

December 2018 Quarterly Update

Carbonxt Group Ltd (ASX:CG1) has released its Appendix 4C Report for the December 2018 quarter and is pleased to provide the following update for the period. All numbers are in A\$.

Revenue and Sales

- Unaudited Revenue of \$8.8m was recorded in 1H19
- The company continues to work through previously reported production equipment issues typically associated with new plant operations and is pleased to report that the operations are now substantially improved.
- EBITDA in 1H19 is expected to be in line with the previous half. This includes the unexpected production start-up costs at the Arden Hills facility incurred in the 1st quarter which are expected to have a one off impact of approximately \$1.4 million, with improvements being realised in the 2nd quarter
- The company is expected to be cash flow positive by June 2019

Manufacturing Capacity

- Black Birch powdered AC manufacturing plant operations continues to improve and the Company has commenced moving to supply our major utility supply contracts from this facility. The facility's production is being increased over the next quarter to the equivalent of 4,000 tons per annum for existing mercury capture customers and has the capacity to ramp up to 10,000 tons when fully operational
- The production cost at the Arden Hills pellet production facility has significantly reduced over the last two months and we expect to see further improvement in the next quarter.
- The Company is on track to deliver pellets to other customers by the end of the 3Q19.

Corporate Activities

- During the quarter the Company announced an equity raising to fund the building of additional manufacturing capacity and to fund working capital to meet the high level of demand for the Company's activated carbon (AC) pellet product. The raising consisted of an institutional placement of approximately \$3 million to new and existing investors as well as a 1:4 pro-rata non-renounceable entitlement offer raising just over \$3 million. All new shares were issued at \$0.40.
- At the end of November the Company announced the appointment of Bruce Hancox as a Director and Chairman of the Company, replacing Matthew Quinn.

MATS Update

- In December 2018, the EPA announced it intended to change the administration of the formula the EPA uses in its cost-benefit analysis of the MATS regulation by reducing certain benefits of reduced mercury (in particular, 'co-benefits').
- On Wednesday, 16 January 2019, Andrew Wheeler, acting Administrator of EPA, appeared before the Senate Environment and Public Works Committee for his

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confirmation hearing to become EPA Administrator. Earlier in the month, President Trump formally nominated Wheeler for the position. Acting EPA Administrator Andrew Wheeler stated in his confirmation hearing before Senate that he does not believe there will be a weakening in the mercury standards related to utilities/equipment that has already been deployed nor any reduction in enforcement of the current MATS regulation as a result of these proposed changes to the regulation.

Summary and Financial Outlook

The December quarter saw the company continue to resolve production equipment issues at both the Black Birch and the Arden Hills facilities. Demand from new and existing customers continues to drive the need for increased capacity in the pellet sector.

The company is on track to be cash flow positive by June 2019.

Carbonxt Managing Director, Warren Murphy, commented: “We are pleased to see the production of pellets has stabilised and the costs of production has reduced considerably with the use of activated carbon from our Black Birch facility. These pellets are being supplied to the power station in the US using *regenerative activated coke technology* (ReACT). The move to supply more of our customers from Black Birch is also pleasing and we hope to continue this transition successfully over the next quarter.”