



ASX RELEASE

29 July 2022

Carbonxt Group Limited – June 2022 Quarterly Update

Highlights

- **Quarterly customer receipts of A\$4.1m – an increase of 6% compared to prior quarter, and up 50% on the previous corresponding quarter.**
- **Accounts receivable have increased by A\$0.8m on the prior quarter due to customer receipts on our industrial pellets being on a longer payment cycle than our traditional utility customers.**
- **Net operating cash outflow was A\$1.1m which includes undertaking an inventory build costing \$0.7m for industrial pellets for some customers, and the increase in accounts receivable. The company has strategically moved to supply these customers at this time in order to build customer support for the new Kentucky facility planned for operation in mid-2023.**
- **Sales of Powdered Activated Carbon (PAC) grew by 129% compared to the prior quarter driven by higher sales to new industrial customers, and were up 39% on the previous corresponding quarter.**
- **Sales of Activated Carbon Pellets (ACP) were in line with the prior quarter and up by 162% compared on the previous corresponding quarter.**

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the June 2022 Quarter and provides the following update on the key areas of activity for the period -- all numbers 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 United States and include a significant R&D focus as well as owning and operating manufacturing plants for Activated Carbon Pellets (ACP) and Powdered Activated Carbon (PAC). Carbonxt continues to expand its pellet product portfolio to address numerous industrial applications and meet growing demand as industrial companies seek dependable and proven carbon and pollution reduction processes and technologies.

Overview

- Customer receipts were \$4.1m, an increase of 6% compared to the prior quarter, and up 50% on the previous corresponding period (PCP). The increase primarily reflects growing existing customer volumes and new customer orders in both the ACP and PAC business segments.



- **Activated Carbon Pellet (ACP)** revenue was in line with the prior quarter but up 162% on PCP due to strong demand from our largest customer influenced by economic factors related to natural gas pricing, as well as incremental business from a new industrial customer.
- **Powdered Activated Carbon (PAC)** revenue was up by 129% quarter-on-quarter due incremental volume from a new large industrial customer. Revenue was up by 39% compared to the same quarter in the prior year.
- Underlying Operating Cash Flow was an outflow of \$1.1m, due to several factors including the build of accounts receivable associated with customers on longer payment terms, raw materials ordered for a new 4mm industrial ACP product the Company is producing at Arden Hills, as well as higher freight, energy and staffing costs as a result of increased production to build inventory.
- Product manufacturing and operating costs increased by 26% compared to the last quarter due to higher freight and utility costs as a result of increased production to build inventory.
- Staff costs increased by 18% compared to the prior quarter due to expanded production shifts as well as payroll pay date timing.
- Net cash outflows from financing activities were \$0.6m principally composed of lease payments for operating locations.
- Net cash outflows from investing activities of \$0.5m reflected ongoing improvements to increase efficiency at our Black Birch PAC facility.

Revenue and Operating Cash Flow

- Demand for both pellets and PAC remained strong during the quarter reflecting ongoing limited domestic supply of these products, increased overall US economic activity, and onboarding of new industrial customers.
- The Arden Hills pellet facility focused on production of 4mm pellets during the June quarter to meet strong demand for the Company's customized ACP solutions that allows our customers to meet industrial emission regulations.
- The Black Birch PAC facility continues to operate near capacity reflecting demand from existing and new industrial customers as well as summer peaking in electricity generation. Planned capital improvements at Black Birch will provide redundancy, improve flexibility to meet customer orders, and increase overall operating capacity later this year.

Research & Development

- The Company continues to be sought after as an innovator and developer of novel systems for the removal of industrial pollutants and contaminants.
- Carbonxt is moving forward with implementation of a US\$290,000 Innovative Technology Grant awarded by the Florida Department of Environmental Protection for the Company's HydRestor pelletized technology as a treatment option to reduce nutrient levels.



Industry Activities

- There are multiple reports indicating moderation of various supply chain constraints which should result in shorter order to delivery lead times as well as potentially lower overall shipping costs.
- There continues to be a movement within the US toward less reliance on overseas sourcing which supports the Company's strategy of increasing domestic US production capacity.

Summary and Financial Outlook

We are very encouraged by our progress in operating near full capacity at both facilities, our onboarding of new industrial customers, our continued development of novel new technologies, and progress being made on our new ACP plant in Kentucky.

Comment

Managing Director Warren Murphy commented:

"This quarter the focus was on the production of industrial pellets to support current customer demand, but also importantly, to build support for the new ACP facility planned for Kentucky. With all our plants running at or near to capacity, we have been vigilant in managing costs and delivering product on acceptable margins. Whilst there is an opportunity to add some production capacity at Black Birch later in the year, material top line growth will be achieved by bringing on new manufacturing facilities with Kentucky being our primary focus at this time. Whilst this process has taken longer than anticipated, we are close to delivering an outcome that will be transformational for Carbonxt. I look forward to updating shareholders in the coming weeks in this regard."

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.