



Carbon Revolution Limited

Geelong Technology Precinct

75 Pigdons Road

Waurin Ponds, 3216

Australia

ABN: 96 128 274 653



Automotive
IATF 16949



Quality
ISO 9001



Environment
ISO 14001



**Carbon Revolution (ASX code: CBR)
Q4 FY22 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C (UNAUDITED)**

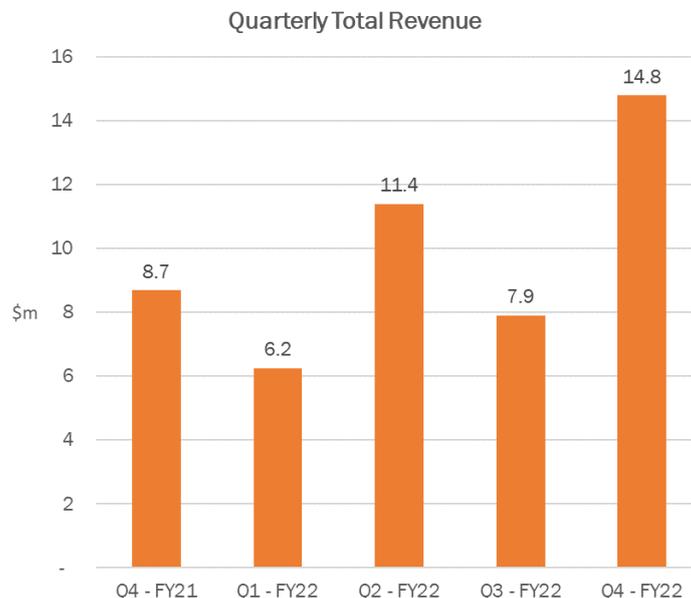
Geelong, Australia, 29 JULY 2022: Geelong-based advanced manufacturer Carbon Revolution Limited (ASX:CBR), whose lightweight carbon fibre wheels are used on some of the world’s best and most-sought after cars, is pleased to provide a business update for the quarter ended 30 June 2022 (Q4 FY22).

Q4 FY22 Highlights (unaudited)

- Highest quarterly wheel sales ever delivered record revenue of \$14.8m (+87% QOQ; +70% PCP) which brings full year revenue to over \$40m for the first time
- Successful production launch of the Corvette program and strong sales of this wheel in Q4
- Two programs awarded since the last quarterly update, including award of the first of the 4 programs that underpinned Phase 1 of the Mega-line
- Strong safety performance, finishing the quarter with a 12-month rolling LTIFR of zero
- The awarded \$12 million Commonwealth grant for the Mega-Line project provides additional future financing

Revenue

Record quarterly revenue of \$14.8m (+87% QOQ; +70% PCP) driven by the highest quarterly wheel sales volume of 4,776 wheels sold (+63% QOQ; +48% PCP). The growth in Q4 FY22 was driven by the ramp up of the Corvette program and strong and consistent demand from Ferrari across the quarter. Average pricing improved by \$206 per wheel over the previous quarter, which helps to offset input cost increases.



Production output ramped across the quarter to meet demand for the new C8 Corvette Z06 / Z07 program and Ferrari 296GTB and 812 Competizione programs.

FY22 revenue of \$40.3m increased by 15.5% from FY21 \$34.9m.

Customer Program Update

During the quarter, CEO and MD Jake Dingle and Vice President of North America, Ron Collins held a customer roadshow across North America and Europe covering existing and potential new customers. Customer interest and engagement was strong with meetings held with senior leaders in design, program and engineering teams across some of the world's leading vehicle manufacturers, both traditional and pure electric vehicle (EV) OEMs. Particularly for their electric vehicles, OEMs are looking for new technologies that deliver weight savings to help with range extension and that bring noise, vibration and harshness benefits. Following this roadshow, the Company is experiencing record levels of detailed customer enquiries and program quoting.

