

September 2025 Quarterly Activities Report

HIGHLIGHTS

- Additional US\$750,000 investment lifts Carbonxt's ownership in the Kentucky facility to 45.9%, progressing toward the 50% target
- Kiln construction completed with refractory installed and undergoing heat treatment, with final commissioning works (bagging systems, silos and power) underway ahead of start-up of the kiln
- Kentucky plant expected to increase group sales by ~200% and enable entry into the larger liquid-phase activated carbon market
- Completion of underwritten, non-renounceable entitlement offer, issuing 69.8 million Loyalty Options and raising ~\$698k before costs
- Entitlement offered on a 1-for-6 basis to eligible shareholders to support capital flexibility and growth strategy
- A further \$600k raised via placement of 8.0 million shares at \$0.075 to major shareholder Phelbe Pty Ltd
- 400,000 Convertible Notes issued at \$1.00 each, convertible at \$0.08 into 5.0 million shares
- Each note carries a free-attaching option (ex. \$0.10, two-year term), subject to AGM approval
- Funds to support working capital and increase investment in the Kentucky facility
- Customer receipts of \$5.45 million (Q4: \$3.64 million), being a 50% increase in revenue on the prior quarter
- Positive operating cash of \$583k (Q4: -\$266k), reflecting ongoing improvements in cost control, increase in profitable sales and collection of outstanding receivables
- EBITDA positive in each month of 2HFY25, supported by stronger margins and lower costs
- Activated Carbon Pellet (ACP) up 11% on the prior quarter, reflecting continued higher production at our largest customer
- PAC sales remain strong, supported by deliveries under the ReWorld contract
- Strong alignment with tightening US EPA regulations, which have reaffirmed PFAS maximum contaminant levels
- Regulatory momentum from the US EPA PFAS standards continues to drive sector demand
- Stronger product mix and leaner cost structure position the Company for margin expansion in FY26

Carbonxt Group Ltd (ASX:CG1) (Carbonxt or the Company), a United States-focused Cleantech company, is pleased to provide its September 2025 Quarterly Activities Report.



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 powdered-activated carbon. Carbonxt continues to expand its pellet product portfolio to address numerous industrial applications.

Carbonxt Managing Director, Warren Murphy, commented:

"The Kentucky plant represents a major step forward for Carbonxt. It expands our addressable market beyond air-phase applications and into the much larger liquid-phase segment, where demand is growing rapidly due to tighter environmental standards.

The project also strengthens our cost base by securing a reliable, domestic source of high-performance activated carbon. This investment builds on the steady progress achieved over the past year in increasing margins through higher prices at the same time as reducing costs, thereby delivering consistent positive EBITDA across our operations."

Kentucky Facility Update

Carbonxt advanced its strategic investment in New Carbon Processing, LLC [post end of quarter](#), contributing a further US\$750,000 and increasing its ownership interest to 45.9%. This marks another step toward the Company's stated objective of securing a 50% position in the Kentucky activated carbon facility, a key platform in Carbonxt's North American growth strategy. The funding was completed via a convertible note and placement, as outlined in a separate ASX release issued during the period.

Construction of the kiln has now been finalised, with additional insulation installed to improve thermal efficiency and ensure external temperatures remain below 100°F. The kiln manufacturer has completed the installation of the refractory lining and has commenced the necessary heat treatment process. In parallel, back-end systems - including bagging lines, conveyors, and additional storage silos - are in the final stages of installation. Commissioning of the kiln is the next step, with production of initial samples to follow thereafter.

The Kentucky facility is expected to materially transform the Company's production base and market reach. Once operational, it is forecast to increase group sales by approximately 200% and provide entry into the liquid-phase activated carbon market - an industry several times larger than the Company's traditional air-phase segment. The plant has been specifically designed to supply premium-grade product suited to PFAS filtration, wastewater treatment, and industrial emission control. These applications align directly with tightening U.S. EPA regulations and growing demand for secure, domestic supply chains.

Key activities scheduled for the coming months include completion of refractory installation and kiln heat treatment in October, commissioning of the power and back-end systems in November, commencement of sample production for internal testing and customer qualification, and progression to initial commercial output and first product sales.

These milestones collectively position Carbonxt to transition to commercial operations and initial revenue at this time anticipated in early 2026.

Financial Review

Revenue & Earnings

- Total revenue for the quarter: \$4.5 million (8% increase from the prior quarter)
- ACP sales contributed 47.1% of total revenue
- Gross Margins improved to 55% in Q1 FY26
- Positive EBITDA in each of the months of 1QFY26

Balance Sheet & Cash Position

On 30 September 2025, Carbonxt held \$823k in cash. During the quarter:

- Approximately \$698,000 before costs was raised from the issuance of Loyalty Options

Non-Renounceable Pro-Rata Entitlement Offer

In August, the Company launched a non-renounceable pro-rata entitlement offer to raise up to \$0.7m. The entitlement offer was structured to recognise and reward existing shareholders while providing additional funding flexibility to support near-term growth priorities, including commissioning of the Kentucky facility and expansion of the activated carbon product portfolio.

