

Carbonxt Group Limited – March 2022 Quarterly Update

Highlights

- **Quarterly customer receipts of A\$3.8m. However, a further \$1.0m of receipts were subject to a logistics delay beyond our control and therefore revenue will be recognised in the next quarter. This would have resulted in a normalised quarterly revenue in line with the last two quarters.**
- **Net operating cash outflow of A\$1,023k, due to invoicing delay mentioned above as well as an inventory build and raw material prepayments, discussed below in more detail.**
- **Sales of Powdered Activated Carbon (PAC) grew by 28% compared to the prior quarter driven by the win of a major Mid-West distributor of PAC to the mercury emissions market.**
- **Carbonxt's HydRestor pelletized products was selected as the treatment option for an Innovative Technology Grant by the Florida Department of Environmental Protection with a related \$400k of pilot testing being funded**
- **The required permit for the new pellet manufacturing facility in Kentucky is imminent and we are now in active discussions with customers to sell the resulting capacity.**

Carbonxt Group Ltd (ASX:CG1) ("Carbonxt" or "the Company") has released its Appendix 4C Report for the March 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 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 \$3.8m, with an extra \$1.0 subject to an invoicing delay with a major customer due to storage capacity being unavailable at that customer's site. This storage capacity constraint has now been resolved and on a normalised basis customer receipts are in line with the prior two quarters.

- **Activated Carbon Pellet (ACP)** revenue was down due to an invoicing delay with our major customer, as noted above, that has been subsequently resolved in the following quarter. Revenue was up by 86% compared to the same quarter in the prior year.
- **Powdered Activated Carbon (PAC)** revenue was up by 28% quarter-on-quarter due to a customer win with a major Mid-West distributor of PAC to the mercury emissions market.
- Underlying Operating Cash Flow was an outflow of \$1,023k was notably for the reasons noted above regarding the delayed invoicing with a major customer. Our PAC customers in the MATS market generally saw lower demand than forecast due to coal supply chain disruptions resulting in lower demand than forecast and an increase in our PAC inventory. These combined items resulted in an inventory build of \$719k. The company also prepaid for \$159k of inventory for new pellet production in subsequent quarters where customer receipts have not yet been realized. This is part of the strategy to support the growth in new pellet opportunities as we bring on the new capacity in Kentucky.
- Net cash inflows from financing activities were positive as the company completed a successful \$4.5m placement in February 2022.
- Net cash outflows from investing activities of \$596k reflected continued investment in equipment including incremental milling capacity at our Black Birch facility in Georgia to meet anticipated growing demand and provide further redundancy in our operational capability.

Revenue and Operating Cash Flow

- Demand for both pellets and PAC continued strong during the quarter reflecting increased US economic activity, higher natural gas prices, long lead times and higher prices for imported carbon products, and new customer orders.
- The Arden Hills pellet facility operated at maximum capacity during the quarter and demand from pellet customers remains high.
- The Black Birch PAC facility operated at maximum capacity during the quarter in response to increased demand for both bagged and bulk product requests. Multiple new potential customers have been engaged with us regarding the feasibility of us to support them with PAC products. We have invested in capital expenditures that would provide redundancy and increase the operating capacity of the Black Birch facility in the new financial year.

Research & Development

- The Company continues to extend its reputation in the industry as an innovative provider of activated carbon solutions with novel materials. We are in preliminary discussions with a potential new customer regarding an opportunity to develop a novel new pellet product using their exclusive raw materials.
- Carbonxt's HydRestor pelletized products was selected as the treatment option for an Innovative Technology Grant by the Florida Department of Environmental Protection with a related approximately \$400k of pilot testing to be funded. The project site will be in the growing community of Lakewood Ranch, Florida and will



treat over 8 million gallons of water over a 4-month period to reduce nutrient levels.

Kentucky Pellet Facility

- We are now moving into the final design phase for the new manufacturing facility and are in active discussions to complete the necessary work with our Kentucky partner to bring this exciting development to fruition.

Industry Activities

- There is continued economy-wide upward pressure on costs in the US reflecting supply chain issues, shipping costs/delays, raw material availability, utility and labor costs, and overall supply versus demand. Similarly, there are strong upward trends related to pricing of activated carbon products reflecting the above factors.

Summary and Financial Outlook

We are very encouraged by our progress in operating at full capacity at both facilities, our onboarding of new customers, our continued development of novel new technologies, and progress being made on our new ACP plant in Kentucky.

Comment

Managing Director Warren Murphy commented:

“Market conditions for our products continue to improve and we look forward to communicating the various new initiatives in our ACP products, including our new manufacturing facility, in the near future”.

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

Ben Jarvis, Six Degrees Investor Relations: 0413 150 448

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, waste water treatment and other liquid and gas phase markets.