Carbon Revolution Limited
Geelong Technology Precinct
75 Pigdons Road
Waurn Ponds, 3216
Australia
ABN: 96 128 274 653

Certified System Automotive IATF 16949 SAI GLOBAL
Certified System Quality ISO 9001 SAI GLOBAL
Certified System Environment ISO 14001 SAI GLOBAL

Carbon Revolution (ASX code: CBR)
Funding and Liquidity Initiatives Update and Amended Financial Report for FY22

Geelong, Australia, Monday 27 February 2023: Carbon Revolution Limited (the "Company" or "CBR") (ASX:CBR) lodges its amended Financial Report for FY22 and provides an update on funding and liquidity initiatives.

As announced on 31 January 2023, the Company was undertaking a re-audit of its FY22 and FY21 financial statements. This re-audit has now been completed and the Company is re-issuing the amended Financial Report for FY22, as discussed in that announcement. The amended Financial Report is attached.

As noted in the amended Financial Report, the financial statements of the Group have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

Carbon Revolution is an advanced technology manufacturing business which is in the process of industrialising and scaling up its production processes. At this pre-profitability stage of Carbon Revolution's business lifecycle, it is essential that it has sufficient funding to meet its working capital requirements, as well as to fund the Group's ongoing research and development of its products, material and process technologies, and investment in the expansion of its production facility (Mega-Line) required to achieve profitability and positive cash generation.

For the year ended 30 June 2022, the Group incurred an operating loss after tax of $47.8 million (2021: $36.0 million) and had negative cash flows from operating activities of $46.0 million (2021: $19.0 million), with a net current asset position of $30.4 million (2021: $91.4 million) and a cash and cash equivalent balance of $22.7 million as of 30 June 2022 (2021: $87.3 million).

Subsequent to 30 June 2022 the Group continues to be loss making and has negative cash flows from operating activities. As at 31 January 2023 cash and cash equivalents amounted to $8.9 million. In December 2022, the Group received $9 million from the Australian federal government under the Modern Manufacturing Initiative ("MMI") grant.

Although the Group has forecast breaches to its gearing and debt service coverage covenants under its existing debt facility within the next 12 month period, this existing debt facility is planned to be repaid when the Proposed New Debt Facility, discussed below, is obtained prior to the date of the forecast breaches.

The Group has prepared a detailed cash flow projection for the 12 month period from the date the financial statements are issued ("Cash Flow Projection"). Based on projected costs related to the Transaction (being the merger with Twin Ridge Capital Acquisition Corp (NYSE:TRCA) (TRCA) announced on 30 November 2022)), revenue and operating costs, research and development costs, working capital needs, and capital expenditure plans, the Group must successfully raise debt and/or equity of approximately $100 million (including approximately $28 million of costs payable in connection with the completion of the Transaction) to allow the Group to continue as a going concern over the next 12 month period.

As of the date of issuance of the financial statements, the Group is pursuing the following funding initiatives:

Bridge Funding – The Group anticipates securing $10.8 million of net cash inflows from early payment and bailment arrangements from certain of its customers for the period from March 2023 through May 2023. The Group also anticipates securing short term convertible debt funding of $2 million with the funds expected to be received in March 2023, which would be expected to be repaid by the Group post-closing of the Transaction.

There are risks associated with the Bridge Funding including but not limited to:

- The Group may not be able to successfully reach agreements with its customers to obtain early payments or bailment arrangements and therefore not be able to successfully raise the amount included in the Group's Cash Flow Projection;
- There may be delays in obtaining early customer payments thereby necessitating additional bridge funding to be obtained by the Group;
- The Group may not be able to meet all of the conditions precedent to reach a binding agreement for the short term convertible debt funding; and
- There may be a delay in the closing date of the short term convertible debt funding thereby necessitating additional bridge funding to be obtained by the Group.

Proposed New Debt Facility – The Group is seeking to secure debt funding which will ensure that the Group remains funded through to the anticipated completion of the Transaction and beyond.

As of the date of issuance of the financial statements, the Group has engaged specialist third party advisers to provide advisory services and assist in the accumulation, organisation and/or preparation of information and documentation related to the analysis and valuation of the Group's business operations and intellectual property for submission to insurance providers and credit institutions with a view to securing insured debt financing with the Group's assets including intellectual property as collateral. Through this process the Group has to date received non-binding and conditional general terms for a proposed new debt facility ("Proposed New Debt Facility") from these specialist third party advisers. The Group and its specialist third party advisers are now facilitating due diligence and a valuation of the Group's business operations and intellectual property. Following these steps the Group and its specialist third party advisers will prepare associated legal documentation and identify lenders to provide financing under the Proposed New Debt Facility. Under the proposed conditional and non-binding terms received to date for the Proposed New Debt Facility, approximately $72 million (US$51 million) of net cash (net of prepaid interest, fees and discounts) is projected to be received by the Group with a target closing date of April 2023.

There are risks associated with the Proposed New Debt Facility including but not limited to:

- The Group and its specialist third party advisers may not be able to identify lenders to provide the financing under the Proposed New Debt Facility;
- The valuation of the Group's intellectual property may be less than what has been initially indicated by the Group's specialist third party advisers, thereby not being able to secure the full amount of $72 million (US$51 million) as included in the Group's Cash Flow Projection;
- In order to secure the funding to be facilitated under the Proposed New Debt Facility, the Group needs to secure debt collateral insurance (which may or may not be forthcoming), the cost of which is likely to be significant, which may mean the Group is not able to secure the full amount of $72 million (US$51 million) as included in the Group's Cash Flow Projection;
- Given the circumstances of the Group, the Group is likely to have to agree to significantly higher rates of interest, costs, fees and other forms of consideration than would customarily be payable under traditional finance arrangements, to secure the Proposed New Debt Facility. Further, these costs may be higher than currently projected and the Group may not be able to secure the full amount of US$51 million as included in the Group's Cash Flow Projection;
- The Group may not be able to meet all of the conditions precedent to draw down under the Proposed New Debt Facility once it is entered into; and
- There may be a delay in the expected draw-down date of the Proposed New Debt Facility thereby necessitating additional bridge funding to be obtained by the Group.

New Equity - The Group's Cash Flow Projection includes the Group raising funds net of transaction costs of approximately $29 million in connection with the Transaction and the partial use of the Group's US$60 million ($86 million) Committed Equity Facility ("CEF"). The $29 million projected net cash inflows comprises $14 million (US$10 million) cash remaining in the SPAC's Trust Account upon completion of the Transaction and $43 million (US$30 million) drawdowns from the CEF, offset by approximately $28 million of costs payable in connection with the completion of the Transaction.

There are risks associated with the new equity raising activities including but not limited to:

- The Transaction may not close;
- The CEF will not be available until the completion of the Transaction and the filing and effectiveness of a new registration statement with the U.S. Securities and Exchange Commission relating thereto;
- There may be a delay in the completion of the Transaction or anticipated availability of the CEF, thereby necessitating additional bridge funding to be obtained by the Group;
- The Group's advisers that will be assisting in raising capital through the CEF may be unable to dispose of the shares of MergeCo (being the entity that will acquire the Company and TRCA on completion of the Transaction) on an ongoing basis. As the terms of the CEF will not require the advisers to purchase additional shares under the CEF beyond an overall ownership of 9.99%, or US$10 million ($14 million) per week, whichever is lower, the Group may not have full access to the US$30 million ($43 million) CEF capital (of the total US$60 million permitted to be drawn under the CEF) included in the Group's Cash Flow Projection; and
- There may be less than $14 million cash remaining in the SPAC Trust Account upon completion of the Transaction.

The abovementioned three funding initiatives remain in progress.

As of the date of issuance of the financial statements, the Group has secured the following cash flow and liquidity improvement initiatives to provide bridge funding through to the completion of the Proposed New Debt Facility and New Equity raising activities:

- The Group has secured arrangements with certain customers for amounts receivable for tooling to be prepaid in advance of due dates, with a net positive cash inflow of $1.1 million through to May 2023;
- The Group reached agreement with certain suppliers to defer total payments of $9.7 million for amounts that have been invoiced, and for amounts that are projected to be payable by the Group during the period from February to April 2023 based on the Group's Cash Flow Projection. Under the terms of these agreements, the new payment date ranges are from late April to late May 2023; and
- The Group received certain consents and waivers from its existing lender, including reducing its minimum month end cash balance requirement to $3.5 million for February to April 2023.

Should sufficient funding not be secured through the Bridge Funding, Proposed New Debt Facility and New Equity raising activities, or should there be a delay in the timing of securing funds through these funding initiatives, this would have adverse implications for the Group and its shareholders. In these scenarios, the Group will need to seek other options, including delaying or reducing operating and capital expenditure, the possibility of an alternative transaction or fundraising, and in the event that none of these are available, voluntary administration.

Further details relating to the basis on which the amended Financial Report for FY22 was prepared in these circumstances including:

- the views of the directors of the Company;
- the need to seek other options if the funding initiatives referred to above do not raise sufficient funding or are delayed; and
- that material uncertainty exists which may cast significant doubt as to whether the Group will continue as a going concern,

are contained in note 1.3 ("Going Concern") on page 8 of the amended Financial Report for FY22 lodged with this announcement.

- ENDS -

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

For further information, please contact:

Investors
Investors@carbonrev.com

Media
Media@carbonrev.com

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

Information about Proposed Business Combination

As previously announced, Carbon Revolution Limited ("CBR", "Carbon Revolution" or the "Company") (ASX: CBR) and Twin Ridge Capital Acquisition Corp. ("Twin Ridge" or "TRCA") (NYSE: TRCA) have entered into a definitive business combination agreement and accompanying scheme implementation deed ("SID") that is expected to result in Carbon Revolution becoming publicly listed in the U.S. via a series of transactions, including a scheme of arrangement. Upon closing of the transactions, the ordinary shares and warrants of the merged company, an Irish company also named Carbon Revolution Limited (formerly known as Poppetell Limited), that will become the parent company of the Company and Twin Ridge, are expected to trade on a national exchange in the United States, and Carbon Revolution's shares shall be delisted from the ASX.

