



ASX RELEASE

21 October 2020

Carbonxt Group Limited – Chairman’s Address to AGM

Thank you for attending today’s AGM for Carbonxt Group Limited.

When I addressed the shareholders at the AGM last year, we had high expectations of strong revenue growth for FY20. A combination of delayed new customer contracts and the effects of COVID-19 on the electricity generation industry saw this expectation unmet.

COVID-19

When we all first became aware of COVID-19 we believed that as an essential services provider, we would be largely unaffected. We failed to predict the extent to which supply lines would be affected, as well as the magnitude of the fall in demand for electricity in the states affected by COVID-19. This resulted in reduced operating hours as well as a change in maintenance plans for many power stations. Accordingly, our sales of one of our key products, Powdered Activated Carbon, declined.

Similarly, on the sales front, negotiations were initially much delayed as our customers prioritised other matters within their organisations. We are therefore very happy that in June 2020 we were able to close two new contracts for two of the largest companies in the Activated Carbon industry. Despite this delay from our original expectations, it is still very pleasing to see these pellet opportunities formalised. One of these contracts is now delivering sizeable volumes for delivery this quarter and is performing in line with our expectations. The other contract is moving into production in the next quarter. I will comment more on our pellet opportunities shortly.

Before leaving the subject of COVID-19, I would like to formally recognise the efforts of all our staff to continue manufacturing operations through this pandemic. Health and safety is paramount and our staff have performed exceptionally well in such demanding circumstances.

Pellet Sales Growth Opportunities

The Carbonxt Arden Hills Pellet Production Facility has successfully added the capabilities of extruding 4MM pellets in addition to the existing 9MM NAQ pellets.

The transition has allowed for market share to be grown in the gas phase treatment sector. In addition to tolling 4MM pellets for exclusive partners, Carbonxt has been able to make significant entry to this market via distributors and intermediaries with a patented pellet product achieving industry standards. We now have over ten pellet customers allowing us to reduce our concentration risk and positioning the company for sustainable revenue growth.

The transitioning towards end users and new pellet product development is underway whereby expansion of our current pelletisation process will be required.

New pellet products include:

- Liquid phase applications;
- Higher CTC values; and



- Impregnated pellets targeting specific contaminants.

We have made significant progress in FY 2020 in identifying and growing our sales channels with both tolling customers and CTC distributor customers.

We expect these relationships to come to fruition in FY 21 and FY 22. Both segments are expected to experience substantial growth.

Continued Innovation

Carbonxt scientists and engineers continue to expand and diversify our patent portfolio with three more patent applications in FY20.

It is very welcome to see the innovation within the team recognised externally, such as the Herox award received earlier this year from the US Department of Energy in respect of our nutrient pellets.

We expect to receive another grant award in the near future for the development of activated carbon solutions for algae blooms.

These awards are a great reflection of the calibre of our team. The research and development capabilities of Carbonxt are market leading and a true differentiator for this company in our markets.

Outlook

We have seen substantial operating improvements over the last 18 months, and we expect our gross margins to continue to improve.

The contract pipeline is looking very good and scheduling the various pellet types is now paramount to achieving the improvement in our margins. We are working hard to eliminate third party materials from our products to reduce supply chain and working capital risks. We continue to see long-term growth in the pollution control markets we serve. Society's desire to achieve cleaner air and water drive this growth.

Thank you for your continued support.

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 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.