



ASX RELEASE
28 April 2023

Carbonxt Group Limited – March 2023 Quarterly Update

Highlights

- **Quarterly customer receipts of A\$3.7m, down 5% on the prior quarter with the difference due primarily to timing of customer payments**
- **Gross Margins improved to 44% in the quarter reflecting improved efficiencies at Black Birch and Arden Hills facilities, as well as the sales composition of the product mix for the quarter**
- **Completion of US\$500,000 prepayment to advance development of Joint Venture project, a state-of-the-art activated carbon plant in Kentucky, USA. Funds have been allocated to the purchase of longer lead-time items to commence the first phase of the plant's construction**
- **Legal documentation to finalise the Joint Venture is nearing completion, with discussions progressing well in the March quarter**
- **Sales of Powdered Activated Carbon (PAC) were up 33% from the prior year comparative period, reflecting higher sales to multiple industrial customers. PAC sales declined by 15% q/q, reflecting overall warmer winter weather and lower demand for PAC as power plants operated at lower capacity levels.**
- **Sales of Activated Carbon Pellets (ACP) were down by 20% from a year ago and down 28% compared to the prior quarter. Both declines reflected our largest ACP customer operating at lower capacity levels due to warmer winter weather as well as lower than anticipated natural gas prices.**

Carbonxt Group Ltd (ASX:CG1) ("Carbonxt" or "the Company") has released its Appendix 4C Report for the March 2023 Quarter and provides the following update on the key areas of activity for the period (all numbers are in A\$ unless otherwise stated).

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 US 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 \$3.7m, a decrease of 4% compared with the prior quarter receipts and down 5% from same quarter a year ago. The minor decreases from both time periods reflected primarily timing of customer payments as well as warmer winter weather and a resultant decline in operating capacity at industrial customer facilities.**

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- **Activated Carbon Pellet (ACP)** revenue was down 28% on a quarter-on-quarter basis due to seasonality from our largest customer who was influenced by economic factors related to weather (typically there is lower energy demand in warmer winter weather). Revenue was down by 20% compared to the same quarter in the prior year due to a much warmer winter weather season compared to last year.
- **Powdered Activated Carbon (PAC)** revenue was down by 15% quarter-on-quarter primarily reflecting the aforementioned warmer winter weather and resultant lower operating capacity at multiple power stations. Revenue was up 33% from same quarter in the prior year reflecting higher sales to multiple PAC customers including our largest PAC customer to whom we just started sales at the beginning of last calendar year.
- Underlying Operating Cash Flow for the quarter was an outflow of \$0.47m. The outflow of cash reflects primarily the timing of customer payments.
- Gross Margins improved to 44%, as product manufacturing and operating costs decreased by 30% compared to the last quarter primarily due to planned Capex and efficiency actions implemented last quarter at both the Arden Hills and Black Birch facilities.
- Net cash outflows from investing activities were about \$0.9m reflecting the US\$500,000 prepayment announced on 28 March 2023 to expedite development of the pending Kentucky US activated carbon facility.

Kentucky Joint Venture

- The US\$500,000 prepayment marked a clear commitment from Carbonxt and its JV partner to advance construction of the facility, pending the formal completion of legal framework documentation
- As agreed between the parties, the prepayment funds the purchase of core items that have a longer lead-time for procurement – a key factor in initiating the first phase of construction in a timely manner
- The proposed facility – a state-of-the-art manufacturing hub for activated carbon products – continues to represent a major opportunity for Carbonxt with the US market, with the capacity to deliver a material uplift in group sales and operating margins over the long term

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 will be attending the WQA (Water Quality Association) Convention and Exposition as well as the AWWA (American Water Works Association) Annual Conference in the upcoming quarter to participate with leading edge solutions to address critical issues in the water sector.

Summary and Financial Outlook

Carbonxt continued to report strong progress across its group operations in the March quarter, and the Company anticipates operating at near full capacity at both facilities over the coming months. The JV project to build a new activated carbon plant in Kentucky will support numerous commercial opportunities, and facilitate a significant expansion into new customer segments and applications.

Managing Director Warren Murphy commented: *“We have nearly completed the documentation for our Kentucky Joint Venture and are excited to see this long-term strategic initiative come to fruition. The group’s forthcoming expansion in the US water and wastewater industries represents a major commercial opportunity. We look forward to setting*

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out the details of this investment in the near future, and updating investors on the development timeline and addressable market. In the interim, optimisation of our facilities at Arden Hills and Black Birch leaves the Company well-positioned to drive margin growth from existing operations through the course of 2023.”

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

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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.

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