In September, Carbonxt successfully completed a non-renounceable pro-rata entitlement offer of Loyalty Options on the basis of one option for every six shares held by eligible shareholders. The offer resulted in the issuance of 51.4 million Loyalty Options, raising approximately \$514,000 before costs.

A shortfall of 18.3 million options was taken up in accordance with existing underwriting arrangements, with the balance of Loyalty Options expected to be issued in late September.

Convertible Notes and Placement

In October, Carbonxt secured additional funding from its major shareholder, Phelbe Pty Ltd, through a combination of Convertible Notes and a share placement. The Company issued 400,000 Convertible Notes with a face value of \$1.00 each, convertible at \$0.08 and maturing two years from issue. On conversion, the notes will represent 5,000,000 fully paid ordinary shares and will be issued under the Company's existing Listing Rule 7.1 capacity.

Each Convertible Note includes one free-attaching option (1:1) with an exercise price of \$0.10 and a two-year term, consistent with the securities issued in June 2025. As the Company has no remaining placement capacity for the options, their issue will be subject to shareholder approval at the AGM. If approval is not obtained, the interest rate on the notes will increase from 9.5% to 20%, and the term will be extended to 5 years.

In addition to the notes, the Company completed a placement of up to 8,000,000 fully paid ordinary shares at \$0.075 per share, raising \$600,000. The shares were issued under Listing Rule 7.1A capacity at a 10.4% discount to the 5-day VWAP prior to announcement.

Proceeds from both the placement and the Convertible Notes are being applied to working capital and the further investment of US\$750,000 in New Carbon Processing, LLC, increasing Carbonxt's ownership to 45.9%.

Convertible Notes

- Up to 400,000 notes to be issued at \$1.00 each, convertible at \$0.08 within two years (5,000,000 shares)
- Notes issued under Listing Rule 7.1, with one free-attaching option per note (exercisable at \$0.10, two-year term)
- Options subject to AGM approval; if not approved, note interest increases to 20% and term extends to five years

Placement

- Placement of 8,000,000 shares at \$0.075, raising \$600,000 under Listing Rule 7.1A
- Issue price reflects a 10.4% discount to the 5-day VWAP prior to announcement

Operational Review

Activated Carbon Pellet (ACP) sales increased by 11.0% from the prior quarter, and tons sold increased by 6.9%. The Company forecasts that ACP sales will remain around this quarter's level for the remainder of FY26, as the WPS power station customer has recovered fully from prior operating issues and the gas price remains elevated. Powdered Activated Carbon (PAC) sales were nearly identical in both volumes and dollar terms compared to the prior quarter.

Carbonxt continues to maintain momentum across its core product lines:

Powdered Activated Carbon (PAC):

PAC sales remained steady, supported by long-term contracts including ReWorld. Regulatory momentum in PFAS contamination control is driving demand. PAC remains a preferred treatment option under new US EPA standards, which mandate compliance by 2031 and affect over 130 million Americans.

Activated Carbon Pellets (ACP):

ACP volumes remained consistent with the prior quarter's level, following the recovery of a major customer's operations. Demand is expected to remain stable in the near term, supported by high gas prices and increased power station activity.

Strategic Outlook

Carbonxt completes the first quarter of FY26 with:

- A restructured cost base and leaner operations
- Normalised ACP and PAC customer activity supported by regulatory tailwinds
- The Kentucky facility nearing production readiness
- Significant opportunity in PFAS treatment markets, supported by newly implemented federal EPA standards and individual state-level mandates. Carbonxt's PAC and GAC technologies are well-positioned to capture market share in this rapidly growing segment.

Carbonxt's U.S.-based manufacturing operations position the Company to benefit from potential changes in trade policy, including proposed tariff expansions on imported activated carbon products. As a domestic producer, Carbonxt is well-positioned to supply utilities and industrial clients seeking tariff-free, reliable supply chains, thereby enhancing the company's competitive position as demand accelerates across the water treatment and industrial markets.

Accurate data on imports of activated carbon for industrial use are challenging, but it is estimated that 20–25% of the annual U.S. demand, equivalent to approximately 70,000-80,000 tonnes, is met through imports. China, India, and Sri Lanka are the largest foreign suppliers. A shift toward expanded tariffs or a strengthened "Buy American" agenda is highly favourable for domestic producers like Carbonxt.