Additional Information about the Proposed Business Combination and Where to Find It

This communication relates to the proposed business combination involving Carbon Revolution Limited, an Australian public company with Australian Company Number (ACN) 128 274 653 listed on the Australian Securities Exchange ("CBR"), Twin Ridge Capital Acquisition Corp., a Cayman Islands exempted company ("TRCA"), Carbon Revolution Limited (formerly known as Poppetell Limited), a private limited company incorporated in Ireland with registered number 607450 ("MergeCo"), and Poppettell Merger Sub, a Cayman Islands exempted company and wholly-owned subsidiary of MergeCo ("Merger Sub"). In connection with the proposed business combination, MergeCo intends to file with the U.S. Securities and Exchange Commission (the "SEC") a Registration Statement on Form F-4 (the "Registration Statement"), which will include a preliminary proxy statement of TRCA and a preliminary prospectus of MergeCo relating to the MergeCo Shares to be issued in connection with the proposed business combination. This communication is not a substitute for the Registration Statement, the definitive proxy statement/final prospectus or any other document that MergeCo or TRCA has filed or will file with the SEC or send to its shareholders in connection with the proposed business combination. This communication does not contain all the information that should be considered concerning the proposed business combination and other matters and is not intended to form the basis for any investment decision or any other decision in respect of such matters.

BEFORE MAKING ANY VOTING OR INVESTMENT DECISION, TRCA'S SHAREHOLDERS AND OTHER INTERESTED PARTIES ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE AND ANY AMENDMENTS THERETO AND ANY OTHER DOCUMENTS FILED BY TRCA OR MERGECO WITH THE SEC IN CONNECTION WITH THE PROPOSED BUSINESS COMBINATION OR INCORPORATED BY REFERENCE THEREIN IN THEIR ENTIRETY BEFORE

MAKING ANY VOTING OR INVESTMENT DECISION WITH RESPECT TO THE PROPOSED BUSINESS COMBINATION BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED BUSINESS COMBINATION AND THE PARTIES TO THE PROPOSED BUSINESS COMBINATION.

After the Registration Statement is declared effective, the definitive proxy statement will be mailed to shareholders of TRCA as of a record date to be established for voting on the proposed business combination. Additionally, TRCA and MergeCo will file other relevant materials with the SEC in connection with the proposed business combination. Copies of the Registration Statement, the definitive proxy statement/final prospectus and all other relevant materials for the proposed business combination filed or that will be filed with the SEC may be obtained, when available, free of charge at the SEC's website at www.sec.gov. In addition, the documents filed by TRCA or MergeCo may be obtained, when available, free of charge from TRCA at www.twinridgecapitalac.com. TRCA's shareholders may also obtain copies of the definitive proxy statement/prospectus, when available, without charge, by directing a request to Twin Ridge Capital Acquisition Corp., 999 Vanderbilt Beach Road, Suite 200, Naples, Florida 60654.

No Offer or Solicitation

This communication is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the proposed business combination or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. The proposed business combination will be implemented solely pursuant to the Business Combination Agreement and Scheme Implementation Deed, in each case, filed as exhibits to the Current Report on Form 8-K filed by TRCA with the SEC on November 30, 2022, which contains the full terms and conditions of the proposed business combination. No offer of securities shall be made except by means of a prospectus meeting the requirements of the Securities Act.

Participants in the Solicitation of Proxies

This communication may be deemed solicitation material in respect of the proposed business combination. TRCA, CBR, MergeCo, Merger Sub and their respective directors and executive officers, under SEC rules, may be deemed to be participants in the solicitation of proxies from TRCA's shareholders in connection with the proposed business combination. Investors and security holders may obtain more detailed information regarding the names and interests in the proposed business combination of TRCA's directors and officers in TRCA's filings with the SEC, including TRCA's initial public offering prospectus, which was filed with the SEC on March 5, 2021, TRCA's subsequent annual report on Form 10-K and quarterly reports on Form 10-Q. To the extent that holdings of TRCA's securities by insiders have changed from the amounts reported therein, any such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Information regarding the persons who may, under SEC rules, be deemed participants in the solicitation of proxies to TRCA's shareholders in connection with the business combination will be included in the definitive proxy statement/prospectus relating to the proposed business combination when it becomes available. You may obtain free copies of these documents, when available, as described in the preceding paragraphs.

Forward-Looking Statements

All statements other than statements of historical facts contained in this communication are forward-looking statements. Forward-looking statements may generally be identified by the use of words such as “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “should,” “would,” “plan,” “project,” “forecast,” “predict,” “potential,” “seem,” “seek,” “future,” “outlook,” “target” or other similar expressions (or the negative versions of such words or expressions) that predict or indicate future events or trends or that are not statements of historical matters. These forward-looking statements include, but are not limited to, statements regarding the financial position, business strategy and the plans and objectives of management for future operations including as they relate to the proposed business combination and related transactions, pricing and market opportunity, the satisfaction of closing conditions to the proposed business combination and related transactions, the level of redemptions by TRCA’s public shareholders and the timing of the completion of the proposed business combination, including the anticipated closing date of the proposed business combination and the use of the cash proceeds therefrom. These statements are based on various assumptions, whether or not identified in this communication, and on the current expectations of CBR’s and TRCA’s management and are not predictions of actual performance. These forward-looking statements are provided for illustrative purposes only and are not intended to serve as, and must not be relied on by any investor as a guarantee, an assurance, a prediction or a definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and may differ from such assumptions, and such differences may be material. Many actual events and circumstances are beyond the control of CBR and TRCA.

These forward-looking statements are subject to a number of risks and uncertainties, including (i) changes in domestic and foreign business, market, financial, political and legal conditions; (ii) the inability of the parties to successfully or timely consummate the proposed business combination, including the risk that any required regulatory approvals are not obtained, are delayed or are subject to unanticipated conditions that could adversely affect the combined company or the expected benefits of the proposed business combination, or that the approval of the shareholders of TRCA or CBR is not obtained; (iii) the ability to maintain the listing of MergeCo’s securities on the stock exchange; (iv) the inability to complete any private placement financing, the amount of any private placement financing or the completion of any private placement financing with terms unfavorable to you; (v) the risk that the proposed business combination disrupts current plans and operations CBR or TRCA as a result of the announcement and consummation of the proposed business combination and related transactions; (vi) the risk that any of the conditions to closing of the business combination are not satisfied in the anticipated manner or on the anticipated timeline or are waived by any of the parties thereto; (vii) the failure to realize the anticipated benefits of the proposed business combination and related transactions; (viii) risks relating to the uncertainty of the costs related to the proposed business combination; (ix) risks related to the rollout of CBR’s business strategy and the timing of expected business milestones; (x) the effects of competition on CBR’s future business and the ability of the combined company to grow and manage growth, establish and maintain relationships with customers and healthcare professionals and retain its management and key employees; (xi) risks related to domestic and international political and macroeconomic uncertainty, including the Russia-Ukraine conflict; (xii) the outcome of any legal proceedings that may be instituted against TRCA, CBR or any of their respective directors or officers, following the announcement of the proposed business combination; (xiii) the amount of redemption requests made by TRCA’s public shareholders; (xiv) the ability of TRCA to issue equity, if any, in connection with the proposed business combination or to otherwise obtain financing in the future; (xv) the impact of the global

COVID-19 pandemic and governmental responses on any of the foregoing risks; (xvi) risks related to CBR's industry; (xvii) changes in laws and regulations; and (xviii) those factors discussed in TRCA's Annual Report on Form 10-K for the year ended December 31, 2021 and subsequent Quarterly Reports on Form 10-Q, in each case, under the heading "Risk Factors," and other documents of TRCA or MergeCo to be filed with the SEC, including the proxy statement / prospectus. If any of these risks materialize or TRCA's or CBR's assumptions prove incorrect, actual results could differ materially from the results implied by these forward-looking statements. There may be additional risks that neither TRCA nor CBR presently know or that TRCA and CBR currently believe are immaterial that could also cause actual results to differ from those contained in the forward-looking statements. In addition, forward-looking statements reflect TRCA's and CBR's expectations, plans or forecasts of future events and views as of the date of this communication. TRCA and CBR anticipate that subsequent events and developments will cause TRCA's and CBR's assessments to change. However, while TRCA and CBR may elect to update these forward-looking statements at some point in the future, each of TRCA, CBR, MergeCo and Merger Sub specifically disclaim any obligation to do so, unless required by applicable law. These forward-looking statements should not be relied upon as representing TRCA's and CBR's assessments as of any date subsequent to the date of this communication. Accordingly, undue reliance should not be placed upon the forward-looking statements.

CARBON REVOLUTION LIMITED

ABN 96 128 274 653

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2022

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Consolidated statement of profit or loss and other comprehensive income

For the Year Ended 30 June 2022

	Note	2022 $'000 (Restated)	2021 $'000 (Restated)
Sale of wheels		38,276	32,205
Engineering services		464	2,732
Sale of tooling		1,596	-
Revenue	2.1	**40,336**	**34,937**
Cost of goods sold	3.2.1	(57,445)	(49,232)
Gross margin		**(17,109)**	**(14,295)**
Other income	2.2	4,320	10,506
Operational expenses		(2,013)	(3,366)
Research and development expenses	2.4	(16,933)	(10,513)
Administrative expenses		(13,146)	(15,690)
Marketing expenses		(1,550)	(938)
Finance costs	2.4	(1,390)	(1,704)
Loss before income tax expense		**(47,821)**	**(36,000)**
Income tax expense	5	-	-
Loss for the year after income tax		**(47,821)**	**(36,000)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		(147)	150
Other comprehensive income		**(147)**	**150**
Total comprehensive loss for the year, net of tax		**(47,968)**	**(35,850)**
Earnings per share			
Basic	2.5	($0.23)	($0.23)
Diluted	2.5	($0.23)	($0.23)

The accompanying notes form an integral part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income has been restated as discussed in Note 1.7.

