



ASX RELEASE

9 November 2020

## Carbonxt successfully completes \$3 million capital raising

### Highlights:

- Carbonxt has received firm commitments to raise \$3 million from leading institutional and sophisticated investors
- Funds will fund raw material purchased for AC pellet production, as well as general working capital as Carbonxt delivers on a strong pipeline of opportunities
- Strong revenue growth and margin expansion is expected in FY21 as customers return to pre-COVID-19 activity levels and Pellet opportunities are realised

Carbonxt Group Limited ("**Carbonxt**" or the "**Company**") is pleased to announce that it has received firm commitments to raise approximately \$3 million (before costs) by way of a placement ("**Placement**") of 18.75 million new fully paid ordinary shares in the Company at an issue price of \$0.16 ("**Issue Price**").

The Placement received strong support from new and existing leading institutional and high net worth investors. Proceeds of the Placement will be applied to the Company's existing pipeline of opportunities in the US and general working capital requirements.

The Issue Price represents a 8.6% discount to the last traded price (as at 2 November 2020), and a 17.1% discount to the 10-day Volume Weighted Average Price ("**VWAP**") up to and including 2 November 2020. New Shares will be issued under the Company's available ASX listing rule 7.1A and 7.1 placement capacity and will rank pari passu with existing shares in the Company. Settlement of the Placement is expected to occur on or about Monday, 16 November 2020.

Carbonxt Managing Director, Warren Murphy, commented: *"We are very pleased with the strong support shown by new and existing investors for the capital raising. The industrial Pellet market, where we are the only manufacturer in the US, is growing very rapidly and we are excited about our progress in this high growth sector of the industry."*

Sanlam Private Wealth Pty Limited acted as Manager to the Placement.

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

**ENDS**

### For Investor 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 sulphur 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.



# Capital Raising Presentation

November 2020



- Carbonxt produces patented, non-brominated, Activated Carbons used to eliminate mercury and other toxic pollutants from industrial flue gas and wastewater streams
- Our US-based manufacturing plants produce both powdered and pelletised products which are used by customers predominantly operating coal-fired power stations, cement plants, and other industrial processes
- Industry leading R&D capability enables us to be a solutions-based company, developing customised products for specific industrial needs



## COMPANY SUMMARY

Share Price (\$)¹	\$0.175
Shares on Issue (m)	120.69
Market Cap. (\$m)¹	\$21.12
Cash (\$m) (30 Sep 20)	\$0.50
Debt (\$m) (30 June 20)	\$4.58
Enterprise Value (\$m)¹	\$25.12
Options/Warrants (m)	24.64

1. As at 23 October, 2020



## SHARE REGISTER

Pie Funds Management	9.45%
Washington H Soul Pattinson	4.47%
Beville Investments	4.32%
L A Andrews Investments	3.96%



## BOARD OF DIRECTORS

Name	Position	Shares (m)
Matthew Driscoll¹	Chairman	0.66
Warren Murphy²	MD	0.41
David Mazyck³	Director	0.43

- Matthew Driscoll holds 2,250,000 options exercisable at \$0.30 (1m) and \$0.45 (1.25m).
- Warren Murphy holds 6,000,000 options exercisable at \$0.30 (3m) and \$0.45 (3m).
- David Mazyck holds 5,250,000 options exercisable at \$0.30 (2.25m) and \$0.45 (3m).



