

Carbonxt Strengthens Balance Sheet to Support Kentucky Growth

HIGHLIGHTS

- Major shareholders Phelbe Pty Ltd and Pure Asset Management agree on a restructuring plan that strengthens the balance sheet ahead of Kentucky reaching commercial production.
- Completing immediately: Phelbe Pty Ltd and Pure Asset Management will collectively subscribe for \$3.5m of convertible notes. Phelbe will contribute A\$2.0 million in cash, while Pure's A\$1.5 million is set off against debt and interest on its senior loan facility.
- Subject to shareholder approval at an EGM, expected in August, and the commencement of Kentucky operations:
 - Pure will exercise its outstanding warrants and options, with the proceeds applied to reduce the senior debt from A\$15.0 million to approximately A\$10.0 million, and Pure to waive covenants for the remaining life of the senior loan (maturing 31 May 2027).
 - Phelbe will convert A\$2.0 million of notes to equity and exercise its options, raising approximately A\$3.4 million in cash.
- All options and convertible notes (but not warrants) on issue will be offered a 10% per annum discount as early-conversion incentive to bring forward their conversions and exercises - even after the discount, all conversion and exercise prices remain above the Company's current share price of A\$0.068.
- In addition to Pure and Phelbe, this incentive will be offered to all holders of the Company's options.
- On completion of these steps, Phelbe and Pure would hold approximately 19.6% and 15.7% respectively.
- Separately, shareholder approval is sought to permit Phelbe to convert its remaining convertible notes to equity and exercise its remaining options (raising approximately A\$0.4 million in cash which will result in an increase above 20% (to approximately 23%) without a takeover bid.

Carbonxt Group Ltd (ASX: CG1) (Carbonxt or the Company) is pleased to announce that it has agreed a restructuring plan with its two largest financial stakeholders, Phelbe Pty Ltd (Phelbe) and Pure Asset Management (Pure), that will substantially strengthen the Company's balance sheet as its Kentucky activated carbon facility moves into commercial production. The continued support from both stakeholders reflects their confidence in Carbonxt's strategy and the value of the Kentucky investment. Structured in two stages, the transaction provides immediate new funding and a clear pathway to reduce senior debt as the Company's earnings scale materially.

Carbonxt Managing Director Warren Murphy commented:

“With the Kentucky facility moving into production and our underlying business delivering stronger operating cash flow and gross margins, this is the right moment to strengthen our balance sheet. The backing of both Phelbe and Pure reflects a shared confidence in the Company's direction and a clear preference for building long-term value alongside the Company. As Kentucky ramps and our liquid-phase activated carbon revenues grow, a materially de-gearred balance sheet will allow us the flexibility needed to capitalise fully on the significant opportunity in front of us.”

Stage 1: Immediate Funding

Completing immediately, Phelbe will subscribe for A\$2.0 million of new convertible notes, providing fresh cash to support the Company's near-term operational requirements and the continued commissioning of the Kentucky facility. Pure will subscribe for A\$1.5 million of convertible notes, which will be set off against outstanding debt and interest accrued on the existing senior loan facility.

The notes carry a three-year term and a conversion price of A\$0.10 per share, with one unlisted option (exercisable at A\$0.10) attaching for every two shares issued on conversion, being 10 million options to Phelbe and 7.5 million options to Pure. Reflecting their support for the Company through this transition, Pure has agreed to provide any required covenant waivers to 31 December 2026.

Stage 2: Debt Reduction

This stage is subject to two conditions: approval by shareholders at the EGM described below, and the commencement of operations at the Kentucky facility. For these purposes, commencement of operations means independent engineer certification that the plant is operational, together with the achievement of an initial revenue milestone of US\$1 million.

As part of the approvals sought, the Company will offer an early-conversion incentive, a discount of 10% per annum, to encourage holders to bring forward the conversion of their convertible notes and the exercise of their options. The incentive applies to both Phelbe and the Company's other note and option holders; it does not apply to Pure's warrants.

As the discount accrues at 10% per annum to maturity, the effective price varies by instrument, with longer-dated securities receiving a larger reduction. Details of the exercise price variation for each option will be provided in the Notice of Meeting.