Consolidated statement of financial position

As at 30 June 2022

	Note	30 June 2022 $'000 (Restated)	30 June 2021 $'000 (Restated)	1 July 2020 $'000 (Restated)
Current assets				
Cash and cash equivalents	4.1	22,693	87,257	33,861
Receivables	3.1	14,483	12,152	7,880
Contract assets	2.1	5,909	-	-
Inventories	3.2	20,164	18,179	27,826
Other current assets		1,587	1,054	811
Total current assets		**64,836**	**118,642**	**70,378**
Non-current assets				
Property, plant and equipment	3.3	57,616	47,319	44,036
Right-of-use assets	3.4	7,564	7,983	9,290
Intangible assets	3.5	14,364	9,749	6,364
Total non-current assets		**79,544**	**65,051**	**59,690**
Total assets		**144,380**	**183,693**	**130,068**
Current liabilities				
Payables	3.6	9,502	9,742	16,962
Borrowings	4.2	18,686	12,233	18,674
Lease liability	3.4	579	542	979
Contract liability	2.1	458	-	-
Deferred income	3.7	1,028	1,060	798
Provisions	3.8	4,161	3,655	2,853
Total current liabilities		**34,414**	**27,232**	**40,266**
Non-current liabilities				
Borrowings	4.2	4,333	6,529	-
Lease liability	3.4	7,461	7,813	8,540
Contract liability	2.1	323	-	-
Deferred income	3.7	5,211	4,782	3,416
Provisions	3.8	713	611	519
Total non-current liabilities		**18,041**	**19,735**	**12,475**
Total liabilities		**52,455**	**46,967**	**52,741**
Net assets		**91,925**	**136,726**	**77,327**
Equity				
Contributed equity	4.4	383,822	381,890	291,226
Reserves	4.6	6,747	5,659	924
Accumulated losses		(298,644)	(250,823)	(214,823)
Total equity		**91,925**	**136,726**	**77,327**

The accompanying notes form an integral part of these financial statements. Consolidated statement of financial position has been restated as discussed in Note 1.7.

Consolidated statement of changes in equity

As at 30 June 2022

	Note	Contributed equity	Share buyback reserve	Share based payment reserve	Accumulated losses	Foreign currency translation reserve	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance as of 1 July 2020 (as previously reported)		**291,226**	**(311)**	**1,394**	**(203,240)**	**(159)**	**88,910**
Effect of restatement (refer Note 1.7)		-	-	-	(11,583)	-	(11,583)
Balance as of 1 July 2020 (Restated)		**291,226**	**(311)**	**1,394**	**(214,823)**	**(159)**	**77,327**
Net loss after tax for the full year (Restated)		-	-	-	(36,000)	-	(36,000)
Other comprehensive profit/(loss) for the full year		-	-	-	-	150	150
Total comprehensive loss for the full year (Restated)		**-**	**-**	**-**	**(36,000)**	**150**	**(35,850)**
Transactions with owners in their capacity as owners							
Issue of share capital	4.4	95,047	-	-	-	-	95,047
Share-based payments	4.4	1,138	-	4,585	-	-	5,723
Share issue costs	4.4	(5,521)	-	-	-	-	(5,521)
Total transactions with owners in their capacity as owners		**90,664**	**-**	**4,585**	**-**	**-**	**95,249**
Balance as at 30 June 2021 (Restated)		**381,890**	**(311)**	**5,979**	**(250,823)**	**(9)**	**136,726**
Balance as of 1 July 2021 (as previously reported)		**381,890**	**(311)**	**5,979**	**(235,233)**	**(9)**	**152,316**
Effect of restatement (refer Note 1.7)		-	-	-	(15,590)	-	(15,590)
Balance as at 30 June 2021 (Restated)		**381,890**	**(311)**	**5,979**	**(250,823)**	**(9)**	**136,726**
Net loss after tax for the full year (Restated)		-	-	-	(47,821)	-	(47,821)
Other comprehensive profit/(loss) for the full year		-	-	-	-	(147)	(147)
Total comprehensive loss for the full year (Restated)		**-**	**-**	**-**	**(47,821)**	**(147)**	**(47,968)**
Transactions with owners in their capacity as owners							
Share-based payments	4.4	1,932	-	1,235	-	-	3,167
Total transactions with owners in their capacity as owners		1,932	**-**	**1,235**	**-**	**-**	**3,167**
Balance as at 30 June 2022 (Restated)		**383,822**	**(311)**	**7,214**	**(298,644)**	**(156)**	**91,925**

The accompanying notes form an integral part of these financial statements. Consolidated statement of changes in equity has been restated as discussed in Note 1.7.

Consolidated statement of cash flows

For the Year Ended 30 June 2022

	Note	2022 $'000 (Restated)	2021 $'000 (Restated)
Cash flow from operating activities			
Receipts from customers		33,643	30,236
Receipt of grants and research and development incentives		3,767	11,888
Payments to suppliers and employees		(81,005)	(59,533)
Interest received		94	69
Finance costs		(2,475)	(1,641)
Net cash used in operating activities	4.1.1	**(45,976)**	**(18,981)**
Cash flow from investing activities			
Payments for property, plant and equipment	3.3	(15,634)	(12,571)
Payments for intangible assets	3.5	(6,007)	(3,990)
Net cash used in investing activities		**(21,641)**	**(16,561)**
Cash flow from financing activities			
Proceeds from third party borrowings	4.2	33,657	25,774
Repayment of third-party borrowings		(29,370)	(12,715)
Repayment of related party borrowings	4.2	-	(13,000)
Proceeds from share issues	4.4	-	95,046
Capital raising transaction costs	4.4	(422)	(5,119)
Repayment of lease liability		(596)	(1,040)
Net cash provided by financing activities		**3,269**	**88,946**
Net increase / (decrease) in cash held		(64,348)	53,404
Cash at beginning of financial year		87,257	33,861
Effects of exchange rate changes on cash and cash equivalents		(216)	(8)
Cash at end of financial year		**22,693**	**87,257**

The accompanying notes form an integral part of these financial statements. Consolidated statement of cash flows has been restated as discussed in Note 1.7.

Notes to the financial statements

For the Year Ended 30 June 2022

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Notes to the financial statements

For the Year Ended 30 June 2022

1 Basis of preparation

1.1. Corporate information

This note sets out the accounting policies adopted by Carbon Revolution Limited (the "Company" or "parent") and its consolidated entities, collectively known as the "consolidated entity" or the "Group" in the preparation and presentation of the financial statements. Where an accounting policy is specific to one note, the policy is described within the note to which it relates.

The financial statements were authorised for issue by the directors as of 27 February 2023.

Carbon Revolution Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its principal activity is the manufacture and sale of carbon fibre wheels, as well as research and development projects relating to carbon fibre wheel technology.

The address of the Company's registered office and its principal place of business is:

Building NR
75 Pigdons Road
Waurn Ponds VIC 3216, Australia

1.2. Basis of preparation

The Group financial statements are general purpose financial statements which:

- Have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB");
- Have adopted all accounting policies in accordance with Australian accounting standards, and where a standard permits a choice in accounting policy, the policy adopted by the Group has been disclosed in these financial statements;
- Do not early adopt any accounting standards or interpretations that have been issued or amended but are not yet effective;
- Comply with *International financial reporting standards* ("IFRS") as issued by the International Accounting Standards Board ("IASB");
- Have been prepared for a for profit entity under the historical cost convention;
- Are presented in Australian dollars, which is the Group's functional and presentation currency;
- Have been rounded to the nearest thousand dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191;
- The Group has elected to present the statement of profit or loss and other comprehensive income using the function of expense method;
- These financial statements have been restated. Refer to Note 1.7.

1.3. Going concern

The financial statements of the Group have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

Carbon Revolution is an advanced technology manufacturing business which is in the process of industrialising and scaling up its production processes. At this pre-profitability stage of Carbon Revolution's business lifecycle, it is essential that it has sufficient funding to meet its working capital requirements, as well as to fund the Group's ongoing research and development of its products, material and process technologies, and investment in the expansion of its production facility (Mega-Line) required to achieve profitability and positive cash generation.

For the year ended 30 June 2022, the Group incurred an operating loss after tax of $47.8 million (2021: $36.0 million) and had negative cash flows from operating activities of $46.0 million (2021: $19.0 million), with a net current asset position of $30.4 million (2021: $91.4 million) and a cash and cash equivalent balance of $22.7 million as of 30 June 2022 (2021: $87.3 million).

Subsequent to 30 June 2022 the Group continues to be loss making and has negative cash flows from operating activities. As at 31 January 2023 cash and cash equivalents amounted to $8.9 million. In December 2022, the Group received $9 million from the Australian federal government under the Modern Manufacturing Initiative ("MMI") grant.

Although the Group has forecast breaches to its gearing and debt service coverage covenants under its existing debt facility within the next 12 month period, this existing debt facility is planned to be repaid when the Proposed New Debt Facility, discussed below, is obtained prior to the date of the forecast breaches.

The Group has prepared a detailed cash flow projection for the 12 month period from the date the financial statements are issued ("Cash Flow Projection"). Based on projected costs related to the Transaction (as defined in note 6.10), revenue and operating costs, research and development costs, working capital needs, and capital expenditure plans, the Group must successfully raise debt and/or equity of approximately $100 million (including approximately $28 million of costs payable in connection with the completion of the Transaction) to allow the Group to continue as a going concern over the next 12 month period.

As of the date of issuance of the financial statements, the Group is pursuing the following funding initiatives:

Bridge Funding – The Group anticipates securing $10.8 million of net cash inflows from early payment and bailment arrangements from certain of its customers for the period from March 2023 through May 2023. The Group also anticipates securing short term convertible debt funding of $2 million with the funds expected to be received in March 2023, which would be expected to be repaid by the Group post-closing of the Transaction.