## PRICE CHART




Equity Offer - Structure and Size	<ul style="list-style-type: none"> <li>Placement of up to 18.75 million New Shares in the Company at A\$0.16 per share to raise approximately A\$3.0 million.</li> <li>The Placement will take place in a single tranche and falls within the Company's available placement capacity under ASX Listing Rule 7.1 &amp; 7.1A</li> <li>The issue is being supported by Carbonxt's key institutional investors.</li> </ul>
Manager	<ul style="list-style-type: none"> <li>Sanlam Private Wealth</li> </ul>
Use of Proceeds	<ul style="list-style-type: none"> <li>Fund raw material purchases for CTC pellet production; and</li> <li>General working capital requirements</li> </ul>
Ranking	<ul style="list-style-type: none"> <li>Ranking pari-passu with existing ordinary shares on issue</li> </ul>
Pricing	<ul style="list-style-type: none"> <li>Offer Price of A\$0.16 represents:                             <ul style="list-style-type: none"> <li>8.6% discount to last closing price of \$0.175<sup>1</sup></li> <li>17.1% discount to 10 day VWAP of \$0.205<sup>1</sup></li> <li>12.0% discount to 30 day VWAP of \$0.196<sup>1</sup></li> </ul> </li> </ul>
Trading Update	<ul style="list-style-type: none"> <li>The Company continues to expand its customer pipeline in particular with regards to activated carbon pellet products. In addition to strong tolling volume, the Company recently received a pellet order that is expected to be fulfilled in 2Q21. This together with the contracts announced in June 2020 commencing deliveries will see a materially higher quarter in 2Q21 compared to this quarter. Growth is accelerating again and the Company maintains its guidance of 40%+ revenue growth in FY21.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>The Company's lender PURE Asset Management has provided a Term Sheet for a A\$3.0 million expansion of its existing facility of A\$5.5 million, which is available to drawdown to fund expansion of Carbonxt's pellet manufacturing facilities should this be required to meet anticipated demand. The Lender will also subscribe A\$0.3 million into the Placement.</li> </ul>

1. As at 2 November 2020



- 1 US developer, producer, and manufacturer of proprietary powdered and pelletised Activated Carbons for use in industrial pollution and emission control
- 2 Grew revenue from \$3.8m in FY17 to \$18.3m in FY19 – customers are typically large and sticky (3 – 5 year contract duration)
- 3 FY20 revenue of \$15.8m - growth was delayed due to contract delays and COVID-19 impact
- 4 Growth is accelerating again - guidance of 40%+ revenue growth in FY21
- 5 Significant new contract wins in 2QFY21 underpins FY21 guidance
- 6 Additional pipeline of opportunities provides potential for outperformance
- 7 Significant margin expansion expected in FY21 – driven by: increased plant utilisation; reduced reliance on third-party suppliers, and in-house manufacturing
- 8 Continuing transition from customer acquisition and establishment in new markets – becoming a recognised, profitable, and high growth player in US industry experiencing strong tail winds



A close-up photograph of numerous dark grey, irregularly shaped granules of powdered activated carbon, filling the left side of the slide.

## Key features of our Powdered Activated Carbon business

- Revolutionary proprietary Powdered Activated Carbon (“**PAC**”) for capture of mercury
  - Mercury capturing PAC that doesn’t contain bromine
  - Does not corrode capital equipment
- Long sales lead time and competitive market
- Once obtained, customers are typically large (utilities) and sticky, long-term contracts (typically 3 – 5 years in duration)
- Sales lead times expected to shorten as we move into scale and profitability
- Carbonxt manufacturing facility in Black Birch (Georgia, USA)
  - 10,000t p.a. capacity (avg. price A\$1,668 /t)
  - Around 60% utilisation
  - Gross margin expected to increase with scale to ~30% from ~24% today

# Key features of our Activated Carbon Pellet (ACP) business



- Developed proprietary Activated Carbon Pellet (“**ACP**”) technology
- Carbonxt is the **only** North American manufacturer of Pellet (ACP) products, in a fast growing and largely underpenetrated market
- Entered US market in FY18 – achieved \$9m+ revenue in first full year and in FY20, despite our largest customer being affected by COVID-19
  - Inbound enquiries continue to increase as awareness of our Pellet capabilities grows
  - >10 customers with 8 added in the last 12 months
- The benefits for Carbonxt are:
  - Shorter sales cycle
  - Customers are typically large and sticky - long term contracts
  - Higher margin opportunity at scale
  - Broadens and diversifies the customer base
  - Significantly increases addressable market
- Manufacturing facility in Arden Hills (Minnesota)
  - 6-7,000t p.a. capacity depending on product produced
  - 80% utilisation
  - Expected gross margin of 40%, compared to 32% today
  - We expect to expand production capacity by 1,500t - 2,000t p.a. (Capex ~A\$2m)

