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Carbonxt Group Limited – September 2020 Quarterly Update

Carbonxt Group Ltd (ASX:CG1) ("Carbonxt" or "the Company") has released its Appendix 4C Report for the September 2020 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 that support air and water emission requirements and the removal of harmful pollutants. The Company's primary operations are in the US and include a significant R&D presence 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 and is in the pilot stage of commercialising the removal of nutrients from water bodies.

Overview

- Customer receipts of $3.5m were in line with the prior quarter. Revenue for 1Q20 will be $0.3m higher than cash receipts as several customers paid in the first few days of 2Q20.
- Underlying Operating Cash Flow was an outflow of $0.7m reflecting $0.8m of prepayments for raw materials in support of new sales in 2Q20 (see below).
- Net cash outflows from investing activities were $0.5m primarily reflecting continued investment in development activities for new products in our pipeline. Strong advances in pellet manufacturing know-how continue to be achieved as we receive steady feedback from our broadening customer base regarding desirable characteristics in our pellet formulas and processes.
- Q2 FY21 has seen increased industrial pellet demand that is expected to be realized within the quarter. We continue to receive significant and increasing interest from customers in our product being branded "Made in the USA" which we believe provides potential differentiation of our pellets from those imported from China and other countries.

Sales

- The Company is growing its presence in the water market with the recent win of a $1m per year contract with a Mid-West municipality. The contract starts in December and is for a two year term.
- Immediate delivery of CTC (industrial) pellets to a site in the Mid-West via an existing distribution company relationship. The order is for $0.9m and to be booked in 2QFY21

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- Within the MATS market, Carbonxt has an upcoming test of its PAC at a US utility and anticipates responding to multiple upcoming utility and cement company requests for proposals over the next two quarters.
- In the past fiscal year, we have increased the number of pellet customer fivefold, from 2 to over 10, allowing us to reduce our concentration risk and positioning the company for sustainable revenue growth.
- Revenue from activated carbon pellets for phosphate removal applications represents a potentially large new market opportunity and provides further diversification of revenues from power generation customers. Our pilot projects, which typically take 3-6 months for completion, are continuing to progress in three Florida locations and we expect to add more pilots in the coming months.

COVID-19
The Company continues to successfully manage ongoing operations during the COVID-19 pandemic with employee health and safety being paramount.

We are seeing indications of demand recovery in our customer base.

Industry Activities
Recent consolidation among US activated carbon manufacturers may result longer term in pricing opportunities. In addition, various manufacturers of coconut activated carbon have announced price increases reflecting higher costs for char and shipping.

Intellectual Property Development
The Company is continuing to invest in its intellectual property portfolio as well as internally-developed know how particularly in new pellet formulations for various industrial applications.

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

Corporate Activities
The Company is in late stage discussions with its lender to provide an increased facility to expand the pellet capacity of the Company in order to execute the pipeline of near-term sales opportunities.

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Summary and Financial Outlook

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.

Carbonxt has developed a strong pipeline of opportunities in its portfolio and looks forward to reaping the benefits of being the only manufacturer in the US of activated carbon pellets for industrial applications. Combined with shorter order to delivery times and avoidance of duties/tariffs provides a competitive advantage versus foreign pellet producers.

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 (AC) 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.