There are risks associated with the Bridge Funding including but not limited to:

- The Group may not be able to successfully reach agreements with its customers to obtain early payments or bailment arrangements and therefore not be able to successfully raise the amount included in the Group's Cash Flow Projection;
- There may be delays in obtaining early customer payments thereby necessitating additional bridge funding to be obtained by the Group;
- The Group may not be able to meet all of the conditions precedent to reach a binding agreement for the short term convertible debt funding; and
- There may be a delay in the closing date of the short term convertible debt funding thereby necessitating additional bridge funding to be obtained by the Group.

Proposed New Debt Facility – The Group is seeking to secure debt funding which will ensure that the Group remains funded through to the anticipated completion of the Transaction and beyond.

As of the date of issuance of the financial statements, the Group has engaged specialist third party advisers to provide advisory services and assist in the accumulation, organisation and/or preparation of information and documentation related to the analysis and valuation of the Group's business operations and intellectual property for submission to insurance providers and credit institutions with a view to securing insured debt financing with the Group's assets including intellectual property as collateral. Through this process the Group has to date received non-binding and conditional general terms for a proposed new debt facility ("Proposed New Debt Facility") from these specialist third party advisers. The Group and its specialist third party advisers are now facilitating due diligence and a valuation of the Group's business operations and intellectual property. Following these steps the Group and its specialist third party advisers will prepare associated legal documentation and identify lenders to provide financing under the Proposed New Debt Facility. Under the proposed conditional and non-binding terms received to date for the Proposed New Debt Facility, approximately $72 million (US$51 million) of net cash (net of prepaid interest, fees and discounts) is projected to be received by the Group with a target closing date of April 2023.

There are risks associated with the Proposed New Debt Facility including but not limited to:

- The Group and its specialist third party advisers may not be able to identify lenders to provide the financing under the Proposed New Debt Facility;
- The valuation of the Group's intellectual property may be less than what has been initially indicated by the Group's specialist third party advisers, thereby not being able to secure the full amount of $72 million (US$51 million) as included in the Group's Cash Flow Projection;
- In order to secure the funding to be facilitated under the Proposed New Debt Facility, the Group needs to secure debt collateral insurance (which may or may not be forthcoming), the cost of which is likely to be significant, which may mean the Group is not able to secure the full amount of $72 million (US$51 million) as included in the Group's Cash Flow Projection;
- Given the circumstances of the Group, the Group is likely to have to agree to significantly higher rates of interest, costs, fees and other forms of consideration than would customarily be payable under traditional finance arrangements, to secure the Proposed New Debt Facility. Further, these costs may be higher than currently projected and the Group may not be able to secure the full amount of US$51 million as included in the Group's Cash Flow Projection;
- The Group may not be able to meet all of the conditions precedent to draw down under the Proposed New Debt Facility once it is entered into; and
- There may be a delay in the expected draw-down date of the Proposed New Debt Facility thereby necessitating additional bridge funding to be obtained by the Group.

New Equity - The Group's Cash Flow Projection includes the Group raising funds net of transaction costs of approximately $29 million in connection with the Transaction and the partial use of the Group's US$60 million ($86 million) Committed Equity Facility ("CEF"). The $29 million projected net cash inflows comprises $14 million (US$10 million) cash remaining in the SPAC's Trust Account upon completion of the Transaction and $43 million (US$30 million) drawdowns from the CEF, offset by approximately $28 million of costs payable in connection with the completion of the Transaction.

There are risks associated with the new equity raising activities including but not limited to:

- The Transaction may not close;
- The CEF will not be available until the completion of the Transaction and the filing and effectiveness of a new registration statement with the U.S. Securities and Exchange Commission relating thereto;
- There may be a delay in the completion of the Transaction or anticipated availability of the CEF, thereby necessitating additional bridge funding to be obtained by the Group;
- The Group's advisers that will be assisting in raising capital through the CEF may be unable to dispose of the shares of MergeCo (as defined in note 6.10) on an ongoing basis. As the terms of the CEF will not require

the advisers to purchase additional shares under the CEF beyond an overall ownership of 9.99%, or US$10 million ($14 million) per week, whichever is lower, the Group may not have full access to the US$30 million ($43 million) CEF capital (of the total US$60 million permitted to be drawn under the CEF) included in the Group's Cash Flow Projection; and
- There may be less than $14 million cash remaining in the SPAC Trust Account upon completion of the Transaction.

The abovementioned three funding initiatives remain in progress.

As of the date of issuance of the financial statements, the Group has secured the following cash flow and liquidity improvement initiatives to provide bridge funding through to the completion of the Proposed New Debt Facility and New Equity raising activities:

- The Group has secured arrangements with certain customers for amounts receivable for tooling to be prepaid in advance of due dates, with a net positive cash inflow of $1.1 million through to May 2023;
- The Group reached agreement with certain suppliers to defer total payments of $9.7 million for amounts that have been invoiced, and for amounts that are projected to be payable by the Group during the period from February to April 2023 based on the Group's Cash Flow Projection. Under the terms of these agreements, the new payment date ranges are from late April to late May 2023; and
- The Group received certain consents and waivers from its existing lender, including reducing its minimum month end cash balance requirement to $3.5 million for February to April 2023.

The Cash Flow Projection demonstrates that the Group will have sufficient funds to meet its commitments over the next twelve months based on the successful implementation of the above funding, cash flow and liquidity improvement initiatives. The directors consider they have reasonable grounds to believe that they will be successful in obtaining sufficient funding through measures such as the Bridge Funding, Proposed New Debt Facility and New Equity. For these reasons the financial statements have been prepared on the basis that the Group is a going concern.

Should sufficient funding not be secured through the Bridge Funding, Proposed New Debt Facility and New Equity raising activities, or should there be a delay in the timing of securing funds through these funding initiatives, this would have adverse implications for the Group and its shareholders. In these scenarios, the Group will need to seek other options, including delaying or reducing operating and capital expenditure, the possibility of an alternative transaction or fundraising, and in the event that none of these are available, voluntary administration.

Based on the factors above, a material uncertainty exists which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

1.4. Basis of consolidation

The consolidated financial statements are presented in Australian dollars which is also the functional currency of the parent entity and its Australian subsidiaries.

Controlled entities

The consolidated financial statements comprise the financial statements of the parent and of its subsidiaries as at reporting date. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Any changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

Foreign currency translation

The Group has one overseas subsidiary in the United States of America ("US") and one in the United Kingdom ("UK"). The UK subsidiary was dormant during the financial year.

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;

- income and expenses are translated at average exchange rates throughout the course of the year (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, a separate component of equity.

1.5. Significant accounting judgements, estimates and assumptions

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are outlined in detail within the specific note to which they relate.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidation financial statements are included in the following notes.

Note 3.2 Inventories

Note 3.5 Intangible assets

Note 3.3 Property, plant and equipment

Note 5.5 Income tax

1.6. Goods and Services Tax ("GST")

Goods and Services Tax ("GST") is recognised in these financial statements as follows:

1. Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority;
2. Receivables and payables are stated inclusive of the amount of GST receivable or payable;
3. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet;
4. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities are presented as operating cash flows; and
5. Commitments are disclosed net of GST.

1.7 Restatement to the annual report

Subsequent to the issuance of the Group's 2022 Australian statutory financial statements and during the process of preparing these Group IFRS financial statements for the purpose of inclusion in the U.S. Securities and Exchange Commission Form F-4 registration statement under the Securities Act of 1933, the Group:

- Re-evaluated the costs capitalised as development costs included in intangible assets;
- Reassessed the classification of supplier finance arrangements previously classified as part of payables to borrowings (current).

As a result, management has identified the following material adjustments to the previously issued Australian statutory financial statements:

- Based on a re-evaluation of costs capitalised as development costs included in intangible assets, under AASB 138, *Intangible Assets*, the Group determined that certain development costs did not meet all of the recognition criteria set forth under AASB 138 most particularly with respect to the extent of record-keeping and supporting documentation. Based on this analysis, the Group identified the following adjustments to the Australian statutory financial statements:
    - For the years ended 30 June 2022 and 2021, research and development expenses, net of adjustments to amortisation expenses, were understated by $4.9 million and $4.0 million, respectively;
    - As of 30 June 2022, 2021, and July 1, 2020, intangible assets, net of amortisation were overstated by $20.5 million, $15,6 million, and $11.6 million, respectively, with a corresponding understatement of accumulated losses as of those dates;
    - For the years ended 30 June 2022 and 2021, cash flows used in operating activities increased by $11.3 million and $7.3 million, respectively, with a corresponding decrease in cash used in investing activities.

- The Group's supply chain finance arrangement has the characteristics of cash flows relating to both operating and financing activities. Under Australian Accounting Standards, there is no explicit guidance as to when to classify supply chain finance arrangements as operating or financing activities. The assessment involves judgment and careful consideration of all relevant facts and circumstances of the arrangement. Previously, the Group classified its supply chain finance arrangement as payables. Upon reassessing the facts and circumstances, the Group concluded that the supply chain finance arrangement is more akin to a finance arrangement due to the fact that the Group pays an administration charge which it normally does not to suppliers. Therefore, the Group reclassified the arrangement from payables to current borrowings. Based on this analysis of the supply chain financing arrangement, the Group identified the following adjustments to the financial statements:
    - As of 30 June 2022, and 2021, the Group decreased payables and increased current borrowings by $5.0 million and $2.4 million, respectively;
    - For the years ended 30 June 2022 and 2021, cash flows used in operating activities increased by $2.6 million and $2.4 million, respectively, with a corresponding increase in cash provided by financing activities;
    - For the years ended 30 June 2022 and 2021, there was a reclassification of $213 thousand and $60 thousand, respectively, from administrative expenses to finance costs.

The adjustments discussed above, which have no effect on net cash flows, are presented as "Restatement Adjustment" in the tables included below.

