



ASX RELEASE

27 July 2020

Carbonxt Group Limited – June 2020 Quarterly Activities Report

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the June 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 for production of activated carbon pellets and activated carbon powder, that support air and water emission requirements and the removal of harmful pollutants from liquids and gas. The Company’s primary operations are in the US and include a significant R&D and manufacturing presence.

Carbonxt continues to expand its pellet product portfolio to address numerous industrial applications and is in the early stages of successfully commercialising its activated carbon pellet products for the removal of nutrients from water bodies.

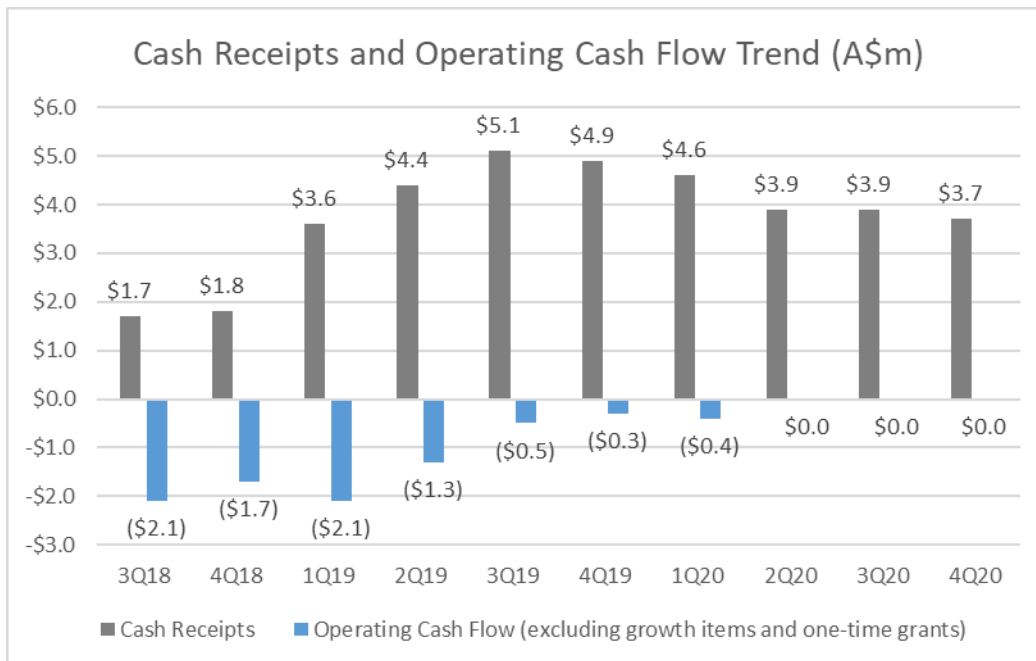
Overview

- Customer receipts of \$3.7m were down approximately 5% from the prior quarter, with the decline being in the powdered activated carbon (“PAC”) segment of the business due to a drop in demand as many of our utility customers brought forward their plant shut downs for annual maintenance in response to general lower energy demands during the US COVID-19 pandemic lockdown.
- Underlying Operating Cash Flow was \$0.7m boosted by a one-time government grant as well as continued efficiencies in the Company’s manufacturing operations. Excluding the grant, operating cash flow was approximately \$0.04m .
- Net cash outflows from investing activities were \$0.9m primarily reflecting investment in development activities for new products in our pipeline. These activities are in support of the Kiln Activated Pellet product outlined in the Presentation of 6 July 2020, as well as work in relation to the new pellet business lines.
- FY20 cash receipts from customers of \$16.2m was in line with recent FY20 revenue guidance.
- FY21 has started well with orders from our two largest PAC contracts recovering well and initial deliveries commencing under the new pellet contracts noted in the Presentation of 6 July 2020. We are expecting a material uplift in revenues from these contracts in 2Q20.
- Carbonxt is pleased to announce that it has been selected as one of ten winners of the first phase of the U.S. Department of Energy’s (DOE) Water Resource Recovery Prize. As part of the Water Security Grand Challenge, this competition seeks to advance transformational technology and innovation such as our phosphate removal activated carbon pellets, to meet the global need for safe, secure and affordable water.



Revenue and Operating Cash Flow

- The Company continues to grow its utility supply contracts, including the recent six-year award of a PAC contract with a utility in the South region of the US. Carbonxt is presently testing its PACs at another US utility and anticipates responding to many upcoming utility and cement company requests for proposals over the next two quarters.
- Revenue from activated carbon pellets for phosphate removal applications represents a potentially large new market opportunity and provides diversification of revenues from power generation customers. It is expected to be an increasing part of the revenue mix going forward. The Company's phosphate removal technology is in the midst of one pilot program with a municipal waste water treatment plant and Carbonxt has reached agreement to proceed with pilots with two additional municipality owned waste water treatment plants located in the state of Florida, where phosphate pollution is perceived as an urgent issue due to the environmental and economic damage it causes.



Industry Activities

Given the significant global economic impact of the COVID-19 pandemic, there is an emerging trend toward supply chain security and more regionalised product sourcing. Being the only activated carbon pellet manufacturing facility in the US allows Carbonxt to take advantage of this policy trend.

Intellectual Property Development

The Company is preparing several additional US patent applications to expand our intellectual property portfolio regarding pellets for water and liquid phase applications. These are anticipated to be filed within the next quarter.



Corporate Activities

The Company recently successfully completed a capital raise of \$2.08m from leading institutional and sophisticated investors. The placement received strong support and reflects the significant traction and momentum with customers that has been developed in recent months.

Summary and Financial Outlook

The Company continues to expand its customer pipeline in particular with regards to activated carbon pellet products and was delighted to convert two major opportunities into revenue producing customers late in 4Q20.

Carbonxt has developed a strong pipeline of opportunities in its portfolio and looks forward to reaping the benefits of being the only manufacturer in the US of activated carbon pellets for industrial applications.

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 other contaminants 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.