



Carbon Revolution Limited

Geelong Technology Precinct

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Wairn Ponds, 3216

Australia

ABN: 96 128 274 653



Carbon Revolution (ASX code: CBR)

Q1 FY22 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C (UNAUDITED)

Geelong, Australia, 22 October 2021: Geelong-based advanced manufacturer Carbon Revolution Limited (ASX:CBR), whose lightweight carbon fibre wheels are used on some of the world's best cars, is pleased to provide a business update for the quarter ended 30 September 2021 (Q1 FY22).

Q1 FY22 Highlights (unaudited)

- Q1 FY22 revenue was \$6.2m and wheel sales were 2,100, both in line with the Company's expectations
- Customer orders and their forecast profile continue to support a strong weighting of annual sales in the second half of FY22
- The Company's H1 FY22 inventory build of work in progress and finished wheels required to support sales growth expected in second half of FY22 is progressing to plan
- The Mega-line project is on track, with key suppliers contracted, orders for long-lead time items placed and detailed design nearing completion
- Development work for customer programs that underpin the Mega-line is progressing to plan

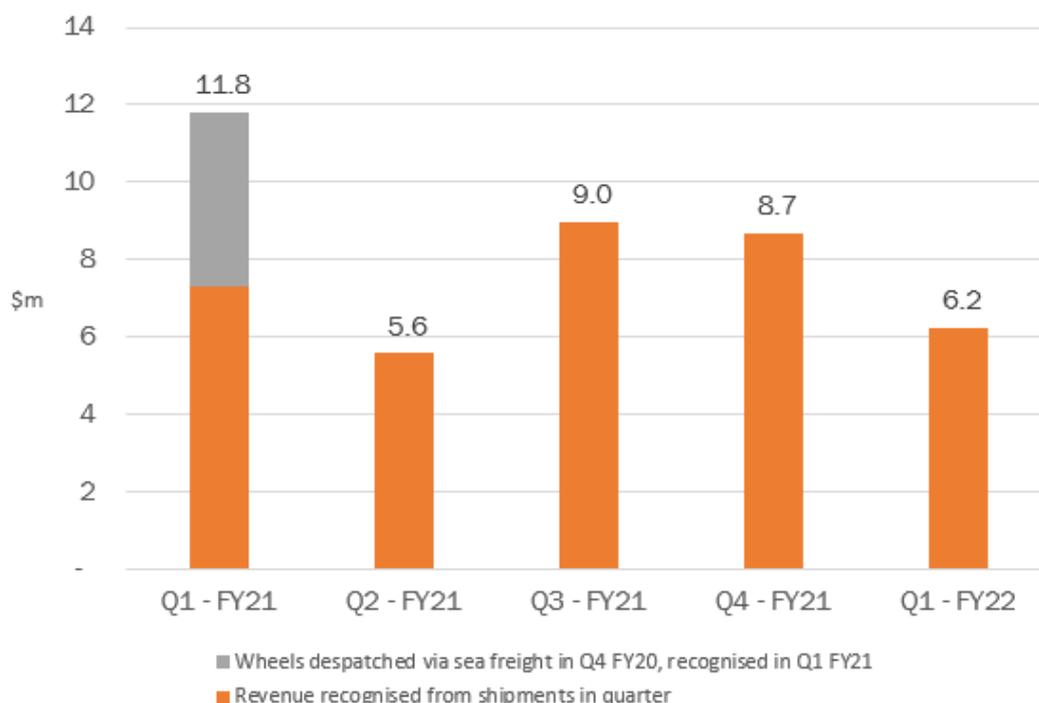
Revenue

Revenue is tracking in line with the Company's expectations for FY22 and the planned inventory build-ahead is currently on track to support the expected second half weighting of FY22 sales. Quarterly revenue was \$6.2m, a 28.1% decrease on Q4 FY21. Revenue from wheel sales was \$5.9m and there was \$0.3m in engineering services and tooling revenue for the quarter. Engineering services and tooling revenue is project-related and so will remain variable from quarter to quarter.

2,100 wheels were sold in the quarter, a 34.7% decrease on Q4 FY21 as GT500 wheel sales for model year 21 concluded earlier in Q1 FY22 than would otherwise have normally been expected due to semi-conductor chip shortages. Sales for new Ferrari programs have commenced and are tracking to plan. Semi-conductor chip shortages continue to impact the automotive industry generally. However, the shortages are not currently impacting the Company's sales.

Customer orders and their forecast profile continue to support a strong weighting of annual sales in the second half of FY22.

