



Carbon Revolution Limited

Geelong Technology Precinct

75 Pigdons Road

Wairn Ponds, 3216

Australia

ABN: 96 128 274 653



Carbon Revolution (ASX code: CBR)

Q4 FY21 QUARTERLY ACTIVITIES REPORT & APPENDIX 4C (UNAUDITED)

Geelong, Australia, 22 July 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 June 2021 (Q4 FY21).

Q4 FY21 Highlights (unaudited)

- Wheel sales in Q4 FY21 were 3,218, a 2.7% increase on the prior quarter, notwithstanding the negative impact of semi-conductor chip shortages for one customer
- Finished with a slightly stronger Q4 than previously advised with full year wheel sales of 12,749 (previous guidance of 12,142 wheels)
- Completed the implementation of Diamond Weave Technology (previously known as fascia technology) for all wheels other than our smallest program
- Successful commissioning of the next generation automated rim layup machine (ARL3). This highly automated equipment delivers improved productivity and higher throughput
- Ferrari launched two new car models featuring Carbon Revolution's carbon fibre wheels - the 812 Competizione and 296 GTB. Both programs are in production

"the carbon-fibre wheel option, which is 8kg lighter than their forged counterpart, sets a whole new performance benchmark".

Ferrari, June 2021

- Completed the fully-underwritten \$95m equity raise to fund the Phase 1 Mega-line expansion. Progress was made on Mega-line design and implementation during the quarter
- Enhanced management capability with ex-Ford manufacturing executive Andrew Higginbotham joining as Director of Operations.

Revenue

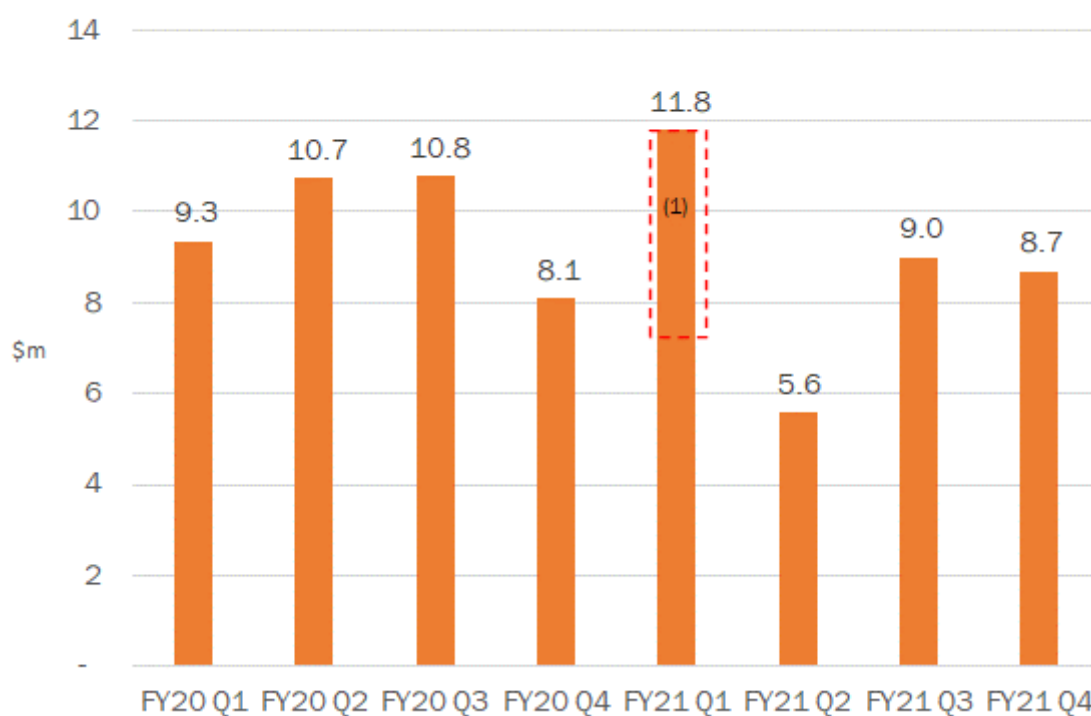
Quarterly revenue was \$8.7m, a 3.2% decrease on Q3 FY21 and a 7.5% increase from the prior corresponding period (Q4 FY20). Revenue from wheel sales was \$8.2m and there was \$0.5m in engineering services and tooling revenue for the quarter. Engineering services and tooling revenue is project-related and so will remain variable from quarter to quarter.

