



ASX RELEASE

31 July 2024

Carbonxt Group Limited – June 2024 Quarterly Update

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the June 2024 Quarter and provides the following update on the key areas of activity for the period -- all numbers are in A\$.

Highlights

- **There were two material contract announcements in the June 2024:**
 - **\$4.3m up-front forward sale of Activated Carbon Pellets (ACP) to utility provider Wisconsin Public Service (WPS)**
 - **Four-year contract of approximately \$24m with Reworld Waste, LLC to provide Powdered Activated Carbon (PAC), which will generate annual revenues of ~\$6m for the duration of the contract**
- **Receipts from Customers were up 165% on the comparable quarter a year ago and 81% on a quarterly basis due to the WPS transaction. Revenue was a 6.2% increase on the prior comparative quarter and 19% higher year-on-year.**
- **Annualised sales of Powdered Activated Carbon (PAC) are 16% higher than a year ago which is almost entirely due to a focus on customer mix and associated higher prices across the PAC portfolio.**
- **Sales of Activated Carbon Pellets (ACP) increased by 36% from a year ago and by 14% on a quarterly basis.**
- **Construction of the flagship Activated Carbon production facility in Kentucky, USA continues apace with the build program expected to be completed by the end of the quarter and first sales of Granular Activated Carbon (GAC) in the December quarter.**

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.

Managing Director Warren Murphy commented:

“The June quarter was a very successful period for the Company, highlighted by the completion of the WPS forward sale which consolidated Carbonxt’s position amid the broader demand tailwinds for Activated Carbon products in the US market.

“Post quarter-end, the WPS sale was followed by the award of a large PAC contract with Reworld Waste, LLC, a leading provider of sustainable waste solutions in the US waste-to-energy industry. That contract will increase annual revenues for the Group by over 25%, whilst seeing gross margins improve to over 40% at our Black Birch PAC manufacturing facility in Georgia.”



“The recent sales contracts serve to highlight the strength of Carbonxt’s market position as a trusted supplier of premium activated carbon products as demand in the US market continues to increase. In that environment, the forthcoming commissioning of the new manufacturing facility in Kentucky has the potential to generate a step-change in group revenues and profits. The first stage of production is for 10,000 tons with the ability to expand to 20,000 tons for a minimal further capital expenditure.

“Final electrical works are underway, and the facility is expected to commence production prior to the end of the September quarter. Discussions with a pipeline of potential customers from the Kentucky facility have been highly encouraging, and we look forward to providing more updates in the months ahead.”

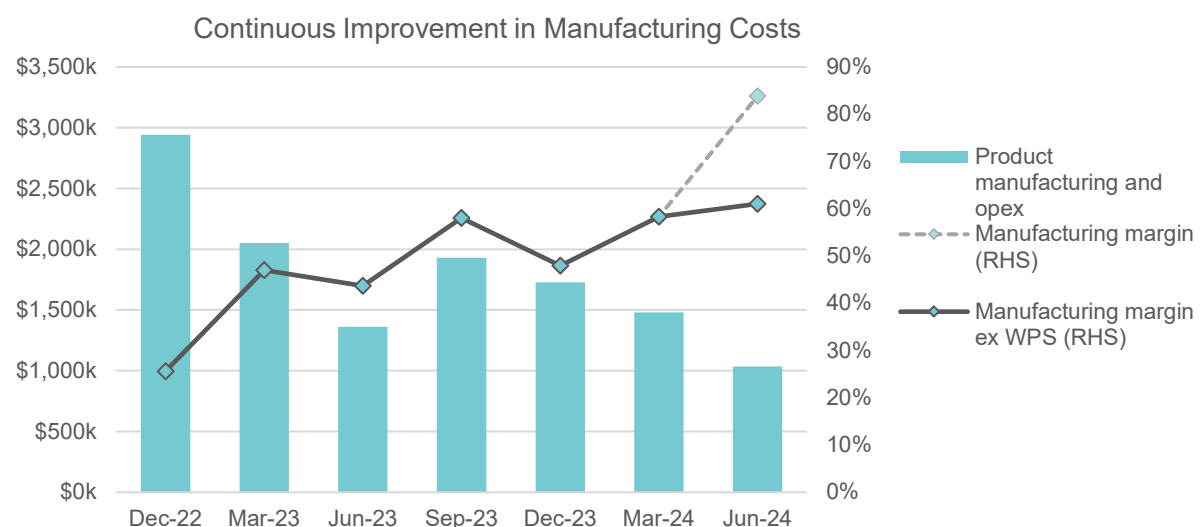
Overview

- Customer cash receipts for the quarter were \$6.4m, an increase of 81% compared with the prior quarter receipts and increased 165% from same quarter a year ago. As noted earlier, the forward sale to WPS of 1,200 tons of ACP contributed materially to this result.
- **Activated Carbon Pellet (ACP)** primary sales during this period were higher by 14% for the quarter compared to last quarter. This is due to sales and deliveries to WPS under the forward sales agreement, as well as several sales of industrial pellets.
- **Powdered Activated Carbon (PAC)** revenues are 16% higher on a rolling 12-month basis than 12 months ago. This increase in revenue is a result of companywide efforts to increase prices across the portfolio as volumes are largely the same when compared to prior 12 months

Revenue and Operating Cash Flow

- The Company has made very concerted efforts over the past 18 months to improve plant efficiencies at both of our operating facilities. These efforts have been successful as can be seen in figure 1 below, demonstrating continuous improvement in product manufacturing costs, as well as further increases in margins from price increases across the customer portfolio.

