Carbonxt
ADVANCED CARBON PRODUCTS

Carbonxt Group Limited - FY26 Results

All results in AUD unless otherwise stated. Figures are drawn from the audited FY26 financial statements lodged with this announcement.

HIGHLIGHTS

- **First positive operating cash flow: Net cash from operating activities of $0.49 million, against an outflow of $4.75 million in FY25. Receipts from customers of $17.0 million (FY25: $11.6 million).**
- **Net loss narrowed 31.5%: Loss before tax of $4.6 million (FY25: $6.8 million).**
- **Revenue steady in local currency: Group revenue of $15.7 million, down 3.1% on FY25 in Australian dollars. In US dollars, where substantially all revenue is earned, revenue rose 1.4% to US$10.6 million. The reported decline reflects the lower AUD/USD rate.**
- **Gross margin: $7.4 million, representing 47.3% of revenue (FY25: 52.4%), with 52.4% achieved in the June 2026 quarter.**
- **Underlying EBITDA: Loss of $1.0 million (FY25: $0.5 million loss), after a full year of Kentucky-related overhead carried without revenue from the facility and the expensing of $0.4 million of costs associated with the Minnesota pellet plant relocation.**
- **Kentucky kiln: All replacement kiln parts are on site and are being individually re-tested. The kiln manufacturer has been on site from 24 August 2026 to finalise the electrical works with Kentucky Carbon Processing. All associated wiring is being replaced as a precaution.**
- **NewCarbon ownership: 48.05% at 30 June 2026 (FY25: 43.66%), after US$1.5 million invested during the year. A further US$500,000 invested after year-end has taken the interest to 49.4% and total investment to US$9.75 million.**
- **Balance sheet restructure agreed after year-end: Stage 1 completed on 3 July 2026, comprising A$3.5 million of new convertible notes, including A$2.0 million of new cash from Phelbe Pty Ltd. Stage 2 would deliver a cash injection of up to A$11 million and a net debt reduction of approximately A$5 million.**
- **EGM: Expected in late September 2026, to approve certain aspects of the Balance Sheet restructure.**
- **ACP contract extended: A three-year extension of a principal ACP customer contract on higher pricing and improved payment terms, with expected annual revenue from that contract up over 30%. Indicated volume increases would be worth approximately $2.0 million of additional FY27 revenue.**

Kentucky Facility Update

The Kentucky activated carbon facility is the Company's principal operating and balance sheet milestone. Once operational, it is forecast to increase group sales by approximately 200% over the next two years and to provide entry into the liquid-phase activated carbon market, a segment several times larger than the air-phase market Carbonxt currently serves.

During FY26, the kiln was constructed, the refractory lining installed, and heat treatment undertaken. The back-end infrastructure, bagging station, conveyors, additional storage silos and the onsite power station were installed and brought online. All outside works are complete.

The Company had targeted first revenue from the facility in early calendar 2026 and did not meet that timetable. As the plant entered early commissioning, remediation requirements were identified in the kiln, and further inspection determined that certain affected equipment needed to be replaced, as well as the equipment that needed to be repaired. The kiln manufacturer agreed to replace the equipment at its own cost and has remained supportive throughout.

Replacement parts began arriving in the June 2026 quarter and have all now arrived on site. Each part is individually re-tested at a dedicated on-site testing station before installation. The kiln manufacturer has been on site from 24 August 2026 to finalise the kiln electrical works with KCP and confirm the parts function as intended. All associated wiring is being replaced as a precaution. Once the kiln construction is completed, it will be followed by commissioning, independent engineer certification and the initial US$1 million revenue milestone.

Contributions to NewCarbon during FY26 totalled US$1.5 million, taking the Company's interest to 48.05% at 30 June 2026 from 43.66%. Two further investments of US$250,000 each, made after 30 June 2026, have taken the interest to 49.4% and total investment to US$9.75 million. Both are subsequent events for the purposes of the FY26 accounts.