The long-term sales outlook and pipeline for new programs continues to be very strong, with 15 active programs, including two programs awarded in the last quarter. During FY23 two programs are expected to commence production (including our first Premium SUV program and our first Mega-line program) and two existing programs are expected to conclude as planned. Combined, the two programs entering production are expected to deliver stronger volumes as compared to those concluding production.

Stage of Program Lifecycle Number of Programs		Current Quarter ⁽¹⁾	Prior Quarter ⁽²⁾	Comments
Awarded programs in production		6	6	Ford GT500 (was expected to complete in FY22) and Ford GT program are expected to complete in FY23
Programs in development	Awarded	4	2	Two programs awarded in the quarter. Of these 4 awarded programs in development, the SUV program and the first of the megaline programs are expected to transition to production in FY23
	Under detailed design and engineering agreement	5	7	
Total		15	15	

(1) As at date of this announcement, 29 July 2022; (2) As at date of previous announcement, 22 April 2022;

There were four programs that underpinned the development of Phase 1 of the Mega-line. As announced in April 2021, Carbon Revolution secured formal agreements to initiate detailed design and engineering on these programs with an aggregate expected volume of ~75k wheels per annum.

The first of these programs was awarded in June 2022 and is expected to enter production during H1 CY23 and ramp up over the subsequent twelve months. The other three programs that underpin Phase 1 of the Mega-line are EV SUV/Pickup programs, for which the wheel design and sourcing process is underway.

Operational Progress

The Company was pleased with the production momentum the factory delivered across the June quarter. The June 2022 annualised run rate for boxed wheels was c.25,000 – this is a new record level of output for the Company. The improved production momentum follows resolution of two previously announced production issues in relation to the Thermal Barrier Coating (TBC) process and resin quality issue.

The production momentum in the factory also demonstrates that the Company is managing the ongoing challenges posed by COVID-19 related labour absenteeism and global supply chain

disruptions, especially the supply of raw materials. The business has been able to begin reducing direct labour cost per wheel in Q4 FY22, although this benefit has been somewhat offset by the increased cost of inputs, especially carbon fibre. The stronger average sales price recorded in the quarter partially offsets these input price increases.

The Company is pleased to report a zero lost-time-injury frequency rate (LTIFR) on a rolling 12 month basis, ending June 2022. This is an outstanding result by the team particularly given the level of new equipment installation and commissioning that has been underway during that period.

Commonwealth Grant

In May 2022, Carbon Revolution welcomed the announcement of a Commonwealth Modern Manufacturing Initiative (MMI) grant of \$12 million for the Mega-line project. This grant helps Carbon Revolution develop wheels to meet the future demand for our range-expanding carbon fibre wheel technology in the rapidly expanding global electric vehicle (EV) market. Grant documentation has not yet been received, but the Company is pursuing payment of the first \$6 million tranche of the grant during FY23.

The Company has been advised that the new Minister is undertaking a review of all funding approved by the previous Government and we are awaiting confirmation of the next steps from the Department. As Carbon Revolution is an advanced manufacturing business based in regional Australia, the Company feels this MMI grant is aligned with the Albanese Government pledge to invest \$1 billion in advanced manufacturing and therefore is confident of a positive outcome.

Mega-line Project Update

Phase 1 of the Mega-line has progressed rapidly toward the first of three commissioning phases. Significant building and installation progress has occurred, with new robots, conveyers and tool lifts being installed and configured, face layup line is near complete, face to bucket consolidation is completed and control systems for initial commissioning phases are being finalised.

From late July 2022, the wheel face assembly section of the Mega-line has entered the commissioning phase and wheel face production will shortly begin moving from original facilities to the Mega-line. Wheel face commissioning will be followed by the integration of existing rim-build machines and two new high-pressure moulding units late in 2022. Existing high pressure mould units are currently planned to be relocated to the Mega-line over the upcoming Christmas break. First production wheels from the Mega-line are expected in Q3 FY23.

Mega-line capex in the quarter was \$2.6m and for FY22 it was \$11.6m. There are commitments for a further \$6.5m for this phase of the Mega-line project. As mentioned in the Q3 FY22 Activities Report the development of the Mega-line is being managed to match forecast customer demand, including a later introduction of new equipment into the Mega-line. This results in capital spend being moved into FY24 and FY25.

