



ASX RELEASE

27 November 2023

Carbonxt Group Limited –Chairman’s Address to AGM

Dear Shareholders

The highlight of the year without a doubt was the signing of final documentation for the construction of an activated carbon facility in Kentucky. Carbonxt is collaborating with our partner, Kentucky Carbon Processing, LLC (“KCP”) to convert an existing waste-to-energy power station at Inez, Kentucky into a state-of-the-art activated carbon (“AC”) manufacturing facility. The conversion of the existing infrastructure greatly reduces the risk of construction completion and shortens the time to build the facility considerably. It is expected that the facility will be fully operational early in calendar 2024.

The facility will be owned by a newly incorporated entity, NewCarbon Processing, LLC (“NewCarbon”). KCP sold its Inez Power assets into NewCarbon and is taking the construction risk to deliver the activated carbon facility. Carbonxt has now funded USD 5.5m to acquire an initial 35.5% equity interest, with the ability to pay a further USD 4.5m over the next year to acquire up to 50% of NewCarbon.

Financing was achieved via an equity raising in 1H23 and by an increased senior debt facility of \$15.0m provided by Pure Asset Management. We thank our shareholders and Pure Asset Management for their support.

Construction is on schedule, and it is exciting to see the extensive efforts of our team and that of KCP coming to fruition. The KCP team is highly skilled and committed, and we look forward to seeing the first 10,000 tons per annum of capacity being operational in 2024.

The new plant in Kentucky enables Carbonxt’s entry into the liquid phase of the AC market. Entry into the utility water market will substantially increase the Company’s addressable market by some USD \$300 million today, growing to some USD \$900 million should the forecast from the American Water Works Association (“AWWA”) prove correct. AWWA is the leading industry body for water utilities in the USA. AWWA’s forecast is predicated on a substantial increase in demand as a result of the introduction of legislation to capture PFAS chemicals.

PFAS, or per and polyfluoroalkyl substances, are a large chemical family of over 4,700 chemicals. These chemicals have been used traditionally to make products including cooking utensils and fire fighting foams resistant to heat, grease, and water. PFAS are often referred to as “forever chemicals,” as they barely degrade. Long-term exposure to these chemicals has been linked to significant health risks. The US Environmental Protection Agency (“EPA”) determined that PFAS chemicals are likely carcinogens, which means that they are likely to cause cancer and that there is no level of these contaminants that is without a risk of adverse health effects.

In early 2023, the EPA announced new legal limits for six PFAs of four parts per trillion. These limits would be the first-ever national drinking water standard for the United States of America. The EPA announced also that it will be deploying USD \$9 billion specifically to invest in communities with drinking water impacted by PFAS and other such contaminants.



The EPA has now closed the public comment period for the proposed rule, and it is on record as promulgating a final rule by the end of this calendar year.

Our financial results in FY23 were impacted by outages at both Arden Hills and Black Birch to affect operational efficiencies, and by deferral of pellet purchases by our largest customer in the last quarter of the year. These events resulted in an approximate 16% reduction in revenue and a larger decrease in gross margins. However, we expect to see a significant improvement in gross margins in FY24 as the above actions to improve operational costs come to fruition, as well as new higher pricing coming into effect across our product ranges. We have already seen these improvements in results to date in the first quarter of FY24.

FY24 should represent the beginning of a major change in scale of our business. This growth is the culmination of many years of effort, building upon our position as the only U.S. supplier of activated carbon pellets.

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