Table 1: Financial Overview

Item ($'000)	FY2026	FY2025	Change
Revenue	15,694	16,195	-3.1%
Gross margin	7,422	8,481	-12.5%
Other income	150	269	-44.2%
Shipping and distribution costs	(1,970)	(1,984)	-0.7%
Operating expenses	(6,643)	(7,231)	-8.1%
Underlying EBITDA	(1,041)	(465)	n/m
Depreciation and amortisation	(1,870)	(2,275)	-17.8%
Underlying earnings before interest and tax (EBIT)	(2,911)	(2,740)	+6.2%
Net interest expense	(4,639)	(3,335)	+39.1%
Share-based payment expense	(74)	(104)	-28.8%
Fair value movement on embedded derivatives	733	-	n/m
Net remeasurement gain/(loss) on royalty payables	2,262	(582)	n/m
Loss before income tax expense	**(4,629)**	**(6,761)**	**-31.5%**

Revenue and Earnings

- Revenue: $15.7 million (FY25: $16.2 million), down 3.1%. In US dollars, revenue was US$10.6 million, up 1.4% on US$10.5 million in FY25.
- Gross margin: $7.4 million, 47.3% of revenue (FY25: $8.5 million, 52.4%).
- Operating expenses: $6.6 million, down 8.1% on FY25.
- Underlying EBITDA: loss of $1.0 million (FY25: loss of $0.5 million).
- Statutory operating profit: $10,000 (FY25: loss of $3.4 million).
- Net interest expense: $4.6 million (FY25: $3.3 million), reflecting a full year of the senior facility and a larger convertible note balance.
- Loss before tax: $4.6 million (FY25: $6.8 million), assisted by a $2.3 million remeasurement gain on royalty payables and a $0.7 million fair value movement on embedded derivatives.

Cash Flow

Net cash from operating activities was an inflow of $0.49 million, compared with an outflow of $4.75 million in FY25. Receipts from customers were $17.0 million (FY25: $11.6 million). This is the first full year in which the established operations have funded themselves through operating cash flow.

Investing outflows totalled $2.6 million, of which $2.2 million was attributable to the NewCarbon investment. Financing inflows were $2.2 million, comprising share issues, the Loyalty Option offer and convertible notes, net of lease repayments.

Balance Sheet and Funding

- Cash and cash equivalents at 30 June 2026 of $0.55 million (FY25: $0.48 million). This is prior to the A$2.0 million received under Stage 1 of the restructure on 3 July 2026.
- Net tangible assets per share of negative 1.51 cents (FY25: negative 0.55 cents).
- Senior loan facility of A$15.0 million, fully drawn, secured, at 9.5% interest rate and 14% default rate, maturing 31 May 2027. The carrying balance of $13.2 million is classified as current given the prior covenant defaults and the maturity date occurring within the next 12 months.
- Convertible notes with a face value of $4.3 million on issue at 30 June 2026 (FY25: $2.7 million).
- Pure Asset Management has agreed to provide any required covenant waivers to 31 December 2026 i.e. the next covenant testing date is 31 December 2026.

Product Mix

FY26 is the first year in which Powdered Activated Carbon has accounted for a majority of group revenue. PAC represented 53% of revenue and 66% of volume, continuing the mix shift since industrial pellet sales were largely ceased. The Kentucky facility, once operational, will take the Company into the liquid-phase market and change this mix again.