Overall, the Company is pleased with the progress of the Mega-Line project.

Cash Position

As of 30th June, the Company's cash balance was \$22.7m. Net cash outflow of \$12.2m for the quarter was in-line with the Company's expectations and included:

- Net cash outflow from operating activities (including Government grants) of \$10.6m compared to \$2.1m in Q3 FY22. The Q4 FY22 net cash outflow from operating activities includes a one off \$10.7m growth in receivables related to the ramp in the new Ferrari and Corvette programs during this quarter. Grant money received relates to the final payment for

the Department of Defense (DoD) aerospace grant and payments for the Boosting Apprenticeship Commencements (BAC) scheme.

- Net investing cashflow of \$7.6m consisted of capital expenditure on Property, Plant and Equipment (\$3.5m) and investment in Research and Development (\$4.2m) mainly relating to new programs and wheel development.
- Net cash inflow from financing activities of \$6.1m reflected the drawdown of \$4m from the new facility with Export Finance Australia, a net increase of receivables financing of \$3.1m offset by the scheduled quarterly repayment of the term loan. As at 30 June, the sales of Corvette wheels have not been processed through trade working capital facilities, this is planned for the coming quarter.

In addition to the \$23.4m cash and facilities in place, the Company currently has potential funding sources of \$33.5m, of which \$20.0m is expected to be in place in FY23. The table below lists these.

Carbon Revolution - Funding Table - At 30 June 2022

Facilities In Place	\$m
Cash at bank	22.7
Unused working capital facility	0.7
	<u>23.4</u>
Additional facilities expected in FY23	
MMI Grant (1st tranche)	6.0
Remaining \$4M of EFA Export Line of Credit	4.0
Expanded working capital facility	7.5
Equipment finance leasing	2.5
	<u>20.0</u>
Total current and short term expected liquidity	43.4
MMI (2nd tranche)	6.0
Equipment finance leasing	7.5
Other funding opportunities	13.5
Total expected liquidity and facilities for future utilisation	56.9

The Company is managing spending very tightly. Along with an intense focus on the reduction of current operating costs, the following controls are in place:

- Research is only undertaken if it is grant funded
- Development spend is confined to contracted wheel programs which will lead to future wheel sales, unless the OEM has paid up front for development activities
- The Mega-line project and the related spend has been reset. Expansion of capacity outside this current phase will only be brought on when existing capacity is fully utilised and customer forecasts clearly support additional capacity
- Other growth capital spend (e.g. tooling) is being matched very closely to growth in customer demand.

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

Outlook

There is increasing customer demand for Carbon Revolution's wheels, as evidenced by the record number of active programs, and with Mega-line development progressing towards production, the Company is well positioned to deliver on its potential and purpose.

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 and suppliers to it.

We remain focused on:

- Capturing demand for carbon fibre wheels from current programs, including the Corvette Z06/Z07 program
- Successful launches of the Premium SUV program and the first Mega-line program
- Phased Mega-line commissioning
- Development activities for contracted programs and award of the remaining Mega-line programs
- Securing the additional financing expected in the first half of FY23
- Minimising operating and capital spend, delivering operational improvements and efficiencies with the objective of materially reducing COGS per wheel.

Carbon Revolution's FY22 audited financial results are scheduled for release on 29th August 2022. At that time the Company may provide further commentary on expectations for FY23.

