



ASX RELEASE
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Carbonxt Group Limited – June 2023 Quarterly Update

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the June 2023 Quarter and provides the following update on the key areas of activity for the period. All numbers are in Australian dollars unless stated otherwise).

Highlights

- **Joint Venture (‘JV’) legal documentation executed with US partner Kentucky Carbon Processing, LLC (KCP) for Carbonxt’s state-of-the-art activated carbon plant in Kentucky, USA.**
- **This major development will see CG1 move to 50% of a 10,000 tons per annum plant producing high quality activated carbon products, with further expansion anticipated for minimal further capex.**
- **The development of the KCP sees the transition of the existing Inez Power facility to an activated carbon plant which has lower development risk, lower cost, higher capacity and a better scheduling of future cashflows for Carbonxt.**
- **The JV facilitates Carbonxt’s entry into the water treatment sector for Activated Carbon products, increasing the Company’s estimated addressable market by ~\$US900m.**
- **Quarterly customer receipts were A\$2.4m, down 35% on the prior quarter and 18% on PCP, due almost entirely to sales being deferred to the current quarter. The bulk of the difference will be recouped in the September quarter from our largest Pellet Customer.**
- **Product manufacturing and operating costs decreased by 24% compared to the last quarter, primarily due to planned efficiency actions implemented at both the Arden Hills and Black Blirch facilities.**
- **The value of unsold inventory has increased from ~A\$0.9m to A\$1.9m (at cost) as ACP was manufactured and stored for our largest customer in anticipation of meeting its full year forecast.**

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

- In May 2023, CG1 signed a legally binding Joint Venture Agreement with US partner Kentucky Carbon Processing, LLC (KCP) to establish a new state-of-the-art 10,000 tons per annum activated carbon plant – NewCarbon - in Kentucky, USA.
- Construction for the Kentucky plants commenced during the quarter, with sales scheduled to commence 1H24.
- The JV is structured to reduce capital management risk while allowing Carbonxt to finish with a 50% share in future income streams. Annual production will increase by +10,000 tons, with capacity for further expansion of another 10,000 tons at very low cost.
- AC products manufactured at NewCarbon provide Carbonxt with direct entry into the US market for the removal of per- and polyfluoroalkyl substances ('PFAS') from drinking water – set to become a major US growth industry over the next decade.
- Receipts from customers during the quarter were \$2.4m, a decrease of 35% compared with the prior quarter receipts and down 18% from same quarter a year ago.
- **Activated Carbon Pellet (ACP)** revenue decreased 37% on a quarter-on-quarter basis due to seasonality from Carbonxt's largest customer, which is still forecasting similar annual demand to the previous 12 months on a full year basis.
- **Powdered Activated Carbon (PAC)** revenue was decreased by 38% quarter-on-quarter and down 17% from year ago primarily reflecting milder weather during the period and resultant lower operating capacity at multiple power stations.
- Product manufacturing and operating costs decreased by 24% compared to the last quarter primarily due to planned efficiency actions implemented last quarter at both the Arden Hills and Black Birch facilities.
- Underlying Operating Cash Flow for the quarter was an outflow of \$964K. The outflow of cash reflects primarily the build up of inventory for the main ACP customer, and is scheduled to be recouped in the September quarter.
- Net cash outflows from investing activities were principally composed of a US\$6.9M initial investment in the Kentucky Joint Venture.

Revenue and Operating Cash Flow

- Demand for Powder Activated Carbon (PAC) has increased in the past couple of months reflecting the warmer weather and higher demand from coal fired power plants. ACP demand from our largest customer has also increased and we expect to deliver the entire finished goods inventory in the September quarter.

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 Water Quality Association Convention and Expo as well as the American Water Works Association annual conference. Both of these events attract industry leading water experts, suppliers, customers, new technologies, and utilities with a focus on water quality. These are important conferences as the primary target markets for the new Kentucky JV are addressing water quality and PFAS remediation.

Summary and Financial Outlook

- Our pending new activated carbon plant in Kentucky is progressing as planned and will support numerous commercial opportunities while allowing us to expand into new customer segments and applications in the 2024 Fiscal Year.

Managing Director Warren Murphy commented: *“We are delighted with the execution of a JV agreement for the Kentucky manufacturing facility. Construction is progressing well and we will give a more comprehensive update in the September quarter. Our calendar year forecast ACP sales remain unchanged as June deliveries were deferred into the September quarter. Associated manufacturing costs have already been incurred and we were pleased to report a reduction in broader operating costs following the implementation of plant efficiencies during the June quarter. The Kentucky plant provides Carbonxt with direct access to a major US addressable market opportunity for PFAS solutions where we are uniquely positioned to capitalise.”*

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.