



ASX RELEASE

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## Carbonxt Group Limited – December 2021 Quarterly Update

### Highlights

- **Second consecutive positive operating cash flow quarter (\$240k)**
- **Quarterly customer receipts of A\$4.9m – equal to prior quarter, and up 39% from same period year ago. First half 2022 revenues for Carbonxt were at a record level.**
- **Sales of AC Pellets and PAC both growing strongly driven by US business activity normalising and continued/increased focus on renewable technologies**
- **New customer acquisitions in both AC Pellets and PAC segments. CG1 is well positioned for continued growth while increasing margins**
- **Letter of intent signed with US water filtration company (Glanris) to develop and manufacture biocarbon pellet derived from rice husks**
- **Strong trading to continue in Q3 and beyond**

**Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”)** has released its Appendix 4C Report for the December 2021 Quarter and provides the following update on the key areas of activity for the period. All numbers reported are in A\$ unless stated otherwise.

### 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 were \$4.9m (September 2021 quarter: \$4.9m) and up ~39% on the prior corresponding quarterly receipts of \$3.5m for December 2020.
- **Activated Carbon Pellet (ACP)** revenue was up by 23% quarter-on-quarter and 171% compared to the prior half year, due to strong demand from our largest customer stemming from economic factors related to natural gas pricing.



- **Powdered Activated Carbon (PAC)** revenue was down by 69% quarter-on-quarter due to a warmer start to winter, scheduled maintenance outages at customer plants, and primarily due to the Company concluding a marginally profitable customer contract. This has subsequently been replaced with a higher-priced contract with first sales anticipated in the third quarter of the 2022 financial year. Notwithstanding, PAC sales were up 6% compared with the prior half year.
- Underlying Operating Cash Flow was an inflow of \$240k, a continued trend upward compared to the prior quarter, as well as the second consecutive quarter of positive underlying operation cash flow.
- Net cash outflows from investing activities were \$371k reflecting continued investment in equipment and technology to increase manufacturing capacity primarily for the new PAC contracts starting in 3QFY22.
- The Company ended the quarter with \$1.2m of cash after the repayment of \$0.4m in debt on the finance lease for Black Birch which continues to reduce materially quarter-on-quarter to less than \$1m.

### **Revenue and Operating Cash Flow**

- Demand for both pellets and PAC has remained strong reflecting increased US economic activity, ongoing warmer weather, higher natural gas prices, and new customer orders.
- The Arden Hills pellet facility continues to operate at maximum capacity and is likely to do so for the foreseeable future. Demand from pellet customers remains high with multiple customers' needs unmet due to limitations in production availability.
- A permit to operate a facility in Kentucky is expected in the next 60 days, after which construction can commence. The Company has commenced discussions with our Kentucky partner to increase further the pellet manufacturing capacity at the planned Kentucky facility.
- The Black Birch PAC facility has similarly expanded operations to three shifts to meet increased demand for both bagged and bulk product requests.

### **Research & Development**

- The Company has further strengthened its reputation in the industry as an innovative provider of Activated Carbon solutions with novel materials. Our R&D team characterized rice hulls as an activated carbon feedstock during the quarter to build optionality around raw material sources and further position Carbonxt technology as an environmentally sustainable solution.

### **Industry Activities**

- There is increasing focus on consideration of ESG factors by industrial companies and Carbonxt is well positioned with its multiple sources of renewable raw materials.
- Foreign sourced Activated Carbon products continue to experience price increases reflecting primarily challenges and higher costs with international ocean freight, leading to increased expressions of interest from customers



sourcing domestically supplied product allocations from US-based firms such as Carbonxt.

### **Summary and Financial Outlook**

The first half of the 2022 Fiscal Year resulted in record revenues and continued growth for Carbonxt. While we believe second half revenues will be significantly higher than year ago, our continued growth will be primarily dependent on the realization of additional production capacity as well as any operating efficiencies that may be realized at our facilities.

We are very encouraged by our progress in operating at full capacity at both facilities, onboarding new customers, our recently announced LOI with Glanris, and our continued development of novel new technologies such as freshwater treatment of algae blooms and other pollutants.

### **Comment**

**Managing Director Warren Murphy commented:** *“We are pleased with our progress for the period, our second consecutive cash flow positive quarter. The Company continues to advance its plans to support growing demand in the US market for AC Pellets. We have also developed new partnerships and being sought out for the development of emission-reducing technologies centred around our patented AC Pellet technology. These opportunities continue to blend Carbonxt’s AC expertise with the increasing focus on ESG seen through the ongoing emergence of novel renewable activated carbon materials that required specialized engineering knowledge and equipment to effectively commercialize.*

*“We anticipate strong trading conditions to continue in the third quarter and expect a number of new orders to materialise in new and existing sectors that are seeking proven and cost effective emission-reduction technology solutions. Carbonxt is exceptionally well-placed.”*



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

**ENDS**

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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.