The Group has also re-evaluated its disclosures relating to revenue and determined that for two of its customers, revenue should be recognised over time, rather than at a point in time. This re-evaluation does not result in any adjustments to the financial statements, however there is a reclassification in Note 2.1 for goods transferred over time, from goods transferred at a point in time, of $22.5 million and $22.6 million, for the years ended 30 June 2022 and 2021, respectively.

Further to the above adjustments, the Statement of Financial Position as of 30 June 2022 has been restated to reclassify contract assets of $5.9 million from receivables and contract liabilities of $0.8 million from deferred income as of 30 June 2022.
The following tables reflect the impact of the adjustments and reclassifications to the specific financial statement line items presented in the Group's previously reported financial statements.

The restated Consolidated Statements of Financial Position for the historical periods presented are as follows:

Notes to the financial statements

For the Year Ended 30 June 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	Restatement adjustment - Revenue from contracts with customers	As restated	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	As restated	As previously reported	Restatement adjustment - Intangible Assets	As restated
	30-Jun-22	30-Jun-22	30-Jun-22	30-Jun-22	30-Jun-22	30-Jun-21	30-Jun-21	30-Jun-21	30-Jun-21	30-Jun-20	30-Jun-20	30-Jun-20
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Receivables	20,392	-	-	(5,909)	14,483	12,152	-	-	12,152	7,880	-	7,880
Contract asset	-	-	-	5,909	5,909	-	-	-	-	-	-	-
Total current assets	**64,836**	**-**	**-**	**-**	**64,836**	**118,642**	**-**	**-**	**118,642**	**70,378**	**-**	**70,378**
Intangible assets	34,860	(20,496)	-	-	14,364	25,339	(15,590)	-	9,749	17,947	(11,583)	6,364
Total non-current assets	**100,040**	**(20,496)**	**-**	**-**	**79,544**	**80,641**	**(15,590)**	**-**	**65,051**	**71,273**	**(11,583)**	**59,690**
Total assets	**164,876**	**(20,496)**	**-**	**-**	**144,380**	**199,283**	**(15,590)**	**-**	**183,693**	**141,651**	**(11,583)**	**130,068**
Payables	14,456	-	(4,954)	-	9,502	12,117	-	(2,375)	9,742	16,962	-	16,962
Borrowings	13,732	-	4,954	-	18,686	9,858	-	2,375	12,233	18,674	-	18,674
Contract liability	-	-	-	458	458	-	-	-	-	-	-	-
Deferred income	1,486	-	-	(458)	1,028	1,060	-	-	1,060	798	-	798
Total current liabilities	**34,414**	**-**	**-**	**-**	**34,414**	**27,232**	**-**	**-**	**27,232**	**40,266**	**-**	**40,266**
Contract liability	-	-	-	323	323	-	-	-	-	-	-	-
Deferred income	5,534	-	-	(323)	5,211	4,782	-	-	4,782	3,416	-	3,416
Total non-current liabilities	**18,041**	**-**	**-**	**-**	**18,041**	**19,735**	**-**	**-**	**19,735**	**12,475**	**-**	**12,475**
Total liabilities	**52,455**	**-**	**-**	**-**	**52,455**	**46,967**	**-**	**-**	**46,967**	**52,741**	**-**	**52,741**
Net (liabilities) / assets	**112,421**	**(20,496)**	**-**	**-**	**91,925**	**152,316**	**(15,590)**	**-**	**136,726**	**88,910**	**(11,583)**	**77,327**
Accumulated losses	(278,148)	(20,496)	-	-	(298,644)	(235,233)	(15,590)	-	(250,823)	(203,240)	(11,583)	(214,823)
Total (deficiency in equity) / equity	**112,421**	**(20,496)**	**-**	**-**	**91,925**	**152,316**	**(15,590)**	**-**	**136,726**	**88,910**	**(11,583)**	**77,327**

The restated Consolidated Statement of Comprehensive Income for the historical periods presented are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	Restatement adjustment - Revenue from contracts with customers	As restated	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	As restated
	2022	2022	2022	2022	2022	2021	2021	2021	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Research and development	(12,027)	(4,906)	-	-	(16,933)	(6,506)	(4,007)	-	(10,513)
Administrative expenses	(13,359)	-	213	-	(13,146)	(15,750)	-	60	(15,690)
Finance costs	(1,177)	-	(213)	-	(1,390)	(1,644)	-	(60)	(1,704)
Loss before income tax expense	**(42,915)**	**(4,906)**	**-**	**-**	**(47,821)**	**(31,993)**	**(4,007)**	**-**	**(36,000)**
Income tax expense	-	-	-		-	-	-	-	-
Loss for the year after income tax	**(42,915)**	**(4,906)**	**-**	**-**	**(47,821)**	**(31,993)**	**(4,007)**	**-**	**(36,000)**
Total comprehensive loss for the year, net of tax	**(43,062)**	**(4,906)**	**-**	**-**	**(47,968)**	**(31,843)**	**(4,007)**	**-**	**(35,850)**
Earnings per share	**(0.21)**	**(0.02)**	**-**	**-**	**(0.23)**	**(0.20)**	**(0.03)**	**-**	**(0.23)**

The restated Consolidated Statement of Cash Flows for the historical periods presented are as follows:

CONSOLIDATED STATEMENT OF CASH FLOWS

	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	Restatement adjustment - Revenue from contracts with customers	As restated	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	As restated
	2022	2022	2022	2022	2022	2021	2021	2021	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash flow from operating activities									
Payments to suppliers and employees	(67,239)	(11,332)	(2,434)	-	(81,005)	(49,896)	(7,288)	(2,349)	(59,533)
Finance costs	(2,329)	-	(146)	-	(2,475)	(1,615)		(26)	(1,641)
Net cash used in operating activities	**(32,064)**	**(11,332)**	**(2,580)**	-	**(45,976)**	**(9,318)**	**(7,288)**	**(2,375)**	**(18,981)**
Cash flow from investing activities									
Payment for intangible assets	(17,339)	11,332	-	-	(6,007)	(11,278)	7,288	-	(3,990)
Net cash (used in) / provided by investing activities	**(32,973)**	**11,332**	-	-	**(21,641)**	**(23,849)**	**7,288**	-	**(16,561)**
Cash flow from financing activities									
Proceeds from third party borrowings	23,768	-	9,889	-	33,657	13,000	-	12,774	25,774
Repayment of third party borrowings	(22,061)	-	(7,309)	-	(29,370)	(2,316)	-	(10,399)	(12,715)
Net cash provided by / (used in) financing activities	**689**	-	**2,580**	-	**3,269**	**86,571**	-	**2,375**	**88,946**
Net increase / (decrease) in cash held	(64,348)	-	-	-	(64,348)	53,404	-	-	53,404
Cash at end of financial year	**22,693**	-	-	-	**22,693**	**87,257**	-	-	**87,257**

2 Operating performance

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers, regardless of when the payment is received. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing discretion, and is also exposed to inventory and credit risks.

2.1 Revenue from contracts with customers

In addition to the comments in Note 2.2.1 the disclosure requirements arising from AASB 15, *Revenue from Contracts with Customers*, are grouped together in this note.

Disaggregation of revenue

	2022 $'000	**2021 $'000**
External revenue by product line		
Sale of wheels	38,276	32,205
Engineering services	464	2,732
Sale of tooling	1,596	-
Total revenue	**40,336**	**34,937**

	(Restated)	**(Restated)**
External revenue by timing of revenue		
Goods transferred at a point in time	15,730	9,606
Goods transferred over time	22,546	22,599
Services transferred at a point in time	1,277	1,422
Services transferred over time	783	1,310
Total revenue	**40,336**	**34,937**

	2022 $'000 (Restated)	**2021 $'000 (Restated)**
Contract asset	**5,909**	**-**

	2022 $'000 (Restated)	**2021 $'000 (Restated)**
Contract liability – current	458	-
Contract liability – non current	323	-
Total contract liability	**781**	**-**

2.2 Other income

	2022 $'000	2021 $'000
Government grants	3,506	3,504
JobKeeper	-	6,835
Interest income	94	84
Foreign exchange gain	448	-
Other income	272	83
Total other income	**4,320**	**10,506**

2.2.1 Information about revenue and other income

In accordance with AASB 15, *Revenue from Contracts with Customers*, Carbon Revolution recognises as revenue from contracts with customers the amount that is received as consideration for the transfer of goods or services to customers. The relevant point in time or period of time is the transfer of control of the goods or services to the customer (control approach).

To determine when to recognise revenue and at what amount, the five-step model is applied. By applying the five-step model to contracts with customers, distinct performance obligations are identified. The transaction price is determined – and allocated to the performance obligations – according to the requirements of AASB 15. Variable consideration in contracts with customers, such as rebates, bonus agreements or other kinds of price concessions, is analysed, measured and included in the revenue recognition. The allocation of the transaction price in the case of more than one performance obligation at hand would be performed by using observable prices if possible. Otherwise, the allocation would be performed using the adjusted market assessment approach or the approach of cost plus a margin. For every performance obligation that, in accordance with AASB 15, is distinct within the context of the contract, the revenue recognition is determined to be at a point in time or to be satisfied over time.

Sale of wheels and tooling

Revenue from the sale of Carbon Revolution wheels and tooling is based on the contracted sales price. No discounts on the invoice amounts are granted to the customer and the customers do not usually make any significant advance payments. All sales relate to customer-specific products and revenue is recognised over time when there is an enforceable right to payment. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. Payment terms for both revenue recognised over time and at a point in time depend on the individual customer and are on average between 60 and 100 days.

Sales are recognised when control is transferred. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The output-based measurement method is used for revenue recognised over time based on products ready to be picked up by the customer or where applicable a practical expedient is used based on the date of invoice.

Under the Group's standard contract terms, end customers have a right to claim for faulty wheels within a specified warranty period. While a warranty provision is recorded at the time of the product sale based on an assessment of possible future claims, historically, Carbon Revolution has not experienced warranty claims.

