



ASX RELEASE

14 February 2023

Update to Appendix 4C and Quarterly Activities Report

Carbonxt Group Limited (ASX:CG1) provides an update to the Appendix 4C and Quarterly Activities Report which was released to the ASX on 31 January 2023. The attached Appendix 4C and Quarterly Activities Report updates section 6.1 'Payments to related parties of the entity and their associates' of the Appendix 4C and provides commentary on the payments in the Quarterly Activities Report.

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

ENDS

Enquiries

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

CARBONXT GROUP LIMITED

ABN

59 097 247 464

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,956	9,060
1.2 Payments for		
(a) research and development	(119)	(213)
(b) product manufacturing and operating costs	(2,942)	(5,593)
(c) advertising and marketing	(74)	(101)
(d) leased assets		
(e) staff costs	(1,391)	(2,952)
(f) administration and corporate costs	(609)	(965)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		84
1.8 Other (provide details if material)		
(a) Significant raw material prepayment		
(b) Inventory build		
1.9 Net cash from / (used in) operating activities	(1,178)	(680)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities		
(h) businesses		
(i) property, plant and equipment	(99)	(207)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(j) investments		
	(k) intellectual property	(79)	(91)
	(l) other non-current assets	(151)	(346)
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(329)	(644)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,464	8,177
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(282)	(426)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(534)	(1,081)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Interest paid / received	(132)	(264)
3.10	Net cash from / (used in) financing activities	5,516	6,406
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,230	1,099
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,178)	(680)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(329)	(644)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,516	6,406
4.5	Effect of movement in exchange rates on cash held	(84)	(26)
4.6	Cash and cash equivalents at end of period	6,154	6,154

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,154	2,230
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,154	2,230

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	232
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,500	5,500
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities	5,500	5,500
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
The \$5,500 facility is secured and has a 9.5% interest rate with a maturity date of 24 May 2023. The lender is Pure Asset Management.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,178)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,154
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	6,154
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2023

Authorised by: The Board of CG1
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.



ASX RELEASE
31 January 2023

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.

Payments to Related Parties

Included within staff costs (item 1.2 (e) of Cash Flow from Operating Activities in the Appendix 4C) are payments to the Directors. These rates of payment to directors are unchanged from the remuneration as set out in the last Annual Report.

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.