



ASX RELEASE

14 October 2021

Carbonxt Group Limited – September 2021 Quarterly Update

Highlights

- **Quarterly customer receipts of A\$4.9m – up 81% on the prior quarter and up 16% on the A\$4.2m forecast provided in August of this year**
- **Positive operating cash flow quarter for the quarter**
- **Sales of AC Pellets and PAC both growing strongly driven by US market re-opening and business activity normalising**
- **Well-placed for continued growth and to meet existing customer demand and maintain margins; pipeline of orders building from new and existing customers**
- **Expanding AC Pellet manufacturing capacity through the proposed third party Kentucky manufacturing facility to meet growing customer orders is a key priority for the Company**
- **Water treatment and freshwater treatment of algae blooms and other pollutants represents a large market opportunity CG1 is aggressively pursuing**
- **President Biden's administration policies favouring clean energy signals encouraging opportunities for Carbonxt's diversified product portfolio**

Carbonxt Group Ltd (ASX:CG1) (“Carbonxt” or “the Company”) has released its Appendix 4C Report for the September 2021 Quarter and provides the following update on the key areas of activity for the period -- all numbers are in A\$.

Principal Activities

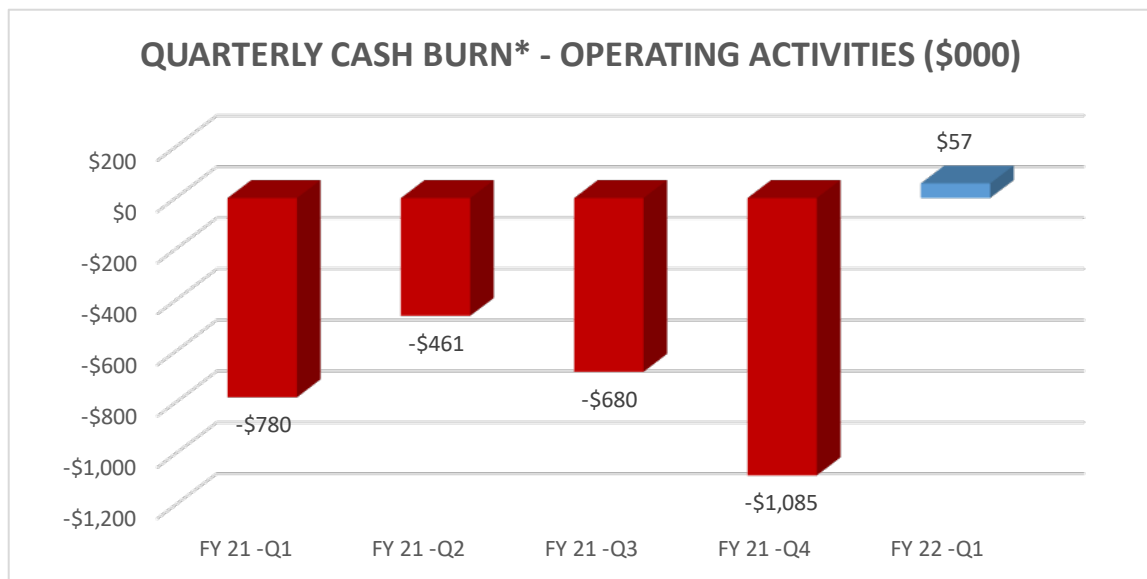
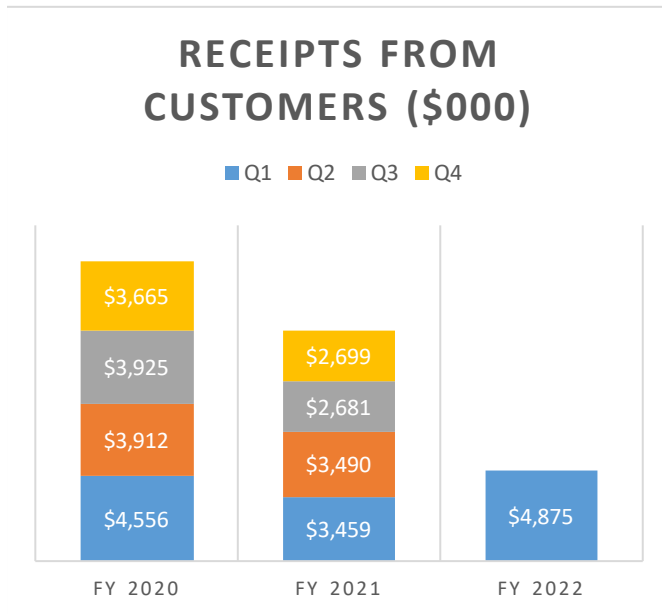
Carbonxt is a cleantech company that develops and manufactures environmental technologies to maintain compliance with air and water emission requirements and to remove harmful pollutants. The Company’s primary operations are in the US and include a significant R&D focus as well as manufacturing plants 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 \$4.9m, an increase of 80.6% over the prior quarter receipts of \$2.7m and ~16% up on the quarterly revenue forecast of \$4.2m reported on 19 August 2021.
- **Powdered Activated Carbon (PAC)** revenue was up by 52% with higher demand for our PAC reflecting hot summer weather, high natural gas prices and industry related supply shortages.
- **Activated Carbon Pellet (ACP)** revenue was up by 189% with higher demand for our ACP also reflecting those drivers.
- Underlying Operating Cash Flow was an inflow of \$0.1m, a significant turnaround when compared with the FY21 trend averaging \$0.4m outflows.
- Net cash outflows from investing activities were \$0.2m reflecting continued investment in pellet engineering technologies and Research & Development (R&D) described below in more detail.