Quarterly Total Revenue - \$m (Q1 FY21 - Q1 FY22)



Customer Program Update

Customer programs remain on track with scheduled milestones. Launch activities for the program that is expected to enter production during FY22 are on track and the production ramp up of the Ferrari 296GTB and 812 Competizione programs is progressing well. Other programs in development include a number of electric vehicles and a premium SUV. Customer feedback on anticipated CY22 demand for new and existing programs is encouraging.

Customer engagement on longer term demand has accelerated through the course of this year with both new and existing customers. In contrast with this time last year, customers are now focusing on future product planning and the global move towards electric vehicles is an added factor driving this increasing engagement.

The table below summarises the existing program position.

Stage of Program Lifecycle Number of Programs		Current Quarter ⁽¹⁾	Prior Quarter ⁽²⁾
Awarded programs in production		5	5
Programs in development	Awarded	3	3
	Under detailed design and engineering agreement	5	5
Total		13	13
<i>Awarded programs planned to enter production in FY22</i>		<i>1</i>	<i>1</i>
<i>Programs expected to complete during FY22</i>		<i>0</i>	<i>0</i>

(1) As at date of this announcement, 22 October 2021

(2) As at date of previous quarterly announcement, 22 July, 2021

The aerospace development program is continuing to progress in line with expectations.

Operational Progress

The production ramp of the two new Ferrari programs continued during the quarter as sales for the MY21 Ford GT500 program were completed. An inventory build of finished goods and work in progress is currently underway to support expected second half FY22 sales growth. We now have good visibility of customer demand for all programs through this period.

The inventory build strategy has allowed more consistent wheel moulding activities, which is enabling the business to focus on delivering continuous improvement and achieving consistent flow through the factory.

The delivery of the first production cutting press machine was a significant industrialisation milestone during the quarter. The production-scale machine is expected to be a big step forward in the efficiency of our ply cutting technology. The machine was developed with a local equipment partner and follows from the significant learnings derived from the earlier prototype cutting presses. This press is now being commissioned ahead of the introduction of it to new programs.



Above image: Production click press now on site.

Mega-line Project Update

The Mega-line will combine automated manufacturing processes with automated part flow and is expected to achieve step-changes to both capacity and cost reductions. The Mega-line project is on track and in line with budget. During the quarter detailed design progressed with key partners and is nearing completion. All orders are now placed for long-lead time items and we have contracted the key supplier for a substantial portion of this work.

The Mega-line design has been enhanced to incorporate an early inclusion of the existing high pressure moulding equipment, and certain other existing equipment. This is scheduled to occur during CY22. This will enable the existing high pressure moulding equipment to benefit from the increased operational efficiencies of the Mega-line production technology and enables an earlier validation of new program parts on the Mega-line technology. This approach also allows for timely installation of new capacity in line with new program capacity requirements and accordingly better utilisation of all high-pressure moulding capacity as volumes grow.

Cash Position

The Company's cash balance is \$63.9m. Net cash outflow of \$23.4m for the quarter was in-line with the Company's expectations and included:

- Net cashflow outflow from operating activities (including Government grants) of \$11.8m compared to \$8.5m in Q4 FY21. Customer receipts normalised during the quarter following a change in trading terms with one customer in the prior quarter. The inventory build that is being undertaken to smooth production and support H2 FY22 sales combined with the production ramp for the two new Ferrari programs meant that inventory increased by \$5.4m. We expect the inventory build to continue in Q2 FY22 (up to a total of ~4,000 wheels) and then unwind in H2 FY22. Operating cashflow also included a one-off \$1.1m accrued facility fee payment which followed repayment of the State of Victoria grant advance at the end of June 2021.
- Net investing cashflow of \$6.9m consisted primarily of capital expenditure on Property, Plant and Equipment (\$4.3m) and investment in research and development of \$2.6m. Initial milestone payments were made on the Phase 1 Mega-line project during the quarter as well as program tooling and production cutting press (described earlier). Research and development expenditure includes significant new program development work (including on programs that underpin Phase 1 Mega-line) and new or improved wheel technologies.
- Net cash outflow from financing activities of \$4.7m reflected a reduced level of receivables financing, in line with the expected lower H1 FY22 revenue weighting, and the scheduled quarterly repayment of the EFA term loan.

During the quarter, payments were made to related parties in the form of Directors Fees.

Outlook

The Company continues to monitor the local and global impacts and risks related to COVID-19. While significant progress has been made globally to vaccinate populations there are ongoing COVID-19 related uncertainties and disruptions facing the global automotive industry in the near-term. The ongoing global shortage in the supply of semiconductors and global supply chain constraints also continue to impact global car production.

