



ASX RELEASE
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Carbonxt Group Limited – December 2023 Quarterly Update

Highlights

- **Construction of the flagship Activated Carbon production facility in Kentucky, USA continues to progress well, with the focus now turning to commissioning activities and near-term sales.**
- **Customer receipts for the quarter were A\$3.3m – a decrease of 28% on the prior quarter predominantly due to a timing difference in orders from our largest Pellet Customer which resulted in a material cash inflow from deferred sales during the September quarter; taking into account timing differences, operating cash receipts during the December quarter are consistent on an annualised basis.**
- **Sales revenue for Powdered Activated Carbon (PAC) increased 28% from a year ago which reflected the increase in prices for our products, as well as a slightly different mix of customers from a year ago. Compared to the prior quarter, PAC unit sales decreased by 19% as we entered a lower seasonal demand period.**
- **Several existing relationships extended their PAC contracts with higher pricing across the power generation, water filtration and industrial applications. One PAC contract has been increased by over \$1.5m per annum.**
- **Sales of Activated Carbon Pellets (ACP) were down by 58% on the prior quarter, as the sales to our largest pellet customer were impacted by outages at that customer's facility. We reduced our manufacturing shifts accordingly at Arden Hills to reduce operating costs. Production performance for our other major ACP customer was at a record low manufacturing cost.**
- **Successful completion of a \$0.6m placement to sophisticated and professional investors; accompanying 1:9 rights issue at \$0.06 was oversubscribed and settled in January, raising the full allotment of \$1.84m.**
- **Commissioning of the flagship Kentucky plant is underway to test plant performance, with significant production ramp up to occur next quarter.**

Carbonxt Group Ltd (ASX:CG1) ("Carbonxt" or "the Company") has released its Appendix 4C Report for the December 2023 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.

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Overview

- Customer receipts were \$3.3m, a decrease of 28% compared with the prior quarter receipts and down 16% from the same quarter a year ago. As noted above, the timing of orders from our largest customer, which resulted in a large inflow of deferred receipts during the September quarter, drove this quarter-on-quarter movement and the December quarter results are consistent on an annualised basis.
- **Activated Carbon Pellet (ACP)** primary sales during this period were to the group's two main customers. Inventory that was produced in previous quarters was depleted significantly as an initiative to build lower cost of production products and improve the balance sheet. This process has continued into the current March quarter as the recommencement of operations at our largest pellet customer has seen our balance sheet inventory reduced to an immaterial level.
- **Powdered Activated Carbon (PAC)** revenue was reduced from the prior quarter in line with typical seasonal operating patterns. The mix of customers is changing with increasingly less emphasis on power generation facilities in this segment. Reflecting stronger market conditions for PAC products, Carbonxt negotiated several contract extensions at higher pricing during the quarter, including an increase for one customer of \$1.5m per annum.

Revenue and Operating Cash Flow

As noted above, revenue from the quarter was impacted by the operations of the Company's largest pellet customer. Underlying cash flow from operations was a loss of \$0.3m, which reflects a higher gross margin than prior quarters as ongoing operating costs have been reduced, product pricing increased across the portfolio and inventory levels reduced.

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. The addition of two new directors has seen the total amount of this item increase. The rates of payment to the continuing directors are unchanged from the remuneration as set out in the last Annual Report.

Investments

The new Activated Carbon facility in Kentucky continues to progress well, with the delivery of all major construction equipment now completed. Activities have now turned to completing all commissioning activities, as well as business commencement tasks including key staff hires and sales.

On the latter, initial discussions with industrial pellet customers have progressed well and we are encouraged by the reception to date, with both prices and volumes in line with our expectations.

Corporate Activities

During the quarter a capital raising was initiated, with a Placement of \$0.6m (10,000,000 shares at \$0.06 per share) was completed in December. The Placement was accompanied by a fully underwritten 1:9 rights issue at \$0.06 to raise up to \$1.84m. The rights issue was oversubscribed and settled post quarter-end in January 2024, raising the full allotment.

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Managing Director Warren Murphy commented: *“The December quarter was highlighted by strong execution across our existing operations, alongside key construction milestones being met for the group’s flagship Activated Carbon production facility in Kentucky. With commissioning works and sales discussions for Kentucky now progressing well, the Company continues hold the view that the NewCarbon facility presents an opportunity to drive a major re-rating of Carbonxt’s growth and earnings profile, amid a supportive US regulatory environment driving strong demand for water purification solutions. With construction now approaching completion, we look forward to providing an update on production and sales from Kentucky in the coming weeks. When the NewCarbon facility comes online, the material scale-up of Carbonxt’s production capacity will take place amid strong market conditions for activated carbon products, as evidenced by the group’s recent contract extensions and price increases for sales from existing operations.”*

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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