*Excluding Government Grants

Revenue and Operating Cash Flow

- Demand for PAC was strong during the quarter driven primarily by increased economic activity in the United States as the country emerged from the worst of the pandemic. Warmer weather in the US was also a contributing factor. The higher demand was against a backdrop of increased coal usage in electricity production as natural gas prices surged to their highest levels in several years.
- The Company's AC Pellet production is at maximum capacity and demand from several customers remains unmet due to limitations in production availability. We



have observed higher pricing in pellets imported from overseas providing more in-bound demand for pellets from Carbonxt.

- The Arden Hills facility started operating an additional shift during the quarter and intends to continue operating three shifts for the foreseeable future.
- We look forward to the construction of the new pellet facility at Kentucky to support acceptance of new customer orders and the Company has every confidence that works can commence soon.
- The Black Birch facility is building out its bagging ability to expand packaging options for PAC products as demand for bagged versus bulk products rose.

Research & Development

- The Company is developing improved methods of extrusion to optimize pellet specifications according to customer requirements. This effort is ongoing as our R&D team becomes aware of new market opportunities.
- New and additional sources of US-made base carbons are under evaluation to build a platform of high-performing economic raw materials that can be used in activated carbon pellets for a variety of industrial applications.
- We continue to streamline our pellet formulations whilst building on a knowledge portfolio of carbon and binder combinations so that we can enhance our pellet engineering services to quickly develop customized pellet formulas and recipes.
- Recent laboratory tests deploying new activated carbon formulations to prevent the propagation of Florida Red Tide algal blooms have been completed with very promising results. The testing, supported with a US \$100,000 government grant, showed that algae could be eliminated within two hours of exposure to the Carbonxt product which is leading to more advanced testing applications.

Industry Activities

- As has been observed across many industries, freight continues to present challenges both on domestic trucking and international ocean freight. Domestic trucking continues to see a driver shortage. The ocean freight industry has seen significant consolidation and price increases for all incoming products including those related to the activated carbon industry
- Carbonxt has been contacted by several new PAC customers who have not been able to be serviced by one of our key competitors reflecting production related issues.

Corporate Activities

- The Company successfully raised \$1,041,044 during the quarter via a non-renounceable pro-rata entitlement offer, which was announced in the prior quarter.

Summary and Financial Outlook

The 2022 fiscal year is off to a strong start with its current manufacturing facilities meeting current customer demand. There is considerable momentum for new and expanded orders for PAC and AC Pellets, but in order to protect margins and maintain the current cost base, the Company will only accept new ACP sales once the Kentucky facility operating date is confirmed.



We are also greatly encouraged by progress in freshwater treatments of algae blooms and other pollutants, and with continued engagement with government bodies for additional funding opportunities related to nutrient removal and Red Tide mitigation, this presents a very large market opportunity for Carbonxt.

Comment

Managing Director Warren Murphy commented: *“Q1 FY2022 has commenced well for Carbonxt with the Company delivering improved sales and positive operating cash flow. Our focus for the quarter has been to maximise manufacturing capacity in our own facilities to meet growing demand for PAC and AC Pellets which has occurred in line with economic activity returning to more normal levels in the United States. Managing our cost base and delivering sales with acceptable margins has also been as priority.*

“We are now firmly focused on growth and meeting growing demand by bringing the Kentucky manufacturing facility on line with construction pending, and pursuing opportunities for our cleantech in the water and wastewater sectors where there is considerable scope for the Company. Product innovation and refinement through R&D is also an ongoing focus for us. We look forward to providing shareholders with regular updates on progress throughout the current quarter and beyond.”

The Company is developing plans to support the additional ongoing high demand in the US market for activated carbon pellets. We continue to build partnerships and be sought out for development of emission-related technologies centred around our activated carbon pellets. These opportunities are growing due to an increased global focus on ESG and emissions reduction, and Carbonxt’s activated carbon expertise, novel renewable materials and commercialization experience.

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