## TARGET INDUSTRIES



- Opportunities for Pellet use are increasing across a range of industrial applications
- The development of new solutions continues to expand our addressable market into industries not previously serviced by Carbonxt; strong and immediate growth opportunities
  - Multiple applications
  - Multiple industries
  - Multiple potential customers



## CARBONXT'S NEW SORBENT PRODUCT – PHOSPHATE CONTAMINATION MARKET

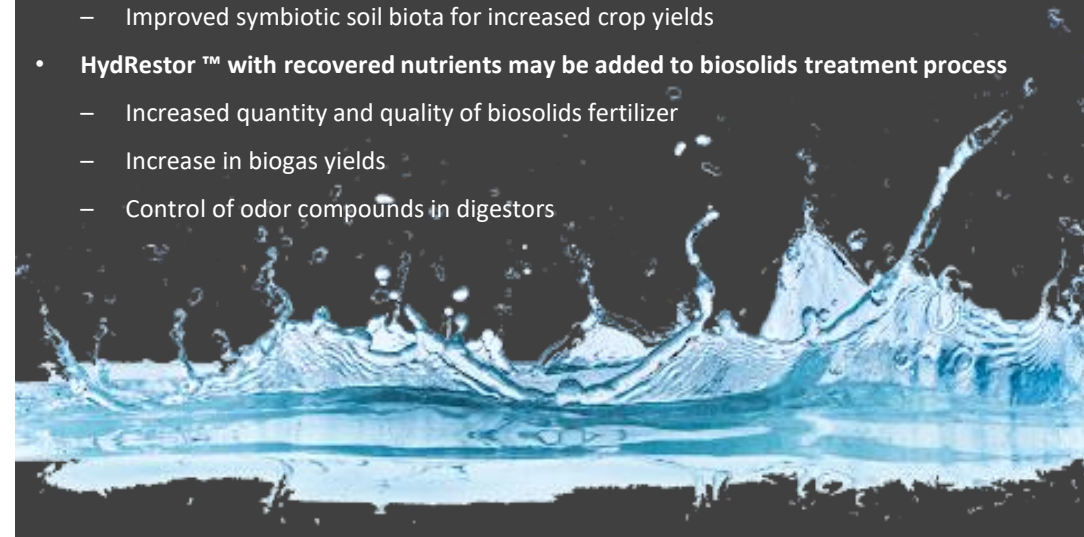
- Carbonxt has successfully commercialised a new product aimed at removing phosphate from liquid streams
  - Leveraged existing patent-pending formulation to develop a range of novel sorbents
  - New sorbent has a competitive advantage: compact vessel design that is scalable, has better aesthetics, and is easier to use
- **Three Pilot** opportunities underway
  - Pilots supported by grant funds commenced in early July and continuing with water treatment facilities and secondary treatment stations
  - Herox – Department of Energy Prize recipient

## CONTINUED INNOVATION

- Carbonxt scientists and engineers continue to expand and diversify our patent portfolio with three more patent applications
- Carbonxt and Mote Marine Laboratory were recently awarded grant to further develop an activated carbon-based technology through the Florida Red Tide Mitigation and Technology Development Initiative
  - Caused by algal blooms releasing toxins into the air and water, red tide events can devastate aquatic life, tourism, and residents sensitive to airborne irritants
  - The award recognizes promising aspects of the current technology as well as increasing need for a solution to the damage already caused by such algal blooms



- **Use HydRestor™ for phosphorus recovery from wastewater**
  - Low capital investment and operating costs
  - Value-added revenue streams from spent media
- **Beneficial reuse of spent media as soil amendment**
  - Slow release phosphate source
  - Soil moisture control for crops
  - Reduce runoff of nutrients and pesticides
  - No negative impact on soil salinity or pH
  - Improved symbiotic soil biota for increased crop yields
- **HydRestor™ with recovered nutrients may be added to biosolids treatment process**
  - Increased quantity and quality of biosolids fertilizer
  - Increase in biogas yields
  - Control of odor compounds in digestors