Figure 1: Volume

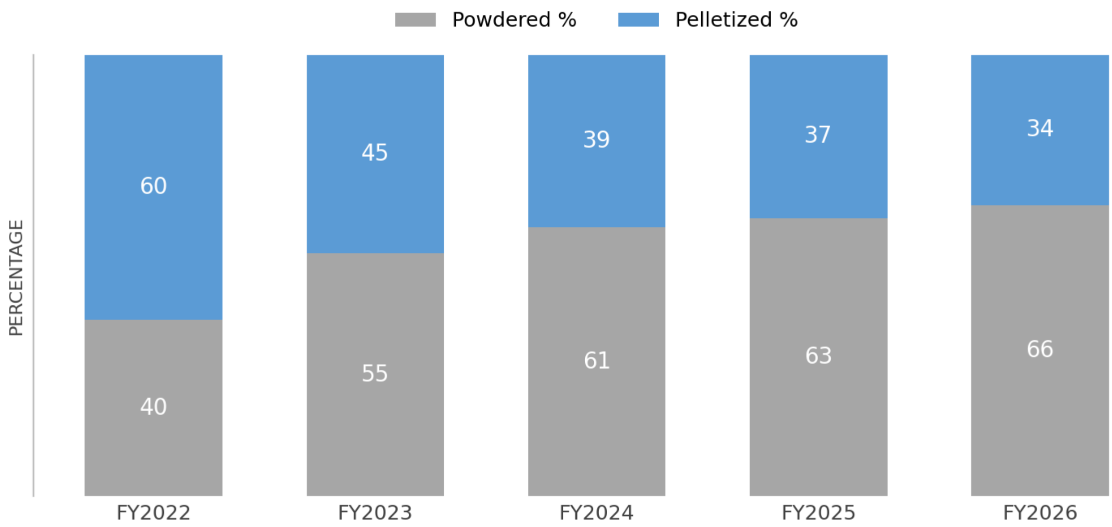
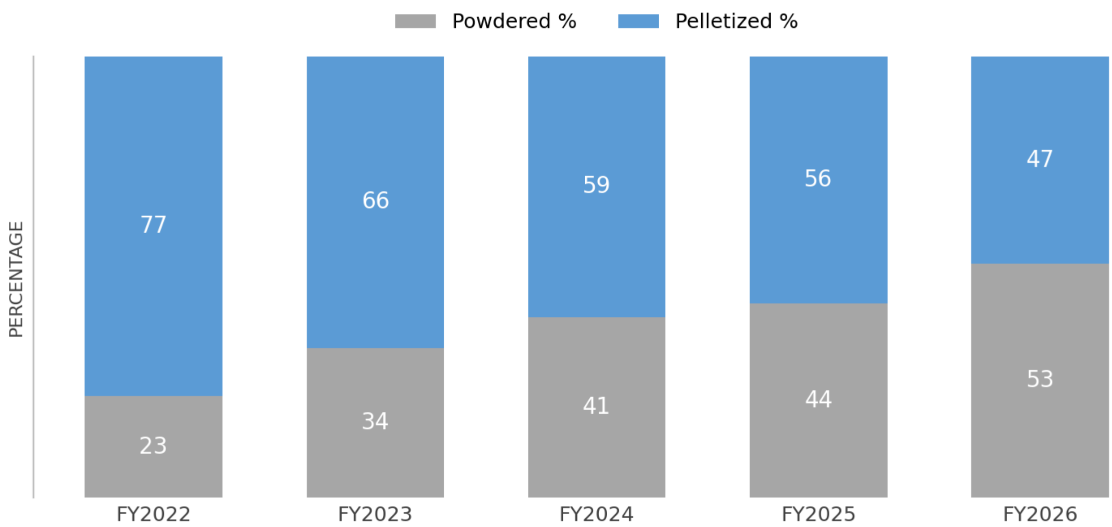


Figure 2: Revenue



Operational Review

Powdered Activated Carbon (PAC)

PAC volumes are underpinned by long-term contracts, most notably with ReWorld, providing a stable base of contracted revenue. PAC sales in the June 2026 quarter were up 10% on the prior quarter as volumes with the Company's largest PAC customer returned to prior levels. PAC remains a preferred treatment option under the federal drinking water standards.

Activated Carbon Pellets (ACP)

ACP volumes recovered strongly in the second half following a maintenance outage at the Black Birch plant, which in-turn impacted bagged input material for the pellet plant, with June 2026 quarter sales 37% higher than the March quarter.

During the year, the Company finalised a three-year extension of one of its principal ACP customer contracts on higher pricing and improved payment terms, with expected annual revenue from that contract increasing by over 30%. That customer has indicated an intention to increase volumes, which, if realised, would generate approximately $2.0 million in additional revenue in FY27.

The Company also received and delivered on a first purchase order from a new customer for a new ACP product entering a new market segment. The product performed well and discussions to finalise a long-term supply agreement are advancing.

