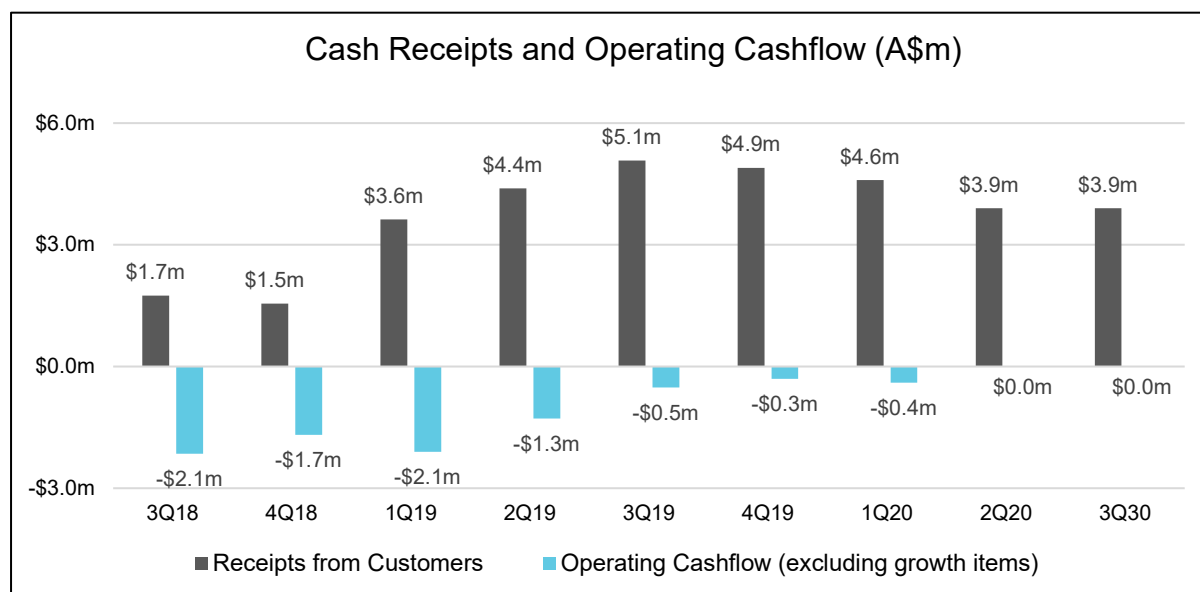
- Customer receipts of \$3.9m were in-line with 2Q20. Pellet sales continued to grow which is consistent with Carbonxt's growth strategy, only to be offset by lower Powdered sales reflecting customer seasonality.
- Q4FY20 is expected to see higher Pellet sales from our largest customer as well as increased sales in the Powdered division.
- Underlying Operating Cash Flow was breakeven, continuing the Company's progression in this area.
- The Company continued to expand engagement with new customers across various product segments and markets, particularly within the growing Pellet division.
- Working Capital increased as the Company took the prudent measure of increasing raw material inventories in the midst of COVID-19. Finished goods continue to increase as the Company diversifies its Pellet business.
- The Company had previously provided FY20 revenue guidance with a range of \$18m - \$24m. Our present estimate is that FY20 revenue will be towards the bottom of this range, primarily reflecting the delays in consummating new sales agreements which were expected to close at a faster rate.
- Prior to completing the formal documentation for the sales agreements outlined above, we have commenced supplying these customers in 4Q20. We expect to complete documentation shortly.
- Post the end of March, several of our customers paid outstanding invoices and we were successful in obtaining funds via federal grant schemes of \$0.7m.

Revenue and Operating Cash Flow

- The Company continues to be successful in extending all of its major utility supply contracts, including the extension in April of a PAC contract to a power station in the Midwest region of the US.



- The Company has recently expanded its portfolio of high-performance Pellet products that target specific contaminants. Commercialisation of these new product lines commenced late in the 1H20.
- New revenue streams such as Pellets for specific phosphate removal applications provides further diversification away from utility customers. This is expected to be an increasing part of the revenue mix going forward.



Industry Activities

- The Company continues to strengthen its industry position as a provider of customised solutions, while at the same time competitors struggle to diversify from commodity or terminal revenue models. Carbonxt continues to focus on broadening into higher-end products, with the aim of building a competitive advantage at the forefront of advancements in activated carbon technology.
- Competitive products sourced in Asia are experiencing production and delivery delays related to COVID-19 (work stoppages and worker shortages) and limited supply of shipping containers. This is expected to provide additional demand both near term and ongoing for the Company's high-end customised Pellet solutions.

Intellectual Property Development

- The Company is commencing to commercialise a novel activated carbon pellet product to remove phosphate from liquid streams. Phosphate and nutrients in general are emerging contaminants and are gaining significant attention across the United States due to their negative economic impacts on industry, tourism and local communities. Carbonxt is at the forefront in developing solutions to address this growing market.



- The Company has fortified its R&D team via the hiring of a new Chief Technology Officer and an additional Research Associate to accelerate the Company's execution of its Pellet growth strategy.

Summary and Financial Outlook

The Company continues to develop its customer pipeline in particular with regards to Pellet products and is anticipating conversion of these opportunities to revenue producing customers

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

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About Carbonxt

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