



ASX RELEASE

30 July 2021

Carbonxt Group Limited – June 2021 Quarterly Update

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) is pleased to provide this Appendix 4C Report for the quarter ended 30 June 2021. All numbers are in A\$ unless stated otherwise.

Highlights

- Considerable progress was made in the period encompassing manufacturing, sales, marketing and Research & Development ('R&D') activities.
- Customer receipts of \$2.7m received in line with the prior quarter;
- Compared to the prior quarter, Powdered Activated Carbon revenue was up by 13% primarily reflecting utilities returning to pre-COVID operating levels;
- AC Pellet revenue was down by 27% as a result of the decision to defer industrial pellet manufacturing as announced in April 2021. This has subsequently rebounded considerably in the current quarter;
- Cash outflows were \$0.5m primarily due to the Company's decision to reduce CTC pellet-related outstanding associated with the move away from high-priced third-party carbons;
- Accounts Payable at quarter end were reduced substantially by \$0.6m to \$1.5m;
- Net cash outflows from investing activities were \$0.3m reflecting ongoing progress on several R&D projects detailed below.

Overview

Carbonxt is a cleantech company that develops and manufactures environmental technologies to maintain compliance with air and water emission requirements and to remove harmful environmental pollutants. The Company's primary operations are in the United States and include a significant R&D focus as well as manufacturing plants for Activated Carbon ('AC') Pellets and Powder Activated Carbon. Carbonxt continues to expand its pellet product portfolio to address a broader range of industrial applications and sectors.



Revenue and Operating Cash Flow

- The Company has seen a surge in demand for its Powdered Activated Carbon products from several large industry players which is expected to result in revenue being substantially higher in the current quarter;
- As noted in the ASX filings in June and July 2021, an existing customer has ordered over \$6m of AC Pellets to be delivered in 1H22 – equating to the supply of 2,500 tons by the end of December 2021. Demand from this existing, long-term customer is likely to continue into the first half of CY2022 based on Carbonxt's ability to deliver reliable and regular supply of its AC Pellets from the Arden Hills facility. As reported, manufacturing shifts have increased at Arden Hills to meet these expanded customer orders. The increased shifts do not impact sales margins or product quality;
- The Company has deferred future CTC pellet production until the commencement of the new Kentucky facility. An announcement on the permitting of this new facility is expected shortly.

Research & Development

Carbonxt has progressed with developing its prototype product for a +1,500 tons per year market opportunity in Asia with initial positive feedback from the end user. If this opportunity progresses, production and deliveries would commence in the 2022 calendar year;

A full-scale system to mitigate nutrient pollution using Carbonxt Hydrestor® pellets is operational in Florida. The system will treat 1 million gallons per day of reclaimed water to comply with stringent regulations implemented to mitigate algal blooms;

In addition, a new pellet formulation with an increased contaminant capacity was developed for a multinational industrial customer for a 10,000 ton/year market.

Corporate

The Company successfully implemented its \$1m reduction in annual operating costs. The primary components of these cost savings are reductions in personnel expenses as well as a more efficient health insurance program for employees.

A government grant of US \$474k (AU \$615k) was received in Q4 to assist with COVID-19 relief – this is the second government grant received by Carbonxt.

The current cash balance is approx. \$3m which includes further funds received from capital raising and substantial cash receipts received subsequent to the June quarter.

Summary and Financial Outlook

After quarter end, the Company announced a significant contract award, valued at \$2.5m for additional AC Pellet volume from an existing, long-term customer (a Midwest utility) to be fulfilled at Arden Hills.



In addition to this incremental AC Pellet production, the Company looks forward to ramping up production and supply further via a previously announced partnership with another US company.

With the increasing focus on emissions reductions and pollution control in public waterways in the United States, Carbonxt is exceptionally well placed with its patented technology and growing exposure to new industries.

The successful capital raising and the increase in new orders that deliver favourable margins places the Company in a much stronger position as the United States emerges from the pandemic, the first OECD economy to do so.

The continued focus on higher margin AC Pellets and technologies is consistent with the Company's vision whereby it can take advantage of its exceptional R&D capabilities and commercial relationships.

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

Ben Jarvis,
Six Degrees Investor Relations:
+61. 413150448

About Carbonxt

Carbonxt (ASX:CG1) is a cleantech company that develops and markets specialised Activated Carbon products, primarily focused on the capture of mercury and other contaminants in industrial processes that emit substantial amounts of harmful 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.