



Carbon Revolution Limited

Geelong Technology Precinct

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Wairn Ponds, 3216

Australia

ABN: 96 128 274 653



**Carbon Revolution (ASX code: CBR)
Q2 FY22 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C (UNAUDITED)**

Geelong, Australia, 28 January 2022: 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 31 December 2021 (Q2 FY22).

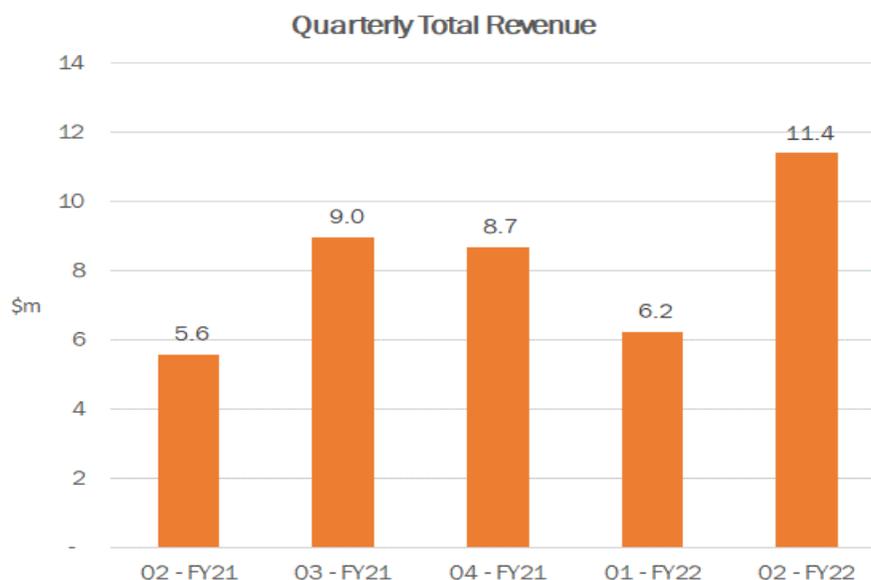
Q2 FY22 Highlights (unaudited)

- Strong quarterly wheel sales of 4,397 wheels (up 109.4% on Q1 FY22)
- Carbon Revolution’s wheels announced on the new Chevrolet C8 Corvette Z06 & Z07. This is the Company’s first program with General Motors
- Strong growth pipeline with two new engineering agreements signed in Q2 FY22 taking the total number of active programs to a record 15
- Mega-line project on track. Infrastructure design complete and construction underway

Revenue

Quarterly revenue was \$11.4m, an 82.6% increase on Q1 FY22. Revenue was primarily from wheel sales (\$11.4m). 4,397 wheels were sold in the quarter, a 109.4% increase on Q1 FY22. The lower average price per wheel for the quarter reflected a change in product mix.

Proactive engagement with the customer enabled GT500 sales to be pulled forward to manage longer transit times contributing to a lower than projected inventory build at quarter end. The higher sales in Q2 reflects a stronger first half weighting of FY22 sales than anticipated. Production for the two new Ferrari programs steadily ramped up in the second quarter.



Customer Program Update

During the quarter, General Motors announced the Chevrolet C8 Corvette Z06 and Z07 featuring Carbon Revolution's carbon fibre wheels. Production for that program has now commenced. At the time of the vehicle's launch, Corvette's chief engineer Tadge Juechter said:

... It's super light and saves over 40 pounds versus the forged aluminum wheels which are pretty lightweight wheels. Even daily driving you can sense that it's not just lighter, it's stiffer and you can really feel that ... on a two minute lap it's a second to a second and a half quicker. It's noticeable – equivalent to a fair horsepower increase...

Corvette Chief Engineer - Tadge Juechter (Speed Phenom, Youtube, 27th Oct 2021)



The production ramp is proceeding to plan for the Ferrari 296GTB and 812 Competizione programs after the launches in Q4 FY21. Following our recent investment in the launch team, the business has for the first time, successfully launched 3 programs concurrently, being the Corvette and two Ferrari programs. Customer programs are on track with scheduled milestones and customer feedback on anticipated CY22 demand is very encouraging.

Customer engagement on new programs and longer term demand is strong with both existing and new customers. The global transition to electric vehicles is driving demand, with customers looking to benefit from the 40-50% weight savings of carbon fibre (over metal wheel equivalents) helping to deliver range extension on their EVs. Detailed design and engineering agreements for two new programs were entered during the quarter which included one premium EV SUV program. These two new agreements are in addition to the four programs that underpin the Phase 1 Mega-line investment.

The long-term sales outlook and pipeline of new programs is now very strong, with a record level of 15 active programs – 8 awarded and 7 in the detailed design and engineering phase. Of these 15 active programs, 4 are electric vehicles. The four programs that underpin the Mega-line investment are progressing well – with formal program award for two of the four programs expected in the near term.

Stage of Program Lifecycle Number of Programs		Current Quarter ⁽¹⁾	Prior Quarter ⁽²⁾	Comments
Awarded programs in production		6	5	Corvette Z06 program now commenced production ramp-up
Programs in development	Awarded	2	3	
	Under detailed design and engineering agreement	7	5	Two new agreements signed during quarter
Total		15	13	
Programs expected to complete during FY22		1	0	Ford GT500 program to be completed by end June 2022

(1) As at date of this announcement, 28 January 2022; (2) As at date of previous quarterly announcement, 22 October 2021

A significant milestone was reached on the aerospace program during the quarter, with the current grant-funded virtual design phase completed in line with expectations. Work is ongoing with our program partners on planning for the prototype production and testing phase.

