



ASX RELEASE

30 April 2021

Carbonxt Group Limited – March 2021 Quarterly Update

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the March 2021 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 to maintain compliance with air and water emission requirements and to remove harmful pollutants. The Company’s primary operations are in the US and include a significant R&D focus as well as manufacturing plants for activated carbon pellets and powder activated carbon. Carbonxt continues to expand its pellet product portfolio to address numerous industrial applications.

Overview

- Customer receipts of \$2.7m were down 23%, or \$0.8m, from the prior quarter. Exchange rate fluctuations accounted for a \$0.2m decrease (or about one quarter of the quarterly decline) in AUD-equivalent receipts. Most of the remaining revenue decline is a result of lower than expected Powdered Activated Carbon purchases by one of the larger utility clients, which has increased back to expected levels in 4Q21, and a deferment of pellet manufacturing for certain industrial pellets. The latter is a temporary decision to forego select sales opportunities for pellets where greatly reducing margins have a heavy impact on cash consumption reflecting the high working capital impost and increasing cost of purchasing third party carbons. Our recently announced partnership with another pellet production company (refer to the announcement of 2 February 2021) will allow us to pursue multiple pellet sales opportunities with increased margins and without these working capital imposts later this year. We expect the first cash receipts from this new facility to commence in 2Q22.
- Underlying Operating Cash Flow was an outflow of \$0.7m impacted by delayed payments made during the quarter for high third-party carbon costs. Strategic initiatives are in development to address these costs, discussed further below.
- Net cash outflows from investing activities were \$0.3m as the Company continues to work with several key industry players to develop a suite of pellet formulas suitable for a range of applications.

Revenue and Operating Cash Flow

- The Company reduced its Arden Hills production line from three shifts to one to reduce cash consumption and focus on core pellet customers as medium-term strategic initiatives were developed. The facility is in the process of increasing back



to two shifts to meet increased core customer demand going into the energy-intensive summer months.

- The Company sold out of its CTC pellet inventory during the quarter. Production of this material continues on a minimal basis to fulfill contracts, but new customer opportunities are being deferred until we can obtain product from our recently announced partner at greater margins.
- Within the MATS market, Carbonxt has one confirmed test of PAC from its Black Birch facility at a major US utility located in the Southeast in the next quarter.

Research & Development

The Company continues to build a portfolio of pellet formulas utilising decades of collective industry knowledge. Key industry players continue to approach Carbonxt's R&D team to seek assistance to meet stringent product requirements. The team recently developed a prototype product formulation for a 1,500 TPY Asian market opportunity meeting customer specifications based on internal testing. This activity should result in further commercial opportunities in the coming months.

Industry Activities

One of the largest activated carbon companies in the US recently announced a 10-15% price increase on all products. This should provide some relief on downward pricing pressure that had been realized within the industry.

Corporate Activities

The Company has implemented a \$1m reduction in annual operating costs which are expected to be realized more fully from 1 April 2021, but we anticipate achieving the \$1m cost reduction over the coming year.

Summary and Financial Outlook

The Company continues to expand its customer pipeline in particular with regards to activated carbon pellet products which we will be able to support later this year. In addition, pellet tolling opportunities are progressing with major customers and will be a higher mix of our sales going forward.

As we transition to our manufacturing partnership on base pellets later this year, we will focus more on higher margin technologies that take advantage of our R&D and manufacturing 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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**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.