



ASX RELEASE

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Chairman's Address to AGM

It is with pleasure today that I address this AGM as Chairman. Whilst new to this role, I am not new to Carbonxt as I have been a shareholder for many years.

It has been pleasing for me to see the calibre of the team and the extent of the opportunities in front of us. We all believe we are on the cusp of a significant transition in this Company to a strongly growing, cash flow positive business.

I will take the opportunity today to comment on the recent capital raising, progress in our operations and some recent events.

Capital Raising

We thank everyone for the strong support in our recent capital raise. We welcome several new institutional shareholders to our register and it is encouraging to see this level of support.

We also thank our existing shareholders for the support in the Share Purchase Plan, which I note closes tomorrow.

The money raised is principally to support our recent rapid growth, which we expect to continue in calendar 2020.

Operations

The Company has focused much of our attention in the last 12 months on improving our gross margins. We are delighted with what has been achieved this year but wish to emphasise that this focus remains intact and indeed we expect further significant increases in gross margins over the next six months.

On this matter, I would like to thank all our employees for their hard work and immense innovation. Our team is World-class and in David Mazyck, our US CEO, and Regina Rodriguez, our US COO, we have the World leaders in Activated Carbon and pollution control more generally.

Product Development

At last year's AGM, we discussed the potential of our move into the Activated Carbon ("AC") pellet market. We are proud to say that this move has been successful. We have announced the recent contract win with Purafil and hope to announce further sizable sales contracts in the near future. Indeed, the pipeline of opportunities continues to fill such that we have commenced initial planning on expanding our manufacturing capacity to produce AC pellets.

In our Investor Presentation of 1 October 2019, we noted that the expansion of both our powdered AC and pellet facilities could be doubled for a total cost of approximately \$6m USD. We anticipate



this being roughly evenly split in cost, so around \$4m AUD to double the capacity of our AC pellet manufacturing facilities.

At current sales prices for AC pellets, we could therefore achieve well over \$20m in additional sales for a \$4m outlay.

However, we have not yet decided to commit to this expansion.

Regulatory

We have received several investor enquiries recently about tariffs on AC products and whilst this is a positive environment for the Company to operate in at present, it is not something that we believe is crucial to our success. We are winning contracts because of our innovative products, the ability to meet exacting customer performance requirements and our high service standards.

Whilst, there continues to be rumours in the US press about the mercury control market, commonly referred to as MATs, there appears no such concerns with any of our utility customers or potential utility customers.

The Effluent Limitation Guidelines, which govern wastewater discharges for power stations amongst other things, were released in draft form recently and for the first time the industry has seen bromine and bromide discharges raised as discharges to be controlled. Carbonxt does not use bromine in our mercury control products and so this is a clear positive policy outcome for the Company.

We intend to increase our human resources in the powdered AC segment in 2020.

Outlook

As mentioned earlier, we expect to close out several pellet sales opportunities in the near future. We will continue to improve the operating efficiency of our manufacturing facilities and accordingly look forward to being cash flow positive in FY20.

Once again, thank you for your continued support and we look forward to an exciting year.

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