Operational Progress

The production ramp for the Corvette wheel commenced in late December. The gradual increase in production for the two new Ferrari programs and relatively steady production for the Ford GT500 program enabled consistent upstream moulding production in the quarter. Overall wheel production has been increasing during the first half of FY22, as planned.

Production was impacted late in the quarter as a result of increasing levels of COVID-19 related sick and isolation leave. This has continued in the new year and the team is actively managing resource allocation during this difficult period. The Company experienced some raw material shortages and additional air freight costs as global supply chains continue to be disrupted as a result of the pandemic. Similarly, slow provision of service and spare parts for the thermal barrier coating equipment from a European supplier also impacted wheel production during the period.

Mega-line Project Update

During Q2 FY22 the Mega-line infrastructure design was finalised and construction commenced. The mezzanine for the Mega-line, with around 80 tonnes of steel, was installed by a team of over 70 comprising Carbon Revolution staff and our construction and equipment partners. A number of large items of plant were also moved to create a more efficient part flow through the production process. Using the Christmas break enabled these major works to be completed safely and without major disruption to daily operations. The focus in the next quarter will be on the finalisation of building works and the installation of equipment at the start of the production line.

Cash Position

As of 31st December, the Company's cash balance was \$47.8m. Net cash outflow of \$16.0m for the quarter was in-line with the Company's expectations and included:

- Net cashflow outflow from operating activities (including Government grants) of \$7.6m compared to \$11.8m in Q1 FY22. Customer receipts remained stable. The earlier than expected sales for the Ford GT500 program resulted in a lower period ending inventory balance. Total net inventory reduced by \$3.3m compared to last quarter. As the majority of sales occurred later in the quarter receipts are expected in Q3 FY22.
- Net investing cashflow of \$10.6m consisted of capital expenditure on Property, Plant and Equipment (\$4.7m) and investment in Research and Development (\$5.9m) mainly relating to improved wheel technologies and new programs.
- Net cash inflow from financing activities of \$2.2m reflected the higher sales in the quarter financed via receivables financing, offset by the scheduled quarterly repayment of the EFA term loan.

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

Outlook

The Company continues to monitor the local and global impacts and risks related to COVID-19. 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, other raw materials and general global supply chain constraints also continue to impact global car production.

On a more local level, COVID-19 related sick and isolation leave since the restart of production on the 10th of January is high but is in line with the prevalence of the disease in the Victorian community. This is currently impacting throughput, efficiency and overtime levels. The Company is actively managing staffing levels to optimise production. The Company is not providing sales outlook guidance for FY22 but is pleased with the short-term order book across existing customers.

The FY22 key focus areas continue to be:

- Executing the production ramp of the Corvette Z06/Z07 program and supporting the increased production for the Ferrari programs
- Delivering operational efficiencies through ongoing improvements in technologies, equipment and processes
- Progressing the Phase 1 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 Phase 1 of the Mega-line.

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

INVESTOR CONTACT

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INVESTOR BRIEFING

The accompanying investor and analyst briefing will be at 9.30am (AEDT) on Friday 28th January 2022. To pre-register for this event please use the following link:

https://carbonrev.zoom.us/webinar/register/WN_isFgVuNqQ2iDcAPXOWhSxQ

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")

31-December-2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,494	18,380
1.2 Payments for:		
(a) research and development	(3,989)	(4,998)
(b) product manufacturing and operating costs	(6,947)	(18,354)
(c) advertising and marketing	(97)	(212)
(d) leased assets	(75)	(176)
(e) staff costs	(4,926)	(10,121)
(f) administration and corporate costs	(929)	(2,428)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	24	59
1.5 Interest and other costs of finance paid	(266)	(1,672)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	151	151
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(7,560)	(19,371)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(4,734)	(9,018)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(5,880)	(8,497)
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	(10,614)	(17,515)

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)
3.5	Proceeds from borrowings	5,922	8,522
3.6	Repayment of borrowings	(3,591)	(10,292)
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 (6 months) \$A'000
3.9	Other (provide details if material)	(135)	(314)
3.10	Net cash from / (used in) financing activities	2,196	(2,506)

4.	Net increase / (decrease) in cash and cash equivalents for the period	(15,978)	(39,392)
4.1	Cash and cash equivalents at beginning of period	63,877	87,257
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,560)	(19,371)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10,614)	(17,515)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,196	(2,506)
4.5	Effect of movement in exchange rates on cash held	(102)	(68)
4.6	Cash and cash equivalents at end of period	47,797	47,797

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	47,797	63,877
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)	47,797	63,877

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	215
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	8,667	8,667
7.2	Credit standby arrangements	0	0
7.3	Other	7,500	5,921
7.4	Total financing facilities	16,167	14,588
7.5	Unused financing facilities available at quarter end	1,579	n/a

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 \$16.2m 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 \$8.7m as at 31 December 2021 after repayment of \$1.1m during Q2.
- The company has a \$7.5m working capital financing facility in place. This facility is secured over the applicable trade receivables. As at 31 December 2021, the company had drawn down upon \$5.9m of this facility.

There is also one lease agreement 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)	(7,560)
8.2	Cash and cash equivalents at quarter end (item 4.6)	47,797
8.3	Unused finance facilities available at quarter end	1,579
8.4	Total available funding (item 8.2 + item 8.3)	49,376
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.53
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: 28 January 2022

Authorised by: The Board 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.