Rendering of services

Revenue from a contract to provide engineering, design and testing services is recognised over time based on the stage of completion of the contract. The Directors have assessed that the stage of completion determined as the proportion of the milestones achieved under the customer contract is an appropriate measure of progress towards complete satisfaction of these performance obligations under AASB 15.

In certain circumstances where a contract to provide engineering, design and testing services is only fulfilled with the delivery of certain prototypes, the revenue is recognised at a point in time. The recognition occurs when Carbon Revolution transfers the prototype wheels to the buyer and with it the significant risks and rewards of ownership, in accordance with the relevant customer contracted commercial terms.

Contract assets and contract liabilities

Contract assets arise from customer-specific goods and services where performance obligations are delivered in advance of invoicing for revenue recognised over time. Contract assets are reduced when the customer is invoiced.

Contract liabilities include advance payments by customers for deliveries of goods and for services to be performed. In the case of these advance payments by customers for deliveries of goods and for services to be performed, for which contract liabilities are recognised, the customer has already paid the consideration – or part of the consideration – but the Group has not yet satisfied its performance obligation, or has done so only to a limited extent. The provision of the corresponding services to the customers by the Group in these cases reduces the level of the associated contract liabilities

Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Government grants

Government grants income includes government grants and amounts received or receivable by the Group. Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

JobKeeper

The Federal Government's JobKeeper scheme effectively provided a wage subsidy to the Group, which was materially impacted by COVID-19. The JobKeeper scheme ended on 28 March 2021. The group was acting as principal and the JobKeeper payments represent a government grant, which is recognised under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance.* This grant is recognised as a receivable when there is reasonable assurance that the entity will comply with the conditions attached to the grant and the grant will be received. The grant is recognised in profit or loss in the period in which the entity recognises the related costs as expenses. The grant is disclosed in other income in the profit and loss and within the cashflow in government grants.

2.3 Segments

The Group operates in one business segment, being the manufacture and sale of carbon fibre wheels. This single segment is based on the internal reports that are reviewed and used by the Chief Executive Officer, who is also the Chief Operating Decision Maker ("CODM"), in assessing performance and determining allocation of resources. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. While revenue is almost entirely international, all non-current assets are domestic.

Included in revenues, are revenues of approximately $39.3 million (2021: $32.6 million) which arose from sales to the Group's three major international customers, representing more than 90% of the Group's revenue. No other single customers contributed 10 per cent or more to the Group's revenue in either 2021 or 2022.

Revenue and non-current assets by geography comprise:

	2022 $'000	2021 $'000
Revenue		
International	40,336	34,937
Domestic	-	-
	40,336	34,937
	(Restated)	**(Restated)**
Non-current assets		
International	-	-
Domestic	79,544	65,051
	79,544	65,051

2.4 Expenses

Finance costs	2022 $'000 (Restated)	2021 $'000 (Restated)
Interest on Ronal AG loan	-	668
Facility costs	-	435
Interest on third party loans	552	400
Interest on lease liabilities	301	50
Supplier arrangement costs	213	60
Interest other	324	91
	1,390	**1,704**

Salaries and employee benefit expense

Wages and salaries	33,370	26,034
Post-employment benefits (defined contribution plans)	2,838	2,259
Share-based payments expense	3,167	5,723
	39,375	**34,016**

Depreciation and amortisation

	(Restated)	(Restated)
Property, plant and equipment	6,919	6,391
Right of use assets	656	687
Capitalised development costs	1,307	520
Patents and trademarks	84	85
	8,966	**7,683**

Research and development expense

	(Restated)	(Restated)
Research and development	16,933	10,513

2.4.1 Information about expenses

Finance costs

Finance costs are expensed in the period in which they occur.

Share based payments

The Group operates several employee incentive schemes to remunerate employees, including senior executives, in the form of share-based payments. Refer to note 4.5 for information on share-based payments.

Depreciation

Property, plant and equipment, including leasehold improvements, are depreciated over their estimated useful lives, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the lesser of the assets estimated useful life and the expected term of the lease.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option or if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life.

Depreciation is mainly included in cost of goods sold with minority of costs in research and development expense as it is directly attributable to the cost of producing wheels and developing new carbon fibre wheel core technologies and structures.

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For the Year Ended 30 June 2022

The depreciation periods and method for each class of assets are:

Class of fixed asset	Depreciation period	Depreciation method
Leasehold improvements	Shorter of 20 years or the remaining term of the lease	Straight line
Manufacturing plant and equipment	2 to 10 years	Diminishing value
Tooling	3 to 10 years	Diminishing value
Other equipment	3 to 5 years	Diminishing value

Research and development expenses

Research and development expenses primarily consist of

(i) purchases of supplies and materials used in our research and development projects,
(ii) salaries, bonuses and related expenses for personnel engaged in research and development,
(iii) consumption of low-value consumables used in our research and development projects,
(iv) depreciation of property, plant and equipment used in connection with our research and development efforts, and
(v) amortisation of capitalised development costs.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Refer to note 3.5 Intangible assets for further information in relation to capitalised development costs, patents and trademarks.

2.5 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2022 $'000 (Restated)	2021 $'000 (Restated)
The following reflects the income used in the basic and diluted earnings per share computations:		
a) Earnings used in calculating earnings per share		
Net loss attributable to ordinary equity holders of the parent	(47,821)	(36,000)
b) Weighted average number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	205,938	155,501
Effect of dilution		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	205,938	155,501
Loss per share (basic and diluted in cents)	**($0.23)**	**($0.23)**

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of the completion of this financial report.

Diluted earnings per share is calculated as net loss divided by the weighted average number of ordinary shares and dilutive potential ordinary shares. Options granted under Long Term Incentive ("LTIP"), Short Term Incentive ("STI"), Tax-exempt Employee Share Ownership ("TESP"), Employee Stock Ownership ("ESOP"), Salary Restructure Scheme ("SRS") and Non-Executive Director Fee

Sacrifice ("NED Plan") plans would generally be included in the calculation due to the conditions of issuance being satisfied. As the Group is in a loss position, the options are anti-dilutive and, accordingly, the basic loss per share is the same as the diluted loss per share.

A total number of 10,123,403 options/rights outstanding at 30 June 2022 (2021: 6,642,037) were anti-dilutive and were therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. As the Group is in a loss position, the options are anti-dilutive and, accordingly, the basic loss per share is the same as the diluted loss per share.

These options related to the following option plans:

	2022 No.	2021 No.
ESOP	4,996,896	4,996,896
LTIP	3,334,183	-
Total	**8,331,079**	**4,996,896**

Performance rights

	2022 No.	2021 No.
NED Plan	43,033	107,518
LTIP	718,345	718,345
STI	595,363	333,017
TESP	321,803	125,647
SRS	113,780	360,614
Total	**1,792,324**	**1,645,141**

3 Operating assets and liabilities

This section shows the assets used to generate the Group's revenue and the liabilities incurred. Assets and liabilities relating to the Group's financing activities are disclosed in note 4. Deferred tax assets and liabilities are disclosed in note 5.

3.1 Receivables

	2022 $'000	2021 $'000
Trade receivables		
Not past due	7,591	5,618
Past due 1 – 30 days	3,433	2,662
Past due 31 – 90 days	1,445	3,174
Past due 90 days and over	684	2
	13,153	**11,456**
Allowance for impairment losses	-	-
Trade receivables	**13,153**	**11,456**
Apprenticeship grant funding	479	-
Other receivables	236	277
GST recoverable	615	419
Trade and other receivables	**14,483**	**12,152**

3.1.1 Information about receivables

Trade and other receivables are measured at the transaction price in accordance with AASB 15.

The Group makes use of the simplified approach in the accounting for expected credit losses related to the trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses which are reviewed at each reporting period. Debts that are known to be uncollectible are written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

See note 4.3.2 regarding credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables. There is currently no provision for expected credit losses which has been determined by management in consideration of historically collected debt as well as expected collectability of customers as at 30 June 2022.

In reaching this view on expected credit losses and having regard to the current environment management has performed a review on an individual customer basis including monitoring customer performance and timing of payments. More than 90% of sales are from three major international Original Equipment Manufacturer ("OEM") customers, all are seen to not have any risk of credit loss on the basis of viability and transaction history.

3.2 Inventories

	2022 $'000	2021 $'000
Current		
Raw materials	7,646	6,095
Work in progress	9,688	14,882
Finished goods	4,318	3,361
Consumables and spare parts	3,276	2,820
Provision for impaired wheels	(4,764)	(8,979)
Inventories at the lower of cost and net realisable value	20,164	18,179

3.2.1 Information about inventories and significant estimates

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale ("NRV").

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – recorded at standard cost, reassessed against actual costs quarterly;
- Finished goods and work-in-progress – cost of direct materials, labour, outsourced processing costs and a proportion of manufacturing overheads based on normal operating capacity but excluding finance costs. Includes inventory in transit reflecting the relevant customer incoterm;
- Consumables and spare parts – recorded at purchase price. Consumables and spares are assessed for ongoing usefulness and written off if they are no longer likely to be of use.

Inventory provision for impaired wheels related to wheels that are work in progress that require additional rework.

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 30 June 2022 amounted to $57.0 million (2021 $46.9 million). These were included in cost of goods sold.

During the year $4.0 million (2021: $5.6 million) of obsolescence and scrap were recognised as an expense and included in cost of goods sold in the consolidated statement of comprehensive income.

Costs of Goods sold relating to wheels includes raw materials, consumables, associated freight, labour costs and depreciation and overheads costs directly attributable to the manufacture of products. Overhead costs include salaries and related personnel expenses as well as facility and operating costs. Where applicable shipping and handling costs are included in cost of goods sold. Separately calculated and allocated to costs of Goods sold are costs relating to warranty provision and production scrap. Warranty costs are estimated based on historical production failure rates and production costs, while scrap costs incurred in the normal production of the wheels are included in cost of goods sold.