# New contracts this quarter underpin FY21 guidance

## FIRST LARGE CONTRACT IN THE PAC WATER MARKET

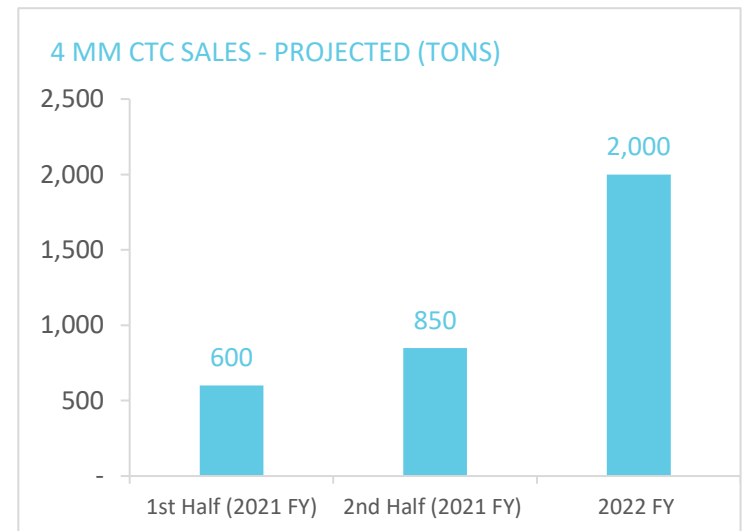
- Carbonxt has won a **\$1.0m** per annum PAC supply contract for a Mid-West municipality
  - The contract is for a two year term
- The PAC is for use in their water treatment operations, which uses powdered activated carbon as a weighting agent for settling enhancement, as an aid to nitrification, and as a toxicity inhibitor

## CARBONXT AWARDED FLORIDA STATE GRANT TO DEVELOP RED TIDE MITIGATION TECHNOLOGY

- Carbonxt and Mote Marine Laboratory were awarded in October 2020 a **\$190k grant** to further develop an activated carbon-based technology that addresses red tide events through the Florida Red Tide Mitigation and Technology Development Initiative
- Caused by algal blooms releasing toxins into the air and water, red tide events can devastate aquatic life, tourism, and residents who are sensitive to airborne irritants

## EXPANSION OF PELLET ORDERS FOR REMOVAL OF POLLUTANTS IN GAS PHASE

- Immediate delivery of CTC (industrial) pellets to a site in the Mid-West via an existing distribution company relationship
  - Order is for **\$0.9m** and will be booked in **2QFY21**
- A pipeline of over 4,000 tons of additional CTC pellets which we are in negotiations to close over the next six months.



# New Contracts & Pipeline opportunities continued...



## MATS OPPORTUNITIES

- Carbonxt Non-Halogenated Mercury removal technology continues to gain traction in the industry
- Detailed below are additional opportunities that the company is engaged in looking for an alternative to their current provider or a non-corrosive product
- The following opportunities are in the works for a total of **>6,000 tons per year**

## PAC OPPORTUNITIES

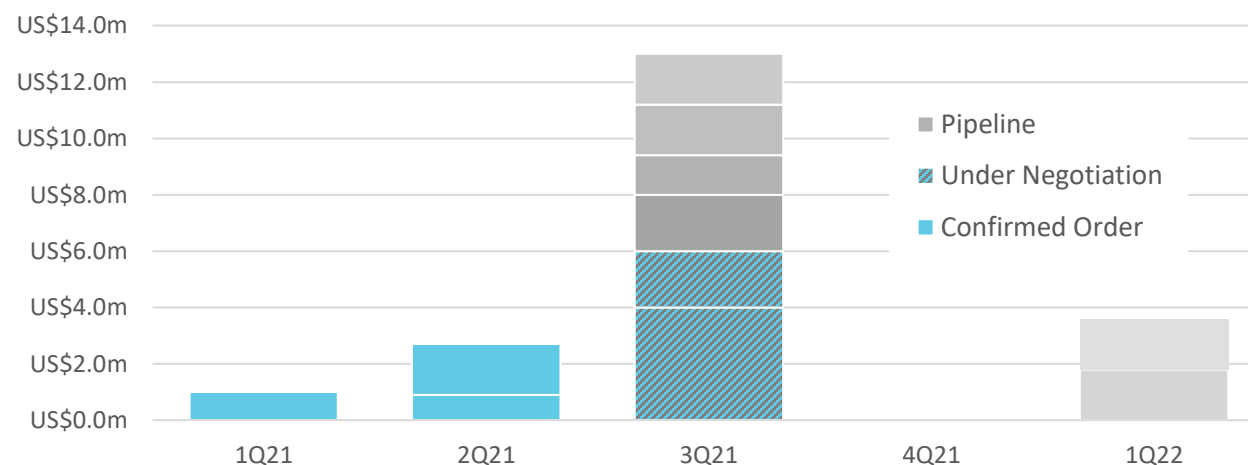
- The continued optimisation and reorganisation of the Black Birch operating facility has allowed the company to realise lower manufacturing costs and redundancy and resiliency in deliveries to current customers
- Additionally it has allowed the sales team to develop stronger relationships with new potential customers and outside distributors
- The following opportunities in areas of water treatment, gas purification and industrial applications are in the works for a total of approximately **4,000 tons per year**.

