



ASX RELEASE
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Carbonxt Group Limited – December 2022 Quarterly Update

Highlights

- **Quarterly customer receipts of A\$3.9m – a decrease of 24% compared to prior quarter. The decline was anticipated and was due primarily to planned downtime to install new equipment that will deliver improved operating efficiencies. This subsequently impacted volumes at both the Arden Hills and Black Birch plants in the quarter. Volumes have since normalised.**
- **Sales of Powdered Activated Carbon (PAC) declined by 17% compared to the prior quarter driven by the Black Birch facility going offline for nearly a month to install an upgraded milling system.**
- **Sales of Activated Carbon Pellets (ACP) were also lower due to the Arden Hills facility going offline for three weeks to implement various optimization processes. This optimization work should reduce costs by approximately 10% per annum.**
- **All of Carbonxt's PAC customers that had agreements expiring in the quarter extended the contract terms and all including price increases. The list of these customers includes the Company's largest PAC customer who purchases almost 2,500 TPY of PAC products.**
- **Carbonxt received strong shareholder support for a Share Purchase Plan to raise \$1.58m which was an increase over the initial target amount.**
- **The Kentucky Joint Venture is in documentation and expected to be completed in the current quarter.**

Carbonxt Group Ltd (ASX:CG1) ("Carbonxt" or "the Company") has released its Appendix 4C Report for the December 2022 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 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 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 \$3.9m, an anticipated decrease of 24% compared with the prior quarter receipts due to the Black Birch PAC facility going offline to install a new mill which will increase overall throughput and capacity compared to the old mill. In addition, the Arden Hills pellet plant was down for almost three weeks to implement various operating efficiencies which will result in better product quality and higher throughput. Carbonxt



confirms that this work was successfully completed on time and to budget and production levels at both plants have returned to normal levels.

- **Activated Carbon Pellet (ACP)** revenue was down by 20% compared to the same quarter in the prior year due to the aforementioned manufacturing facility being offline for three weeks.
- **Powdered Activated Carbon (PAC)** revenue was down by 17% quarter-on-quarter primarily reflecting the aforementioned downtime at the Black Birch facility. Revenue was up 89% from same quarter in the prior year reflecting sales to our largest PAC customer to whom we just started sales at the beginning of last calendar year.
- Underlying Operating Cash Flow was an outflow of \$1.2m due primarily to the lower revenue for the quarter resulting from plant outages as described above.
- Product manufacturing and operating costs increased by 11% compared to the last quarter primarily due to expenses related to the new mill installation at Black Birch.
- Net cash inflows from financing activities were about \$5.5m principally composed of proceeds from the issue of equity securities.
- Net cash outflows from investing activities of \$329K reflected primarily continued development of new pellet products.

Revenue and Operating Cash Flow

- Demand for both pellets and PAC continued strong during the quarter with sales being restricted by overall product availability from the plant efficiency actions implemented during the quarter.
- The improvements implemented at the Arden Hills pellet facility will result in lower material losses and improved overall throughput which should reduce ongoing operating costs for all pellet products.
- The Black Birch PAC facility executed planned capital improvements which consisted primarily of the installation of a new mill which will reduce downtime, improve flexibility to meet customer orders, as well as increase overall operating capacity.

Research & Development

The Carbonxt R&D team completed a week-long research program with a renowned company that provides R&D services for the mineral, energy, environmental and chemical industries. The effort focused on the effects of heat treatment on Activated Carbon with the program output supporting the development of the Company's new ACP plant in Kentucky.

Industry Activities

- Carbonxt attended the North American Biochar and Bioenergy Conference which focused on biomass utilization for bioenergy production. This is an emerging topic and relevant to Carbonxt given its focus on ESG objectives as well as our Black Birch plant which utilizes renewable sources of raw material for PAC production.
- Ocean shipping rates to import products into the US reduced during the quarter which may lead to a moderation of prices for Activated Carbon products manufactured overseas. There continues to be a strong preference by industrial customers, however, for domestically produced PAC and ACP products.

Kentucky Joint Venture Progress

Development and engineering feasibility works have been largely completed and the KCP Joint Venture is now being legally documented. We expect this to be completed in the current quarter which is the catalyst for immediate funding support. The Company will give a further update on progress in the next few weeks.



Summary and Financial Outlook

We are very encouraged by our overall progress and anticipate operating at near full capacity at both facilities. In addition, we continue to work with our customer in the development of novel new technologies. Our success in these areas has supported a recent fund-raising effort for our new ACP plant in Kentucky.

Comment

Managing Director Warren Murphy commented: *“Carbonxt has made good progress this month. The decrease in revenue was anticipated due to scheduled maintenance and we can confirm that output has returned to normal levels with both plants operating at near full capacity. Our near-term focus is significantly adding to capacity and expanding our product suite by bringing Kentucky online as soon as possible. With JV terms finalised and the legal framework pending, we are confident that we can then advance construction very rapidly. Carbonxt is very well positioned to benefit from increasing investment in emissions reductions occurring throughout the United States and other larger markets, underpinned by government legislation. Added capacity brings with it the ability to enter new market segments and our team in the US is well-advanced here. I look forward to providing a fuller update on Kentucky next month.”*

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, wastewater treatment and other liquid and gas phase markets.