Cost of Goods sold relating to engineering revenue includes labour costs, material and contractor costs.

Cost of Goods sold relating to tooling relates to third party expenses for tooling purchases.

Critical accounting estimates and judgement

Management's judgement is applied in determining the provision for impaired wheels.

Impaired wheel provisioning has been calculated using historical data as well as management experience in determining an adequate provision. Carbon Revolution uses a traceability system for all wheels which is used to identify and isolate wheels at risk of non-recoverability. Management judgement is applied to assign a probability of recovery to individual groups of wheels.

3.3 Property, plant and equipment

	Capital works in progress $'000	Leasehold improve-ments $'000	Manufacturing equipment $'000	Tooling $'000	Other equipment $'000	Total $'000
Gross cost	7,138	5,540	40,370	10,312	2,136	**65,496**
Less accumulated depreciation	-	(1,074)	(10,654)	(5,575)	(874)	**(18,177)**
At 30 June 2021	**7,138**	**4,466**	**29,716**	**4,737**	**1,262**	**47,319**
Gross cost	18,950	5,649	40,454	14,326	2,784	**82,163**
Less accumulated depreciation	-	(1,355)	(14,070)	(7,618)	(1,504)	**(24,547)**
At 30 June 2022	**18,950**	**4,294**	**26,384**	**6,708**	**1,280**	**57,616**
Movement in carrying amounts						
Balance at 30 June 2020	10,521	4,739	21,766	5,880	1,130	**44,036**
Additions	10,059	-	-	-	-	**10,059**
Transfer into/ (out of) capital WIP	(13,442)	63	11,920	945	514	**-**
Depreciation expense	-	(281)	(3,866)	(1,862)	(382)	**(6,391)**
Disposals/write-offs	-	(55)	(104)	(226)	-	**(388)**
Balance at 30 June 2021	**7,138**	**4,466**	**29,716**	**4,737**	**1,262**	**47,319**
Additions	17,496	-	-	-	-	**17,496**
Transfer into/ (out of) capital WIP	(5,684)	109	947	4,231	397	**-**
Depreciation expense	-	(281)	(4,089)	(2,173)	(376)	**(6,919)**
Disposals/write-offs	-	-	(190)	(87)	(3)	**(280)**
Balance at 30 June 2022	**18,950**	**4,294**	**26,384**	**6,708**	**1,280**	**57,616**

3.3.1 Information about how the Group accounts for property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period. Any depreciation and impairment losses of an asset are recognised in profit or loss.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss when the asset is derecognised.

Capital works in progress includes leasehold improvements, manufacturing equipment, tooling and other equipment that are under construction as at the reporting date.

The Group has capital commitments of $7.5 million for manufacturing equipment as at 30 June 2022 (2021: $2.7 million).

Critical accounting estimates and judgement

Management's judgement is applied in determining whether any impairment is required on the property, plant and equipment. The impairment testing is performed at a CGU level, being the Group itself, due to the unique nature of the business.

Refer to Note 3.5 for a detailed impairment assessment that was performed as of 30 June 2022.

3.4 Leases

Amounts recognised in the balance sheet

Right-of-use assets	2022 $'000	2021 $'000
Property	7,564	7,983
Lease liabilities		
Current	579	542
Non-current	7,461	7,813
	8,040	8,355

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Depreciation charge of right of use assets		
Equipment	-	48
Property	656	639
	656	**687**
Interest expense	301	50
Expense relating to short-term leases (included in costs of goods sold and administrative expenses)	**246**	**258**

3.4.1 Information about leases and significant estimates

The Group has one lease for the head office. The lease agreement does not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right of use assets

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any initial direct costs and restoration costs reduced by any lease incentives received. The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired. The impairment testing is performed at a CGU level, being the Group itself, due to the unique nature of the business.

Refer to Note 3.5 for a detailed impairment assessment that was performed as of 30 June 2022.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option or if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Refer to note 4.3.3 for maturity analysis relating to lease liabilities.

Expense relating to low value leases (included in administrative expenses) for year ending 30 June 2022 was $0.2m (2021: $0.2m).

3.5 Intangible assets

	Development costs $'000 (Restated)	Patents and trademarks $'000	Total $'000 (Restated)
Gross cost	9,830	1,268	11,098
Less accumulation amortisation	(940)	(409)	(1,349)
At 30 June 2021	**8,890**	**859**	**9,749**
Gross cost	15,750	1,354	17,104
Less accumulation amortisation	(2,247)	(493)	(2,740)
At 30 June 2022	**13,503**	**861**	**14,364**
Movement in carrying amounts			
Balance at 1 July 2020	5,538	826	6,364
Additions	3,872	118	3,990
Amortisation	(520)	(85)	(605)
Balance at 30 June 2021	**8,890**	**859**	**9,749**
Additions	5,920	86	6,006
Amortisation	(1,307)	(84)	(1,391)
Balance at 30 June 2022	**13,503**	**861**	**14,364**

3.5.1 Information about intangible assets and significant estimates

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The majority of the intangible assets relate to the development of new carbon fibre wheel core technologies and structures.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation commences once the intangible asset is ready for use, and is calculated using a straight-line method to allocate the cost of intangible assets over their estimated useful lives (5-year period). The useful life is determined as the period over which the assets' future economic benefits are expected to be consumed by the Group

An intangible asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period or more frequently if appropriate. Any amortisation or impairment losses is recognised in profit or loss. The Group has no intangible assets with an indefinite life.

The amortisation of the intangible assets is included within Research and Development in the statements of profit or loss and other comprehensive income given the future economic benefits embodied in the intangible assets are associated to the overall future growth of the Group while it is in its pre-profitability phase.

Capitalised development costs

Research costs are recognised as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if it meets the definition of an intangible asset as defined in AASB 138 *Intangible Assets*, and when the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;

- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- the ability to measure the expenditure attributable to the intangible asset during the development phase.

Patents and trademarks

The Group has paid to acquire patents and trademarks and these are recorded at cost. Patents are amortised over their useful life of 15 years.

Critical accounting estimates and judgements

Internal development expenditure is capitalised if it meets the recognition criteria of AASB 138 *Intangible Assets*. This is considered a key judgment. The group regularly assesses the probable future cashflows supporting the capitalisation of development costs in accordance with the standard. Where the recognition criteria under AASB 138 are not met, the expenditures are recognised as an expense in the consolidated statements of profit or loss and other comprehensive income.

The Group has no indefinite life assets and therefore performs an impairment test when impairment indicators are identified and for intangible assets not yet available for use. The impairment testing is performed at a CGU level, being the Group itself, as it is not possible to estimate the recoverable amount of the individual asset.

In the financial year ended 30 June 2022, the share price of the Group reduced significantly and was considered an indicator for impairment. The Group used a value-in-use (VIU) discounted cash flow model and calculated the recoverable amount of the CGU. Key estimates included in the future cash flow projections relate to revenue growth rates, operating costs and capital expenditure, in addition to the terminal growth rate and discount rates noted below. Given the Group is still in its growth phase post its Australian initial public offering in 2019, the Group is not yet able to produce wheels profitably. The Group is driving the industrialization of its production processes and constructing its first Mega-line. Developed with the latest Industry 4.0 technology, the Mega-line will deliver improvements in production scale and economics that will enable the Group to deliver large volume programs to a broader cross-section of the market. Considering the growth trajectory of the Group including the establishment of the Mega-line, a 6-year cash flow forecast was used with data sourced from internal budgets and long-term management forecasts. The cash flow model includes next year's budgeted results, with the remaining years based on growth projections with reference to key structural and market factors, utilizing past experience, external data and internal analysis. The key structural and market factors considered are in relation to the automotive new vehicle wheel market, the increase in carbon fibre wheel demand, the continued structural migration from alloy wheels to carbon wheels and GDP growth rates. Management also anticipates growth from market penetration, and continued evolution of products, and economies of scale achieved.

In addition, management has had due regard for the impacts of COVID-19 on the business, including the impact on the production efficiency from industrialization. Management is satisfied the recoverable amount of assets exceed the carrying amount with a headroom of $49.2m (Restated) and therefore no impairment charge has been recognised during the year.

The following key assumptions were used in testing for impairment:

- Post-tax discount rate: 11.5%

- Terminal value growth rate beyond 6 years: 3.0%

- Compound annual growth rate wheel volume: 25.6%

Sensitivity analysis

Included in the table below is a sensitivity analysis of the recoverable amount of the CGU and where applicable, the impairment charge considering reasonable change scenarios relating to key assumptions at 30 June 2022.

Each of the sensitivities below assumes that a specific assumption moves in isolation, while all other assumptions are held constant. A change in one assumption could be accompanied by a change in another assumption, which may increase or decrease the net impact.

	Post-tax discount rate	Terminal value growth rate	Annual reduction in wheel volume
	1%	(1%)	(5%)
Change in recoverable amount in $m	(23.5)	(16.7)	(33.8)
Impairment charge	-	-	-

3.6 Payables

	2022 $'000 (Restated)	2021 $'000 (Restated)
Current		
Unsecured liabilities		
Trade payables	5,128	4,368
Accruals	3,746	3,759
Interest accrued	118	1,101
Other payables	510	514
	9,502	9,742

3.6.1 Information about payables

Trade and other payables and accruals are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables are non-interest bearing and are settled based on the specific creditor's terms.

Payables includes interest payable on borrowings.

For further policy detail regarding the Group's liquidity risk management processes refer to note 4.3.3.

3.7 Deferred income

Deferred income relates to government grants.

Government grants have been received to assist with the purchase of certain items of plant and equipment as well as the cost of employment of new employees. None of the grants received in the past two years relate to grants linked solely for the purchase of specific plant and equipment. Grant receipts are therefore disclosed in the operating cash flow. The conditions attached to these grants will be fulfilled progressively over the period of the grant. For revenue recognition policy, refer to note 2.2.1.