## ALL PRODUCT OPPORTUNITIES

- Recent Wins: >US\$2.0 million
- Under Negotiations: US\$6.0 million
- Pipeline: US\$10.6 million

OPPORTUNITY	MATERIAL	ANNUAL VOL.	TIMING	STATUS	COMMENTS
New Orders	PAC	1,000	1Q21	Confirmed Orders	Two year contracts
Distributor	CTC	225	2Q21	Confirmed Order	
Distributor	CTC	1,000	3Q21	Under Negotiation	From January 2021
Customer A	PAC	>1,000	3Q21	Under Negotiation	In discussions
Customer B	PAC	>1,000	3Q21	Pipeline	RFP in Early 2021
Customer C	PAC	700	3Q21	Pipeline	Testing in November
Customer D	MATS	1,000	3Q21	Pipeline	Testing in November
Customer E	MATS	>1,000	3Q21	Pipeline	Testing in December
Customer F	MATS	>1,000	1Q22	Pipeline	Tested well in Summer 2020
Customer G	MATS	>1,000	1Q22	Pipeline	RFP in Spring 2021

## ORDERS & PIPELINE



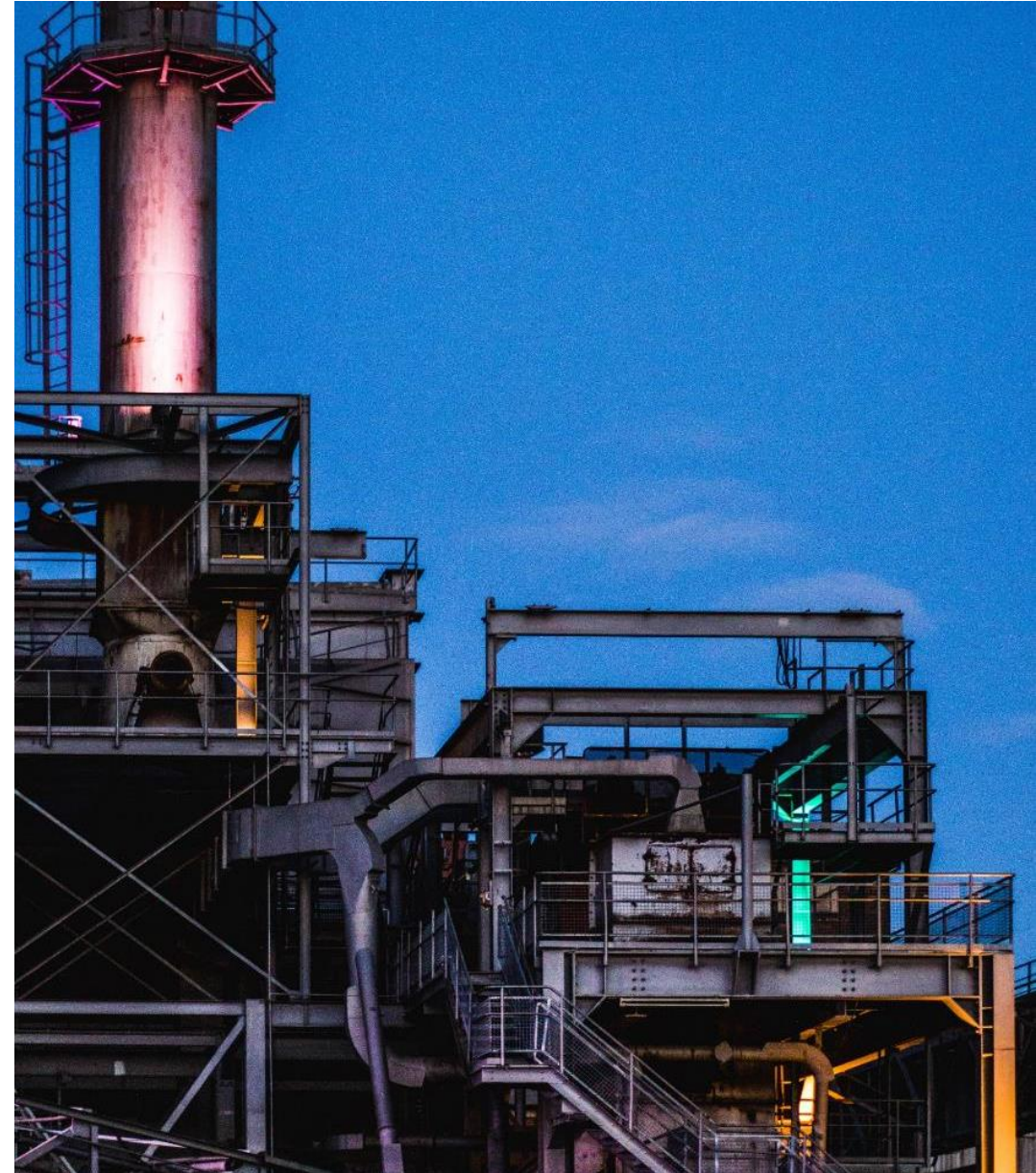
Delivered strong revenue growth FY17 – FY19 (\$3.8m to \$18.3m), with increasing margins

## FY20 COVID-19 IMPACT

- Lower revenue - \$15.8m (due to restricted customer site access and overall reduced electricity demand)
- Improved gross margins (\$3.0m EBITDA improvement)
- 1Q21 Revenue of \$3.6m, in line with the prior quarter.
- 1Q21 Operating Cash loss of (\$0.2m).

## FY21 GUIDANCE

- 40%+ revenue growth
- Strong further margin expansion (higher plant utilisation and lower input costs)
- New contract wins underpin FY21 guidance
- Pipeline of further opportunities presents potential for further upside







## MANAGING DIRECTOR

Warren Murphy