3,218 wheels were sold in the quarter, a 2.7% increase on Q3 FY21 and a 6.1% decrease from Q4 FY20. The relative variances in total revenue and wheel volumes arose due to changes in product mix and engineering services and tooling revenue.

Full year revenue for FY21 was \$34.9m, 10.2% lower than FY20 and total wheels sold for FY21 were 12,749, 8.6% lower than FY20.

Following the recovery in wheel sales during Q3 FY21, the sales momentum continued to grow in the early stages of Q4. However, Q4 FY21 was impacted by semi-conductor chip shortages in the global automotive supply chain. This directly impacted Carbon Revolution's largest wheel program currently in production and reduced Q4 FY21 orders. As expected, the impacted customer program did resume production in late June. Subsequently production was paused for a further two weeks in mid-July. The customer is expected to recommence production from the last week of July 2021 and wheel orders have resumed in recent weeks. This short-term production disruption has not affected Carbon Revolution's industrialisation program.

Quarterly Total Revenue - \$m
(Q1 FY20 - Q4 FY21)



(1) Includes \$4.5m of wheels dispatched via sea freight in Q4 FY20, recognised as revenue in Q1 FY21

Customer Program Update

Our carbon fibre wheels were featured on two new Ferrari vehicles launched during the quarter, the Ferrari Competizione in May and the Ferrari 296 GTB in June. Following the launch of the Competizione, Carbon Revolution was formally recognised as a partner by Ferrari. In a press release after the launch of the 296 GTB, Ferrari said:

“the carbon-fibre wheel option, which is 8kg lighter than their forged counterpart, sets a whole new performance benchmark”.

Ferrari, June 2021

The Ferrari 812 and 296 GTB wheel programs are in production.

Carbon Revolution has been engaged by a customer to develop carbon fibre wheels for a new application in the SUV and pickup truck segment. This will involve the development of new off-road capable technologies. Development has begun on this program.

As previously announced, the Company has been working under a detailed design and engineering agreement on a low volume, high performance vehicle program for an Asian OEM. The Company was advised in June that the customer would cease the vehicle program for reasons unrelated to Carbon Revolution or carbon fibre wheels. This program would have been

for <500 wheels per annum. Despite not proceeding to supply, the strategic benefit of validating the technology and establishing a working relationship with that customer has been achieved and we are now in discussions with the OEM to identify suitable higher-volume production applications for the technology.

All other programs remain on track with scheduled milestones. One awarded program currently under development is expected to enter production during FY22. Programs under development include a number of electric vehicles and a premium SUV. To ensure the successful launch of new programs and reflecting the increasing scale of the business, a Program Management and Launch Engineering team was established as part of the Customer Excellence team during the quarter.

The table below summarises the existing program position.

Stage of Program Lifecycle Number of Programs		Current Quarter ⁽¹⁾	Prior Quarter ⁽²⁾	Commentary
Awarded programs in production		5	3	2 Ferrari programs have entered production
Programs in development	Awarded	3	5	
	Under detailed design and engineering agreement	5	5	+1 new SUV program -1 small Asian OEM vehicle program (see above)
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 July 2021

(2) As at date of previous announcement, 23 April, 2021

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

Operational Progress

Management capability was enhanced with Andrew Higginbotham joining Carbon Revolution as Director of Operations, reporting to CEO & MD Jake Dingle. Andrew's appointment contributes to the foundations for long term success at a critical time for Carbon Revolution. The Director of Operations is a new position and has executive responsibility for Manufacturing, Supply Chain and Industrialisation. Andrew had a successful 30+ year career with Ford, where he was a senior automotive manufacturing executive, and most recently, was the Motorhome Divisional Manager at Jayco. Andrew brings the level of knowledge, experience and seniority necessary to deliver the targeted operational performance improvements and the Mega-line construction and implementation.

Significant progress was made during Q4 FY21 on completing the implementation of Diamond Weave Technology (previously known as fascia technology), with implementation now complete for all wheels in production other than for our smallest program. This technology dramatically improves wheel aesthetic quality, the conversion of moulded wheels to sold wheels and, in turn, drives a significant reduction in labour cost per wheel and increased product quality.

There was progress on delivering manufacturing efficiencies during the quarter. The Company was successful in decreasing raw material and consumables stock by another 30% since the last quarter and is now at an appropriate level for current production. The chip-related supply issues impacted the business' ability to further drive down wheel inventory levels and production costs during the quarter.