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

INVESTOR CONTACT

Investor Relations

Andrew Keys

E: investors@carbonrev.com

M: +61 (0)400 400 380

INVESTOR BRIEFING

The accompanying investor and analyst briefing will be at 9.30am (AEST) on Friday 29th July 2022. To pre-register for this event please use the following link:

https://carbonrev.zoom.us/webinar/register/WN_pja8wW8uQF60AId-usJRFQ

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 document is not necessarily complete and should be read together with Carbon Revolution's other announcements lodged with the ASX (see www.asx.com.au). This document includes forward-looking statements which reflect management's expectations and beliefs at the date of this publication. These statements are provided to assist sophisticated investors with their modelling of the Company and should not be relied on as predictions or guarantees of future performance. The Company makes no representation or warranty about the accuracy or reliability of these statements or that they will be achieved or prove to be correct. Any underlying assumptions, data, results or calculations have not been audited or reviewed by any third party. The accuracy and reliability of the statements are subject to known and unknown risks, uncertainties, contingencies, assumptions and other factors beyond Carbon Revolution's control, including global macroeconomic conditions (which remain volatile); worsening and/or extended impacts of Covid-19; worsening and/or extended automotive supply chain delays or shortages, particularly in relation to semi-conductor chips; delays or other changes to contracted programs and/or demand for carbon fibre wheels or Carbon Revolution's wheels; changes to equipment life, operability or capability; technical challenges; labour shortages; increased costs for production inputs; difficulties in obtaining funding; management decisions and other environmental, social, political and geopolitical factors. Due to these matters, Carbon Revolution's actual outcomes or results may differ materially from these forward-looking statements. Carbon Revolution will not be liable for any reliance placed on these statements, for the correctness, accuracy (or otherwise) of these statements, nor any differences between the information in the statements and Carbon Revolution's actual outcomes or results. Carbon Revolution reserves the right to change its projections from time to time but undertakes no obligation to update any of these statements to reflect events or circumstances after the date of this publication, subject to Carbon Revolution's disclosure obligations under applicable laws and the ASX listing rules.

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 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,446	33,643
1.2 Payments for:		
(a) research and development	(2,177)	(9,386)
(b) product manufacturing and operating costs	(7,219)	(32,634)
(c) advertising and marketing	(67)	(349)
(d) leased assets	(150)	(326)
(e) staff costs	(5,374)	(20,905)
(f) administration and corporate costs	(868)	(3,965)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	94
1.5 Interest and other costs of finance paid	(122)	(2,003)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	907	3,767
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(10,605)	(32,064)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(3,457)	(15,634)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(4,177)	(17,339)
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	(7,634)	(32,973)

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	11,497	23,768
3.6	Repayment of borrowings	(5,128)	(22,061)
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 (12 months) \$A'000
3.9	Other (provide details if material)	(282)	(596)
3.10	Net cash from / (used in) financing activities	6,087	689

4.	Net increase / (decrease) in cash and cash equivalents for the period	(12,152)	(64,348)
		34,740	87,257
4.1	Cash and cash equivalents at beginning of period		
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,605)	(32,064)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,634)	(32,973)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,087	689
4.5	Effect of movement in exchange rates on cash held	105	(216)
4.6	Cash and cash equivalents at end of period	22,693	22,693

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	22,693	34,740
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)	22,693	34,740

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	7,222	7,222
7.2 Credit standby arrangements	0	0
7.3 Other	11,500	10,843
7.4 Total financing facilities	18,722	18,065
7.5 Unused financing facilities available at quarter end	657	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 totalling \$18.7m comprise:

- Secured loan with Export Finance Australia of \$7.2m (initially \$13m) at an interest rate 6.15% per annum, payable quarterly. Principal repayable over 4 years quarterly. The loan balance is \$7.2m as at 30 June 2022 after repayment of \$0.7m during Q3
- The Company has a \$7.5m working capital financing facility in place. This facility is secured over the applicable trade receivables. As of 30 June 2022, the Company had drawn down upon \$6.8m of this facility.
- The Company has entered a line of credit facility of \$8m with Export Finance Australia. As of 30 June 2022 \$4m was drawn down. Drawdown of the remaining \$4m is conditional upon agreed milestones.

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 \$71,848).

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from/(used in) operating activities (item 1.9)	(10,605)
8.2	Cash and cash equivalents at quarter end (item 4.6)	22,693
8.3	Unused finance facilities available at quarter end	657
8.4	Total available funding (item 8.2 + item 8.3)	23,350
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	(2.20)
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: 29 July 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.