The Company is not providing sales outlook guidance for FY22. However, FY22 key focus areas continue to be:

- Executing the production ramp of the two new Ferrari programs and the one awarded program that is expected to enter production during FY22
- Delivering operational efficiencies through ongoing improvements in technologies, equipment and processes
- Progressing the Mega-line project through detailed design, equipment procurement and commencement of commissioning activities
- Advancing through the engineering and design phases to formal award of the initial programs that underpin the Mega-line.

The Company expects the second half of FY22 to have significantly higher sales than the first half due to the introduction of a new program in the second half, the gradual ramp of the two new Ferrari programs throughout the year and the seasonality impact in the first half of an existing program.

Approved for release by the Board of Directors of Carbon Revolution Limited.

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INVESTOR BRIEFING

The accompanying investor and analyst briefing will be at 9.30am (AEDT) on Friday 22nd October 2021. To pre-register for this event please use the following link:

https://carbonrev.zoom.us/webinar/register/WN_OUn7HuzWQWmBylBIT0e8rg

Registered participants will receive a calendar invite and meeting link (and dial in number if required) which is to be used when connecting. A recording of the briefing will be made available on the Carbon Revolution Investor Centre website:

<https://investors.carbonrev.com/Investor-Centre/>

ABOUT CARBON REVOLUTION

Carbon Revolution is an Australian technology company, which has successfully innovated, commercialised and industrialised the advanced manufacture of carbon fibre wheels for the global automotive industry. The Company has progressed from single prototypes to designing and manufacturing high-performing wheels for some of the fastest street cars and most prestigious brands in the world. Carbon Revolution is creating a significant and sustainable advanced technology business that supplies its lightweight wheel technology to automotive manufacturers around the world.

For more information, visit carbonrev.com

FORWARD-LOOKING STATEMENTS

This ASX release includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Carbon Revolution. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

Appendix 4C

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

Name of entity

Carbon Revolution Ltd

ABN

96 128 274 653

Quarter ended ("current quarter")

30-September-2021

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	8,886	8,886
1.2 Payments for:		
(a) research and development	(1,009)	(1,009)
(b) product manufacturing and operating costs	(11,407)	(11,407)
(c) advertising and marketing	(115)	(115)
(d) leased assets	(101)	(101)
(e) staff costs	(5,195)	(5,195)
(f) administration and corporate costs	(1,499)	(1,499)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	35	35
1.5 Interest and other costs of finance paid	(1,406)	(1,406)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(11,811)	(11,811)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses (see item 10)		
	(c) property, plant and equipment	(4,284)	(4,284)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(2,617)	(2,617)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(6,901)	(6,901)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(422)	(422)
3.5	Proceeds from borrowings	2,600	2,600
3.6	Repayment of borrowings	(6,701)	(6,701)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
3.9	Other (provide details if material)	(179)	(179)
3.10	Net cash from / (used in) financing activities	(4,702)	(4,702)

4.	Net increase / (decrease) in cash and cash equivalents for the period	(23,414)	(23,414)
4.1	Cash and cash equivalents at beginning of period	87,257	87,257
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(11,811)	(11,811)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,901)	(6,901)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(4,702)	(4,702)
4.5	Effect of movement in exchange rates on cash held	34	34
4.6	Cash and cash equivalents at end of period	63,877	63,877

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	63,877	87,257
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)	63,877	87,257

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	253
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

Description & explanation of payments above:

Comprises Non-Executive and Executive Directors fees inclusive of superannuation for the quarter. No other payments made to related parties or their associates.

7.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total Facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	9,750	9,750
7.2	Credit standby arrangements	-	-
7.3	Other	7,500	2,506
7.4	Total financing facilities	17,250	12,256
7.5	Unused financing facilities available at quarter end	4,994	-

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

Loan facilities totally \$17.2m comprises:

- Secured \$13m loan with Export Finance Australia at an interest rate of 5.95% per annum, interest repayable quarterly. Principal repayable over 3 years quarterly. The loan balance is \$9.7m as at 30 September 2021 after repayment of \$1.1m during Q1.
- The company has a \$7.5m working capital financing facility in place. This facility is secured over the applicable trade receivables. As at 30 September 2021, the company had drawn down upon \$2.5m of this facility.

There is also one lease agreements in place, being:

- Monthly rental of the production facility in Waurn Ponds (10-year lease with current monthly lease payments of \$69,824)

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from/(used in) operating activities (item 1.9)	(11,811)
8.2	Cash and cash equivalents at quarter end (item 4.6)	63,877
8.3	Unused finance facilities available at quarter end	4,994
8.4	Total available funding (item 8.2 + item 8.3)	68,871
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.83
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
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? Not applicable	
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? Not applicable	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? Not applicable	

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: 21 October 2021

Authorised by: The Board of Directors of Carbon Revolution Ltd

Notes

1. The 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 the 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, 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 the 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.