Warren was Co-Head of the Australian Infrastructure & Project Finance Group and Head of Energy at Babcock & Brown. Warren led the development of Babcock & Brown's energy sector capability in Australia and New Zealand, including the founding of Infigen Energy. He was also a director of the ASX listed Alinta Limited and Sydney Gas Limited, and development of over 2,000MW of Greenfields power stations and the acquisition of over 3,000MW of generation.



## INDEPENDENT CHAIRMAN

Matthew Driscoll

Matthew has significant experience across several industries, including online technologies, financial services, fintech, property and resources. He has more than 30 years' experience in capital markets and the financial services industry and is an accomplished company director in roles across listed and private companies. He has significant experience in international business growth, mergers and acquisitions, equity and debt raisings and building strategic alliances, and remains committed to ethical, commercial and consumer-based outcomes. Matthew is NED Energy Technologies Limited (EGY), NED Blina Minerals (BDI), NED Smoke Alarms Holdings.



## EXECUTIVE DIRECTOR

Dr. David Mazyck

David is a world-leading expert on activated carbon (AC) and its applications including mercury capture. He has developed AC products for the major multinationals. Dr. Mazyck is the former Chairman of the Activated Carbon Standards Committee for the American Waterworks Association and has developed products for NASA. He is a member of the World Coal Association and an appointee to the United Nations.

## CONTACT

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