Figure 1 – Product cash manufacturing costs (item 1.2(b) of Appendix 4C).

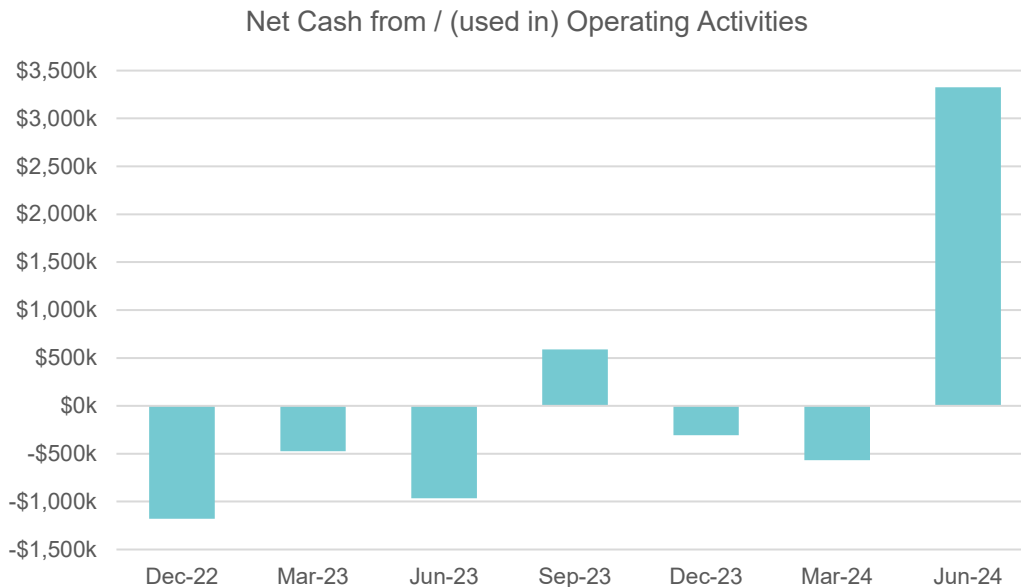


- Further improvements in operating costs at our Black Birch facility will be realised in 1HFY25 as we renegotiate the terms of our existing operating lease. We would expect to be able to update shareholders in the next few months.



- Lower operating costs and higher revenues have seen strong improvement in net operating cash flows as set out in Figure 2 below.

Figure 2 – Quarterly Net Operating Cashflows (item 1.9 of Appendix 4C)



Update on NewCarbon Processing, LLC – new Kentucky facility

The construction of the new activated carbon facility in eastern Kentucky is expected to commence the production of Granular Activated Carbon ('GAC') in the current quarter. As noted in our March 2024 quarterly update, the joint venture (NewCarbon Processing, LLC) made the decision to adjust the design of the plant to more effectively produce activated carbons with various particle size distributions including GAC and Pellets. This strategic decision has the major benefit of accelerating the ramp-up of revenue from the facility.

Kiln start-up activities are the key focus at this stage with final electrical connections underway and refractory installation expected to commence next month. A key change to reduce operating costs during start-up has been the purchase of 5MW of additional power generation assets which are being connected now.

Carbonxt has observed a significant increase in PFAS remediation demand with more and more RFPs (Requests for Proposal) being issued from customers seeking related support and treatment technologies. The industry expectation is that the increase in demand will much exceed supply over the medium term.

Recent discussions with prospective customers indicate that market pricing for both GAC products as well as 4mm AC pellets is well above the USD 3,500/ton assumption used in the Carbonxt Investor Presentation released to the ASX on 23 May 2024.

Negotiations have commenced on initial supply contracts for the forthcoming new capacity from the Kentucky plant, and the Company expects to see several contracts advance towards completion in the near-term.

Post quarter-end, the Company signed its first Letter of Intent with a prospective customer for 1,000 – 1,500 tons per year.

For personal use only



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 rates of payment to the continuing directors are unchanged from the remuneration as set out in the last Annual Report.

Summary and Financial Outlook

The initial start-up of the Kentucky AC facility is now imminent with revenue contracts expected in the near term. The Company remains focussed on bringing this plant successfully online. The result of this will be material increase in the size and scope of the Group's business in 2025.

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

ENDS

Enquiries

Warren Murphy
Managing Director
+61 413 841 216
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, wastewater treatment and other liquid and gas phase markets.