Minnesota Pellet Plant Relocation

The Company agreed to relocate its Minnesota pellet operations to a new site, reducing monthly operating costs by over US$10,000 and enabling future expansion at a much lower cost. The move will be completed in the September 2026 quarter.

Balance Sheet Restructuring and EGM

On 3 July 2026, the Company agreed a two-stage balance sheet restructure with Phelbe Pty Ltd and Pure Asset Management. Neither is a related party for the purposes of Chapter 10 of the ASX Listing Rules. The agreement is disclosed as a subsequent event in Note 36.

Stage 1 was completed on 3 July 2026, comprising A$3.5 million of new convertible notes: A$2.0 million of new cash from Phelbe and A$1.5 million from Pure, set off against senior debt and accrued interest.

Stage 2 is conditional on shareholder approval; the Company's share price closing at or above $0.09 for five consecutive trading days before 31 December 2026; and the commencement of Kentucky operations, defined as independent engineering certification confirming that the plant is operational, together with an initial revenue milestone of US$1 million. On satisfaction of those conditions, Pure's proceeds of approximately A$5.0 million would be applied to reduce the senior facility from A$15.0 million to approximately A$10.0 million, with all financial covenants removed for the remaining life of that loan. In aggregate, the plan would deliver a cash injection of up to A$11 million and a net debt reduction of approximately A$5 million.

Every conversion and exercise price sits above the A$0.068 closing share price on 3 July 2026, the date of the agreement.

As announced on 18 August 2026, the Company will not seek shareholder approval to apply the early-conversion discount across all options on issue. The discount will apply only to the options attaching to the convertible notes issued to Pure and Phelbe, and approval will be sought for those options alone, and only if ASX grants the waiver required under Listing Rule 6.23.3. The EGM is expected in late September 2026. A Notice of Meeting and an Independent Expert's Report will be dispatched to shareholders ahead of the meeting. Phelbe and its associates will be excluded from voting on the resolution to which they are a party.

Market and Regulatory Backdrop

In May 2026, the US EPA proposed a rule that would uphold the Maximum Contaminant Levels for PFOA and PFOS at 4 parts per trillion, along with an application-based two-year extension of the compliance deadline to April 2031. In the same package, the EPA proposed rescinding the drinking water regulations for PFHxS, PFNA, GenX, and the related

Hazard Index mixture. Neither rule is final. The PFOA and PFOS standards that drive Carbonxt's addressable market are unchanged.

The EPA released nearly US$1 billion in new grant funding to states to address PFAS in drinking water, bringing that programme to US$5 billion over five years, alongside US$4 billion through the Drinking Water State Revolving Funds and more than US$6.5 billion in low-interest financing. In June 2026, the EPA signed the proposed Sixth Unregulated Contaminant Monitoring Rule, published in the Federal Register on 1 July 2026. On 24 June 2026, the Department of Justice, the EPA and West Virginia announced a proposed US$450 million settlement with Chemours, the first comprehensive federal enforcement settlement with a PFAS manufacturer. That settlement is a proposed consent decree and remains subject to court approval.

Activated carbon, and powdered and granular activated carbon in particular, remains the most widely adopted treatment technology for the removal of PFOA and PFOS at scale. Combined with a projected 5-9% compound annual growth rate in activated carbon demand through 2030, these trends support a long and visible growth runway.

Outlook

Priorities for FY27 are:

- Completing kiln construction and commissioning at Kentucky, achieving independent engineer certification and the initial revenue milestone.
- Completing Stage 2 of the restructure, reducing senior debt to approximately A$10 million and removing all financial covenants.
- Converting the new ACP purchase order into a long-term supply agreement and delivering the volume growth indicated by existing customers.
- Completing the Minnesota relocation in the September 2026 quarter.
- Maintaining the operational discipline that delivered positive operating cash flow in FY26.

This announcement has been authorised for release by the Board of Directors.

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About Carbonxt

Carbonxt (ASX:CG1) is a cleantech company that develops, and markets specialised Activated Carbon products, focused on the capture of 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.