Meanwhile, the broader activated carbon market continues to exhibit strong fundamentals, with operators and industry analysts estimating a 5–9% compound annual growth rate (CAGR) in demand through to 2030. The commissioning of the Kentucky facility will increase Carbonxt's production capacity by approximately 200%, enabling entry into the liquid-phase market — a sector several times larger than the air-phase market that the Company currently supplies.

The Company remains focused on bringing the Kentucky facility online and scaling participation in the high-demand U.S. activated carbon market for both air and water purification. With new capital secured and commercial production on the horizon, Carbonxt is well-positioned for material growth in FY26.

Market Insights

Regulatory Tailwinds from EPA PFAS Standards

The announcement also coincides with a significant regulatory development: the US Environmental Protection Agency (**EPA**) recently confirmed it will retain strict Maximum Contaminant Levels (**MCLs**) for Perfluorooctanoic Acid (**PFOA**) and Perfluorooctane Sulfonic Acid (**PFOS**) — two of the most persistent and hazardous PFAS (**forever chemicals**) commonly found in drinking water. These substances have been linked to serious health issues, including cancer, immune system disruption, and developmental problems. The EPA's rule mandates that public water systems must monitor for these chemicals by 2027 and achieve full compliance with the new standards by 2031 (www.epa.gov/newsreleases/). The EPA has also announced its intent to rescind MCLs for other PFAS compounds (PFHxS, PFNA, GenX, and PFBS) pending further review.

The American Water Works Association estimates a minimum annual market size of \$2.5 billion, representing a circa 3x increase over the next five years to address PFAS compliance.

On September 17, 2025, the U.S. Department of Justice (DOJ) submitted a court filing on behalf of the EPA as part of ongoing litigation related to the designation of PFOA and PFOS as CERCLA hazardous substances.

In addition, many State based agencies continue to move forward with their own regulations and actions. Most notably in August, the State of New Jersey announced a \$2 billion settlement with DuPont (<https://www.njoag.gov/ag-platkin-dep-commissioner-latourette-landmark-settlement-with-dupont-valued-at-over-2-billion/>) and has reaffirmed its commitment to compliance with PFAS standards.

While the extended timeline offers utilities more flexibility, the regulatory certainty is accelerating planning and procurement activities across the sector. Carbonxt is already seeing increased engagement from water utilities and distributors seeking reliable domestic sources of high-performance activated carbon. In this market segment, the Kentucky facility is expected to play a central role. With three US production facilities now operational or nearing commissioning, Carbonxt is well-positioned to scale its presence across both industrial and water treatment markets. Demand tailwinds remain strong, driven by environmental regulation, a shift to domestic supply chains, and growing customer interest in sustainable and high-performance activated carbon products.

Corporate

Included within staff costs (item 1.2 (e) of Cash Flow from Operating Activities and item 6.1 of Payments to related parties of the entity and their associates 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.

- ENDS -

Authorised for release to ASX by the Board of Directors of Carbonxt Group Limited.

All amounts are in AUD unless otherwise stated.

Enquiries

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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.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

CARBONXT GROUP LIMITED

ABN

59 097 247 464

Quarter ended ("current quarter")

30 September 2025

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers	5,450	5,450
1.2	Payments for		
	(a) research and development	(23)	(23)
	(b) product manufacturing and operating costs	(2,445)	(2,445)
	(c) advertising and marketing	(113)	(113)
	(d) leased assets		
	(e) staff costs	(1,614)	(1,614)
	(f) administration and corporate costs	(746)	(746)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	73	73
	Other (provide details if material)		
1.8	(a) Significant raw material prepayment		
	(b) Inventory build		
1.9	Net cash from / (used in) operating activities	583	583

2	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	(611)	(611)
	(b) businesses	-	-
	(c) property, plant and equipment	(38)	(38)
	(d) investments	-	-
	(e) intellectual property	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(649)	(649)

3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	988	988
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(518)	(518)
3.7	Transaction costs related to loans and borrowings	(42)	(42)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

3.8	Dividends paid	-	-
3.9	Interest paid / received	-	-
3.10	Net cash from / (used in) financing activities	428	428

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	481	481
4.2	Net cash from / (used in) operating activities (item 1.9 above)	583	583
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(649)	(649)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	428	428
4.5	Effect of movement in exchange rates on cash held	(21)	(21)
4.6	Cash and cash equivalents at end of period	823	823

5	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	823	481
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	823	481

6	Payments to related parties of the entity and their associates	Current Quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	288
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1	Loan facilities	15,000	15,000
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities	15,000	15,000
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	The \$15M facility is secured and has a 9.5% interest rate with a maturity date of 31 May 2027. The lender is Pure Asset Management.		

8	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	583
8.2	Cash and cash equivalents at quarter end (item 4.6)	823
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	823
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 October 2025

Authorised by: The Board of CG1

(Name of body or officer authorising release – see note 4)

Notes

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.