



ASX RELEASE

20 October 2021

## **Carbonxt Group Limited – Chairman’s Address to AGM**

Dear Shareholders,

FY21 was a tough year as the COVID-19 pandemic continued to impact the US economy and underlying economic production. However, it is pleasing to see an ongoing recovery in economic performance as the various States open-up following the widespread and successful vaccination roll-out campaigns. For Carbonxt, this recovery saw the underlying use of Powdered Activated Carbon (“PAC”) increase in late FY21 in the power generation sector and bodes well for an increase in revenues in 1HFY22.

We made the very difficult decision to suspend production of industrial AC pellets at Arden Hills in April 2021. The utilisation of a third party, high surface area carbon in this product’s composition proved unsustainable. The combination of rapidly worsening gross margins and pre-payment terms rendered this product uneconomic to continue to produce in that formulation. This decision impacted revenues by at least \$1.5m in the last quarter of FY21. We moved quickly in these worsening conditions to reduce USD 1 million per annum from our operating costs through a combination of staff reductions, reduced remuneration and general expense reductions. We thank our staff for their cooperation and understanding during this difficult period.

Our unrivalled R&D expertise has allowed us to create new AC pellet formulations that do not depend on this third-party carbon. We agreed a commercial partnership with Kentucky Coal Processors, LLC (“KCP”) for KCP to build a 5,000-ton AC pellet manufacturing facility at their Kentucky, USA operation. This facility will be built and funded by KCP and will utilise a KCP supplied high surface area material. We expect to be advised of the commencement of construction very shortly and expect to be producing industrial AC pellet products once again in 2HFY22.

In addition, we have continued to develop a kiln activated carbon based on our Black Birch material and this will provide another source of raw material for our industrial and specialised AC pellets over the near term.

Despite the ongoing difficult trading conditions in FY21, we continued to invest in R&D and can look back on some significant accomplishments. These include the development of a new AC pellet for the water industry that is also highly suitable for high-humidity applications. We continue to develop our HydRestor™ technology offering to reduce the impact of nutrient run-off in water bodies. The State of Florida has passed specific legislation targeting the dangerous effects of these chemicals. We have a significant commercialisation test underway with highly promising early results.

It is an exciting time to be a cleantech company focussed on improving air and water quality. President Biden support for a strong environmental agenda and to encourage decarbonisation is leading to significant opportunities for our business in the short and long-term. We will continue to invest in R&D to be able to bring new products to the market to align with this strong environmental and decarbonisation agenda.

After the end of financial year, we announced an increase in orders for an AC pellet customer that will see an additional \$3million in revenue in 1HFY21. We believe this



increase in volume by this customer will continue at this rate for the foreseeable future. This has allowed us to indicate that the Company is now trading at a level comparable to when we first saw the effects of the COVID-19 pandemic. Like everyone else, we hope that the economic effects of COVID-19 are now behind us.

Carbonxt is one of the few, and perhaps only, AC pellet manufacturers in the USA. We remain focussed on establishing the Company as the leading USA supplier of AC pellets.

I wish to thank our shareholders for their support in FY21 as we transitioned through demanding trading conditions. We believe that the future looks brighter following the actions we have taken to remove costs from our business and the new partnerships that we have entered this year.

Of course, we could not achieve anything without the commitment and core technical competency of the staff that we employ. We are now the undoubtedly leaders in our field and look forward to seeing the fruits of this labour translated into exiting new products in FY21.

Thank you.

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

**ENDS**

#### **Enquiries**

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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.