A significant milestone was the commissioning of the first machine of the next generation rim layup and cutting machines. Third generation Automated Rim Lay-up (ARL3) technology further

automates and increases throughput for the rim lay-up process and is a key component of the Mega-line manufacturing process. The manufacture of the first Production Click Press machine is near completion off site and is due for installation in the coming quarter.

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 Phase 1 Mega-line project is on track and in line with budget (total capital expenditure of \$47m). During the quarter detailed design progressed with key partners. Orders for long-lead time items are expected to be placed in the coming month.

Cash Position

The Company's cash balance is \$87.3m. Net cash inflow of \$74.0m for the quarter was in-line with the Company's expectations and included:

- Negative net cashflow from operating activities (including Government grants) of \$8.5m compared to positive \$1.2m in Q3 FY21. Customer receipts were negatively impacted by \$5.5m due to a trading terms change with the largest current production program (this is a timing impact only). Administration and corporate costs were negatively impacted by the expensing of \$0.8m for the new ERP system in line with the recent changes in accounting standards for cloud service software requiring expensing of costs which would previously have been capitalised (and included in investing cash flows). Operating cashflow included Government grants in Q4 FY21 of \$0.6m compared to \$2.4m in Q3 FY21 as JobKeeper concluded.
- Net investing cashflow of \$6.8m consisted primarily of investment in research and development of \$5.8m. The increased spend in research and development activities relates to new programs that were under development in the quarter and the implementation of the Diamond Weave Technology for current and new programs.
- Net cash inflow from financing activities of \$89.2m was driven by completion of the fully-underwritten \$95m equity raise that resulted in a \$89.9m cash inflow net of transaction costs. As announced, part of the cash was used to repay the State of Victoria grant advance of \$3.5m. An additional \$4.0m was drawn on the receivables financing facility which was used to mitigate the change to one customer's payment terms described above. Scheduled repayments of the Export Finance Australia (EFA) loan principal also occurred (\$1.1m).

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 also continues to impact global car production.

Due to these uncertainties, the Company is not providing sales outlook guidance for FY22. However, FY22 key focus areas include:

- Executing the production ramp of the two new Ferrari programs and the one awarded program currently under development that is expected to enter production during FY22
- 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.

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 (AEST) on Thursday 22nd July 2021. To pre-register for this event please use the following link:

https://carbonrev.zoom.us/webinar/register/WN_hCdfCld-Tkab5RGdsiBJtA

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.

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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-2021

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	1,263	30,238
1.2 Payments for:		
(a) research and development	(1,853)	(4,304)
(b) product manufacturing and operating costs	(1,192)	(22,448)
(c) advertising and marketing	(48)	(226)
(d) leased assets	(52)	(291)
(e) staff costs	(4,708)	(16,114)
(f) administration and corporate costs	(2,166)	(6,516)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	70
1.5 Interest and other costs of finance paid	(345)	(1,615)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	568	11,888
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(8,483)	(9,269)

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	(929)	(12,571)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(5,832)	(11,278)
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	(6,761)	(23,849)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	95,046	95,046
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	(5,119)	(5,119)
3.5	Proceeds from borrowings	3,975	18,525
3.6	Repayment of borrowings	(4,584)	(20,667)
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)	(88)	(1,214)
3.10	Net cash from / (used in) financing activities	89,230	86,571

4.	Net increase / (decrease) in cash and cash equivalents for the period	73,987	53,451
4.1	Cash and cash equivalents at beginning of period	13,271	33,861
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,531)	(9,318)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,761)	(23,849)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	89,230	86,571
4.5	Effect of movement in exchange rates on cash held	48	(8)
4.6	Cash and cash equivalents at end of period	87,257	87,257

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	87,257	13,271
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)	87,257	13,271

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	10,833	10,833
7.2 Credit standby arrangements	-	-
7.3 Other	7,500	5,525
7.4 Total financing facilities	18,333	16,358
7.5 Unused financing facilities available at quarter end	1,975	-

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 \$18.3m 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 \$10.8m as at 30 June 2021 after repayment of \$1.1m during Q4.
- The company has a \$7.5m working capital financing facility in place. This facility is secured over the applicable trade receivables. As at 30 June 2021, the company had drawn down upon \$5.5m of this facility.
- The secured grant advance from the State of Victoria of \$3.5m has been repaid in May 2021.

There is also one lease agreements in place, being:

- Monthly rental of the production facility in Waurm 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)	(8,531)
8.2	Cash and cash equivalents at quarter end (item 4.6)	87,257
8.3	Unused finance facilities available at quarter end	1,975
8.4	Total available funding (item 8.2 + item 8.3)	89,232
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	10.5
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 July 2021

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.