



ASX RELEASE

30 October 2024

Carbonxt Group Limited –Chairman’s Address to AGM

Dear Shareholders

This financial year is somewhat of a transition year for the Company as we undertake construction of the new activated carbon manufacturing facility in Kentucky, alongside our investment partners, Kentucky Carbon Processing, LLC. The investment in our jointly owned company, NewCarbon Processing, LLC (“NewCarbon”) is the Company’s largest ever investment and I am pleased to note that we are in the final stages of construction of an initial 10,000 tons per annum plant, with operations to commence very shortly.

The investment is very timely. In April 2024, the United States Environmental Protection Agency (“EPA”) announced the first ever national drinking water standards for the USA. The rules regulate the removal of PFAS (or per and polyfluoroalkyl substances), commonly known as “forever chemicals”, such that municipal water authorities need to achieve a four parts per trillion level. The use of Granular Activated Carbon (“GAC”) is considered best available technology by the EPA for the removal of these harmful chemicals. Market estimates from the likes of leading engineering consultants, Black & Veatch, estimate an increase in market size of over 150,000 tons per annum from the introduction of these rules. Clearly such market demand estimates far exceed the current and anticipated supply.

The removal of PFAS is of course an international problem, not just a U.S. phenomenon. Just this month, the Commonwealth Government of Australia announced a Senate enquiry into the dangers of “forever chemicals” following a series of investigative articles by the Sydney Morning Herald about the incidences of PFAS in Australian waterways.

It is important to note though that the investment in this new facility is not predicated on the introduction of the PFAS rules. We believe that the Kentucky facility will produce the highest quality activated carbon in the North American market. The new plant enables Carbonxt’s entry into the liquid phase of the market and capitalizes on our position as the only U.S. domestic manufacturer of activated carbon pellets for the industrial markets.

Our financial results in FY24 demonstrate the improvement in our operating portfolio from the efforts to lift product prices and reduce operating costs. Despite a reduction in supplies to our largest AC pellet customer due to operational issues at their plant, we have seen relatively stable annual revenue (down 2.2%) whilst our gross margin has increased from 30% to 38%. We congratulate our operational team on these successes.

I noted before that we are in somewhat of a transition year and in a financial sense this is most notably seen in the increase in loss for the Group compared to the prior year. This increased loss is almost entirely due to the increase of \$1.7m in our net interest expense associated with the extra debt assumed as part of the financing package to fund the investment in NewCarbon.

We finished FY24 with some major accomplishments and the Company’s existing operations are well setup leading into FY25. In May 2024, we announced a \$4.3 million forward sales contract with WPS of Wisconsin to supply our AC pellet product for WPS’ ReACT



(regenerative activated coke technology) emissions control system. WPS is a long-standing customer of the Group and we thank them for their support.

Post financial year-end, we secured a significant PAC contract with Reworld Waste, LLC, a provider of sustainable waste solutions. This contract is for four years and is expected to boost annual revenues by over 25% and lead to further improvements in our achieved gross margins.

FY25 will be a transformative year for Carbonxt. It has been a long journey and we would not be on the verge of a stepchange in our group's revenues and profits without the support of our shareholders, our lenders at Pure Asset Management, but most importantly the dedication and talent of our employees. We thank all of you for your support and look forward to being able to bring you some exciting operational updates in FY25.

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

ENDS

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