



ASX RELEASE

31 October 2022

Carbonxt Group Limited – September 2022 Quarterly Update

Highlights

- **Quarterly customer receipts of A\$5.1m (prior quarter: A\$4.1m) – a 19% quarter-on-quarter increase reflecting strong product demand.**
- **Operating cashflow positive quarter (A\$0.5m) – a \$A1.6m improvement on the prior quarter.**
- **Sales of Powdered Activated Carbon (PAC) grew by 17% quarter-on-quarter driven by higher sales to our largest industrial customer. Sales of Activated Carbon Pellets (ACP) down <5% on prior quarter.**
- **Carbonxt's largest customer extended its ACP supply agreement out to 2030. This 8-year extension follows an original 6-year contract, includes significant price increases, and marks the continuation of a highly successful partnership.**
- **Additional \$0.2m grant secured to advance Phase 2 development of technology to address the mitigation of Florida Red Tide algae blooms.**
- **Successful \$1.6m capital raise completed with funding from two institutions. \$5.7m Conditional Placement subject to approval at the upcoming AGM.**

Carbonxt Group Ltd (ASX:CG1) ("Carbonxt" or "the Company") has released its Appendix 4C Report for the September 2022 Quarter and provides the following update on the key areas of activity for the period -- all numbers are in A\$.

Highlights for the Quarter

- Customer receipts were \$A5.1m, an increase of 19% compared with the prior quarter (\$A4.1m) and up from \$A4.8m on the previous corresponding quarter due to continued strong demand from our customers as well as in part to payments received by customers billed in prior months.
- **Underlying Operating Cash Flow, an inflow of \$0.5m, which is a \$1.6m positive turnaround** from the prior quarter. The inflow of cash has been due to strong customer receipts arising from quarterly sales and sales from the prior quarter with longer payment terms.
- **Activated Carbon Pellet (ACP) revenue was down 5% on a quarter-on-quarter basis. Revenue was down by 26% compared to the same quarter in the prior year due to lower seasonal demand from our largest customer.**



- **Powdered Activated Carbon (PAC)** revenue was up by 17% quarter-on-quarter due to incremental volume from our largest industrial customer and seasonal demand.
- Product manufacturing and operating costs increased by 13% compared to the last quarter due to continued higher freight and utility costs. We have moved to offset the increase in freight costs by negotiating new sales contracts on an origin pricing basis (from delivered pricing) thereby minimising future exposure to freight price volatility.
- The Company continued its strong focus on R&D with a \$0.2m grant awarded for ongoing technology development addressing the mitigation of Florida Red Tide.
- Net cash inflows from financing activities were \$0.9m principally composed of proceeds from the issue of shares, offset by lease payments for operating locations.
- Net cash outflows from investing activities of \$0.3m reflected development of new products as well as ongoing improvements to increase efficiency at our Black Birch PAC facility.

Comment

Managing Director Warren Murphy commented: *“The Company is delighted to see the positive turnaround in cash this quarter, as well as the increase in pricing achieved across several contracts. The long-term renewal of our largest ACP contract with Wisconsin Public Service reflects the outstanding pollution control solutions developed by the Carbonxt team. Demand for technologies that reduce emissions and reduce pollution continue to be in high demand and Carbonxt is at the forefront of this market with existing products and a pipeline of exciting new technologies. Our focus in the coming quarters is to strengthen sales from our existing facilities and commence the development of the planned Kentucky plant which will be a game changer for the Company. We thank all shareholders for their support in our recent capital raising and look forward to delivering more regular updates following what has been a transformational quarter.”*

Revenue and Operating Cash Flow

- Strong demand for both pellets and PAC continued during the quarter reflecting the continued overall strength of the US economy and Carbonxt’s growing reputation for developing and providing superior environmental solutions and customer service.
- The Arden Hills pellet facility continued to operate on 24-hour shifts and focused primarily on production of 9mm pellets during the September quarter to meet ongoing demand from the Company’s largest pellet customer.
- The Black Birch PAC facility also continues to operate near capacity reflecting demand from existing and new industrial customers as well as warm weather peaking in electricity generation. Planned capital improvements in 2023 at Black Birch will provide redundancy, improve flexibility to meet customer orders, and increase overall operating capacity.



Research & Development

- The Company was awarded a grant of \$0.2m for a Phase 2 continuation of work initiated last year by the Company to develop a technology addressing the mitigation of Florida Red Tide (concentration of harmful algae blooms that can kill marine animals and be harmful to humans). We are partnering with the Marine Policy Institute at Mote Marine Laboratory in this effort.

Industry Activities

- Carbonxt exhibited at two leading US industry events:
 - The first conference was The Water Expo where the Company was selected to present information on its patented HydRestor technology to remove phosphorous in water applications.
 - The second conference was WEFTEC (focus on water quality) where Carbonxt also highlighted HydRestor as well as publicized its new activated carbon pellet plant that is targeted to open in 2023.

Change of Registered Office and Share Registry Address

In accordance with listing rules 3.14 and 3.15.1, please be advised that the Company's registered office address and the address of the Company's share registry will be located at Level 8, 210 George Street, Sydney NSW 2000.

Summary and Financial Outlook

We continue to be very encouraged by our progress in operating near full capacity at both facilities, as well as our continued development of novel new technologies. Our success in these areas has supported a recent fund-raising effort for our new ACP plant in Kentucky.

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

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Enquiries

Warren Murphy
Managing Director
+61 413841216
w.murphy@carbonxt.com

Ben Jarvis, Six Degrees Investor Relations: 0413 150 448

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, wastewater treatment and other liquid and gas phase markets.