Once both conditions are satisfied, Phelbe will convert A\$2.0 million of existing convertible notes into equity at approximately A\$0.075 per share and exercise its 37.9 million options at approximately A\$0.09 per share, raising approximately A\$3.4 million in cash. Pure will exercise its 64 million warrants at approximately A\$0.07 per share and its 5.03 million options at approximately A\$0.097 per share. The Company will apply Pure's proceeds of approximately A\$4.97 million directly to reduce the senior debt facility from A\$15.0 million to approximately A\$10.0 million, and Pure will remove all financial covenants for the remaining life of the senior loan, which matures on 31 May 2027.

Each of these conversion and exercise prices, including those reduced by the incentive, is above the Company's current share price of A\$0.068.

Following these steps, Phelbe and Pure are expected to hold approximately 19.6% and 15.7% of the Company, respectively.

Shareholder Approvals

Certain elements of the recapitalisation require shareholder approval and will be put to shareholders at an Extraordinary General Meeting (EGM), expected to be convened in August 2026. Approvals to be sought include amendments to the terms of existing options to provide the 10% per annum early-exercise discount, and approval under item 7 of section 611 of the Corporations Act to permit Phelbe to increase its voting power above 20% (to approximately 23%) without the need for a takeover bid.

The increase above the 20% threshold, would arise from Phelbe converting its remaining convertible notes into equity at A\$0.10 per share and exercising its remaining options. Approximately A\$0.4 million would be raised in cash (from options with an exercise price of A\$0.07, reduced to approximately A\$0.057 after the early-conversion discount), with the balance of the increase comprising approximately A\$4.2 million of debt converted into equity (the remaining notes and capitalised interest, together with the new A\$2.0 million convertible note).

A Notice of Meeting setting out full details of the resolutions, together with an Independent Expert's Report in respect of the section 611 resolution (if required), will be dispatched to shareholders in due course. Phelbe and its associates will be excluded from voting on the resolution to which they are a party.

Offer to all Options holders

The early conversion incentive will be offered to all the Company's option holders. This incentive offer will lapse on 31 December 2026, after which the options' exercise prices will revert to their original terms.

The Company, Pure and Phelbe are committed to this restructuring, irrespective of other investor participation. Should all option holders take advantage of the incentive discount, however, it is estimated this would raise approximately A\$6.0 million in cash. Subject to increased customer demand, the proceeds would be used to fund an expansion of one of the Company's three facilities or to retire debt.

The decision to participate in the offer is entirely at the discretion of individual holders.

Strategic and Financial Outlook

Carbonxt continues to build operational momentum, with positive year-to-date operating cash flow and EBITDA, and gross margins in excess of 45%.

The commencement of operations at the Kentucky facility, which represents a potential uplift of over 200% in group sales capacity, is expected to drive a material increase in revenue and earnings and underpins the Company's pathway to a stronger balance sheet. The early-conversion incentive and the related changes to the terms of existing notes and options described above are subject to shareholder approval.

In addition to simplifying the Company's capital structure, the approximate maximum aggregate impact of the restructuring plan would be transformative:

- A cash injection of: **A\$11 million.**
- A net reduction in debt of: **A\$5 million.**

1st Stage Convertible Note Terms – Summary

- Issue Size: A\$2.0 million (Phelbe, new cash); A\$1.5 million (Pure, set off against debt and accrued interest)
- Conversion Price: A\$0.10 per share
- Interest Rate: 9.5% p.a.
- Term: 3 years
- Maturity: if a note is not converted before its maturity date, and is repaid, the holder receives a further set of 3-year options on the same terms (exercisable at A\$0.10)
- Security: Pari-passu with existing senior debt (Pure Asset Management)
- Attaching Options: 1 unlisted option for every 2 shares issued on conversion, exercisable at A\$0.10 (10 million options to Phelbe and 7.5 million to Pure).

The issue of \$3.0 million of new convertible notes to both parties are made under the Company's existing placement capacity under Listing Rule 7.1 as well as the issue of the attaching options to Phelbe. The remaining \$0.5 million of new convertible notes and the issue of the attaching options to Pure will be subject to shareholder approval.

Phelbe Pty Ltd and Pure Asset Management are not considered related parties for the purposes of Chapter 10 of the ASX Listing Rules.

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.