Carbonxt Group Limited – Chairman's Address to AGM

Dear Shareholders

FY26 has been a year of real and measurable progress for Carbonxt. Our established operations delivered positive operating cash flow across the full year on gross margins of approximately 50%; we secured significant new commercial contracts that underpin FY27 revenue growth, and, subsequent to the end of the reporting period, we agreed to a two-stage restructuring of the Company's balance sheet with our two largest financial stakeholders. As at the date of this letter, the Kentucky facility is in the final stages of kiln finalisation and commissioning has recommenced.

Kentucky has taken longer to bring online than we anticipated at the start of the year, caused by an equipment issue that is being resolved with the full support of the kiln manufacturer.

The Company enters FY27 in a materially stronger position than a year ago: existing operations substantially improved, with an agreed pathway to lower senior debt subject to the conditions set out below, and with our flagship growth asset close to first production.

Kentucky – Approaching Commercial Production

Our Kentucky activated carbon facility, developed alongside our partners at Kentucky Carbon Processing, LLC through our jointly owned company New Carbon Processing, LLC, progressed substantially during FY26. Construction of the kiln was completed, 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 now complete.

We had targeted first revenues from the facility in early calendar 2026 and have not met that timetable. As the plant moved into early commissioning, remediation requirements were identified in the kiln, and further inspection established that the affected equipment needed to be replaced rather than repaired. The kiln manufacturer agreed to replace the equipment at their cost and facilitate the repairs and has remained constructive and supportive throughout.

Replacement parts began arriving during the June quarter. Subsequent to the end of the reporting period, kiln finalisation has continued and is nearing finalisation. Identifying and correcting these issues before sustained production begins is the right outcome for the plant's long-term reliability.

We continued to build our position in the project throughout the year, lifting our interest in New Carbon Processing from 43.7% at 30 June 2025 to 48.1% at 30 June 2026. Two further incremental investments of US$250,000 each, made subsequent to year-end, have since taken our interest to 49.4%, bringing us closer to our stated 50% objective.

Once operational, and on the basis of current internal estimates, the facility is expected to increase group sales by approximately 200% over two years and take Carbonxt into the liquid-phase activated carbon market, a segment several times larger than our current air-phase focus, with a corresponding uplift in both revenue and margin.

Operational Performance and Commercial Momentum

The underlying business showed further improvements over FY25. Full-year customer receipts were A$16.99 million and net operating cash flow was positive at A$492,000. Gross margins were strong at 52.4% in the June quarter, with the full year at approximately 47%.

Activated Carbon Pellet (ACP) volumes recovered strongly in the second half following a planned maintenance outage at our Black Birch plant, with June quarter sales 37% higher than the March quarter. Powdered Activated Carbon (PAC) sales rose 10% over the same period as volumes from our largest PAC customer returned to prior levels. Capacity utilisation was around 57.3% of maximum capacity at Arden Hills and 73% at Black Birch.

Three commercial developments during the year position us well for FY27:

- A three-year extension of one of our 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 be worth approximately A$2.0 million of additional revenue in FY27.

- A first purchase order from a new customer for a new ACP product entering a new market segment. The product performed well and was well received, and, as at the date of this letter, discussions to finalise a long-term supply agreement are advancing.

- Agreement to relocate our 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 is expected to complete in the September 2026 quarter, after the end of the reporting period.

PAC volumes continue to be underpinned by long-term contracts with ReWorld and Wisconsin Public Service, providing a stable base of contracted revenue.

Balance Sheet Restructuring Agreed After the End of the Reporting Period

Shortly after year-end, on 3 July 2026, we agreed to a two-stage balance sheet restructuring with our two largest financial stakeholders - Phelbe Pty Ltd, our major shareholder and noteholder, and Pure Asset Management, our senior lender - designed to substantially strengthen the Company's balance sheet as Kentucky enters commercial production. The agreement was reached after the end of the reporting period and is not reflected in the FY26 financial statements. Refer to Note 36 Events after the reporting period.

Stage 1 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. Pure has also agreed to provide any required covenant waivers to 31 December 2026 i.e. the next covenant test date is 31 December 2026.

Stage 2 is conditional on (a) shareholder approval at an Extraordinary General Meeting expected in September 2026, we note that certain resolutions have been withdrawn. That condition cannot now be satisfied through those resolutions, and Stage 2 will not proceed on the terms set out in the Notice of Meeting. The Company is negotiating revised arrangements for Stage 2. The Company will update the market on material developments in accordance with its continuous disclosure obligations.

Strategic Positioning – Ongoing Regulatory and Market Tailwinds

The regulatory case for our products was maintained during FY26. In May 2026, the US EPA proposed a rule that upholds the Maximum Contaminant Levels for PFOA and PFOS at 4 parts per trillion, together with an application-based two-year extension of the compliance deadline to April 2031 that gives utilities more time to plan, fund and deploy treatment infrastructure. In the same package the EPA proposed to rescind 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 our 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, the EPA signed the proposed Sixth Unregulated Contaminant Monitoring Rule, which was published in the Federal Register on 1 July 2026, widening the occurrence-monitoring net that drives future regulation. On 24 June 2026, the Department of Justice, the EPA and the West Virginia Department of Environmental Protection 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.

The standards that drive procurement in our addressable market remain in place, the proposed compliance timetable now extends to 2031, and the capital to meet those standards is flowing. Activated carbon, and powdered and granular activated carbon in particular, remains the most widely adopted treatment technology for PFOA and PFOS removal 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 for Carbonxt.

Outlook for FY 27

An operational base that generated positive operating cashflow during FY26, a restructured balance sheet and Kentucky approaching first production, FY27 is set to be a defining year. Our priorities are:

- Completing Kentucky commissioning, achieving the initial revenue milestone and entering the liquid-phase market.
- Completing Stage 2 of the restructuring, 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 our existing customers.
- Completing the Minnesota relocation and maintaining the operational discipline that delivered positive operating cash flow in FY26.

On behalf of the Board, I would like to thank our shareholders for their continued support and for their patience as Kentucky has worked through to completion, our lenders and noteholders at Pure Asset Management and Phelbe Pty Ltd for their substantial and constructive partnership through the restructuring, and most importantly our employees, whose expertise and dedication delivered the operational recovery and new business wins that defined the year.

FY26 has put the pieces in place for a step change in the scale of this business, and we look forward to updating you as we deliver on the opportunities ahead.

- ENDS -

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.