Deferred income – government grants	2022 $'000	2021 $'000
Balance as at 1 July	5,842	4,214
Received during the year	3,202	3,839
Released to the statement of profit or loss	(2,805)	(2,211)
Balance as at 30 June	6,239	5,842
Current	1,028	1,060
Non-current	5,211	4,782
	6,239	5,842

3.8 Provisions

Notes to the financial statements

For the Year Ended 30 June 2022

	Employee benefits $'000	Make good provision $'000	Warranty claims $'000	Total $'000
Current	2,496	-	1,159	3,655
Non-current	393	218	-	611
At 30 June 2021	**2,889**	**218**	**1,159**	**4,266**
Current	2,666	-	1,495	4,161
Non-current	479	234	-	713
At 30 June 2022	**3,145**	**234**	**1,495**	**4,874**

	Make good provision $'000	Warranty claims $'000	Total $'000
Movement in carrying amounts			
Balance at 1 July 2020	**203**	**729**	**932**
Provided for/ (released) during the year	15	430	445
Balance at 30 June 2021	**218**	**1,159**	**1,377**
Provided for/(released) during the year	16	336	352
Balance at 30 June 2022	**234**	**1,495**	**1,729**

3.8.1 Information about individual provisions and significant estimates

Non-employee provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, for which it is probable that an outflow of economic benefits will result in an amount that can be reliably measured.

Make good provision

Carbon Revolution is required to restore its leased premises to their original condition at the end of the lease team. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

Warranty claims

Provisions for warranty-related costs are recognised when the wheel is sold to the customer based on management judgement and a growing body of historical experience. The estimate of warranty related costs is reassessed annually. Warranty claims made to date are immaterial.

Employee provisions

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required, and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Payments to superannuation funds are recognised as an expense when employees have rendered service entitling them to the contributions.

4 Capital structure and financing

This section outlines how the Group manages its capital structure, including its balance sheet liquidity and access to capital markets.

When managing capital, the Board's objective is to ensure the Group continues to maintain sufficient capital to enable it to pursue its commercial objectives. This is achieved through the monitoring of historical and forecast performance and cash flows.

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed in operating cash flows.

4.1.1 Notes to the consolidated statement of cash flow

For information on cash flows relating to financing activity see note 4.3 and 4.4

Reconciliation of profit for the period to cash flows from operating activities

	2022 $'000 (Restated)	2021 $'000 (Restated)
Loss after income tax	(47,821)	(36,000)
Non-cash items from ordinary activities		
Depreciation and amortisation	8,966	7,683
Share based payment expenses	3,167	5,723
Reduction of borrowings from achievement of grant milestones	-	(2,000)
Movement in inventory provision	(4,216)	4,563
Write off of property, plant and equipment	280	1,230
Financing activity in prior financial year	(422)	-
Changes in assets and liabilities		
(Increase)/decrease in assets:		
- Receivables	(8,240)	(4,272)
- Inventories	2,231	5,084
- Other assets	(533)	(243)
Increase/(decrease) in liabilities:		
- Payables	(1,174)	(5,270)
- Contract liabilities	781	-
- Deferred income	397	3,627
- Provisions	608	894
Cash used in operating activities	(45,976)	(18,981)

4.2 Borrowings and other financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

	Interest rate %	Maturity	2022 $'000	2021 $'000
Current borrowings				
Secured				
Working capital facility	7.44%	August 2022	6,843	5,525
Term loan	6.15%	December 2024	2,889	4,333
Letter of credit facility	6.45%	November 2022	4,000	-
			13,732	9,858
Unsecured				
Supplier finance arrangement	6.00%	August 2022	4,954	2,375
			18,686	12,233
Non-current borrowings				
Secured				
Term loan	6.15%	December 2024	4,333	6,529
			4,333	6,529

Financial liabilities measured subsequently at amortised cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Working capital facility

In 2021 the Group entered a working capital facility of $7.5m that provides the opportunity to factor receivables. As the credit risk remains with the Group, it continues to recognise the full carrying amount of the receivables and has recognised the cash received in short term borrowings. The facility has a variable interest rate based on underlying market rates. The interest rate as of 30 June 2022 was 7.44% (30 June 2021: 7.2%).

Term loan

In 2021 the Group entered a loan arrangement for $13.0m which was used to repay $13.0m Ronal loan facility in December 2020. In 2022 the Group reached an agreement to extend this loan until December 2024 reducing the amounts payable each quarter to $0.7m. The Group has repaid $5.8m of this debt as at 30 June 2022. The facility has a variable interest rate based on a fixed component and BBSY. The interest rate as of 30 June 2022 was 6.15% (30 June 2021: 6.0%).

Letter of credit facility

In 2022 the Group entered a revolving facility arrangement for $8.0m. As at 30 June 2022 the Group has drawn down $4.0m against this facility. Drawdown of the remaining $4.0m is conditional upon agreed milestones. The facility has a variable interest rate based on a fixed component and BBSY. The interest rate as of 30 June 2022 was 6.45%.

Supplier finance arrangement

In 2021 the Group entered into a supply chain finance agreement with a logistics company. Under the arrangement the logistic company agrees to pay amounts to the participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient ordering, importation, warehousing, invoice management and payment processing. The arrangement is only for a limited number of suppliers and specific materials. As the arrangement results in extended payment terms beyond the terms agreed with those suppliers the agreement is disclosed as a current borrowing. The facility has a fixed interest rate of 6%.

Finance costs

Finance costs can include interest expense, finance charges in respect of finance leases, amortisation of discounts or premiums and ancillary costs relating to finance.

Finance costs are expensed in the period in which they are incurred.

Refer to note 2.4 for more information

4.3 Financial risk management

The Group is exposed to foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks to ensure the most appropriate use of the capital the Group has available to achieve its commercial objectives.

4.3.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

38% of the Group's revenues and 18.5% of costs are denominated in currencies other than AUD. The Group does not currently have a sufficiently material exposure to any foreign currency for movements in the exchange rate to be considered a material financial risk. The primary currencies the Group has exposure to are US Dollars and Euros.

The Group's exposure to foreign currency risk in relation to non-derivative financial instruments at 30 June 2022 was as follows, based upon notional amounts

2022	EUR $'000 (Restated)	USD $'000 (Restated)
Trade receivables	5,650	-
Trade payables	(343)	(233)
Supplier finance arrangement	(3,253)	(13)
Balance sheet exposure	**2,054**	**(246)**

2021	EUR $'000 (Restated)	USD $'000 (Restated)
Trade receivables	1,489	42
Trade payables	(165)	(266)
Supplier finance arrangement	(24)	-
Balance sheet exposure	**1,300**	**(224)**

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	2022 $'000	2021 $'000
Net foreign exchange gain/(loss) included in other income/ administration expense	448	(234)

Sensitivity

As shown in the table above the Group is primarily exposed to changes in US/AUD and EUR/ AUD. The sensitivity of profit or loss to changes in the exchange rates arises mainly from EUR dollar denominated financial instruments and the impact on other components of equity arises from the foreign exchange reserve and is not material.

The below table discloses the impact of the AUD strengthened and weakened by 5%

+/- 5% exchange rate	**2022 $'000**	**2021 $'000**
Impact on profit after tax	90	54
Impact on equity	(90)	(54)

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not currently hedge its exposure to interest rate fluctuations due to the low level of exposure.

The exposure to fixed or floating interest rates is described below:

	Variable interest rate		**Fixed interest rate**		**Total**	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Financial assets						
Cash	22,301	86,865	-	-	22,301	86,865
Short term deposits	-	-	392	392	392	392
Total financial assets	22,301	86,865	392	392	22,693	87,257
Financial liabilities						
Working capital facility	6,843	5,525	-	-	6,843	5,525
Supplier finance arrangement	-	-	4,954	2,375	4,954	2,375
Letter of credit facility	4,000	-	-	-	4,000	-
Term loan	7,222	10,862	-	-	7,222	10,862
Total financial liabilities	18,065	16,387	4,954	2,375	23,019	18,762

Fixed interest rate on short term deposits is 0.15% (2021: 0.15%). Fixed interest rates on financial liabilities are disclosed in note 4.2

c) Price risk

The Group is not exposed to any significant price risk.

4.3.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Cash and cash equivalents

The Group held cash and cash equivalents of $22.7 million at 30 June 2022 (30 June 2021: $87.3 million). The credit risk associated with cash and cash equivalents is considered as minimal as the cash and cash equivalents are held with reputable financial institutions in Australia. Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. The Group holds $0.4 million (2021: $0.4 million) on deposit as collateral for lease and banking facility obligations.

Receivables

The Group held receivables of $20.4 million at 30 June 2022 ($12.2 million at 30 June 2021). The assessment of customer credit risk is straightforward as a result of the concentrated nature of receivables with only a few customers and a simplified approach has been taken. Depending on the customer, the Group's credit terms vary between 30 and 100 days. The Group uses a working capital facility as outlined in note 4.2. An impairment analysis is performed at each reporting date to account for the lifetime expected credit losses for all receivables. Outstanding customer receivables are regularly monitored and shipments to customers, to the extent that the Group retains ownership of the goods, are covered by insurance.

There is currently no allowance for expected credit losses as the Group has historically collected all customer debt amounts and expects to continue to do so for the customers contained within the balance at year end.

4.3.3 Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of operating cash flows and committed available credit facilities. The Group actively reviews its funding position to ensure the available facilities are adequate to meet its current and anticipated needs. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash and borrowing facilities are maintained, this includes an assessment of the impact of COVID on the business. Refer to 1.3 Going Concern for the Group's assessment of preparing these accounts on a going concern basis.

Maturity analysis

The table below represents the estimated and undiscounted contractual settlement terms for financial liabilities. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	On demand $'000 (Restated)	< 3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000 (Restated)
2022						
Working capital facility	-	6,843	-	-	-	6,843
Supplier finance arrangement	4,954	-	-	-	-	4,954
Letter of credit facility	-	-	4,000	-	-	4,000
Term loan	-	-	2,889	4,333	-	7,222
Lease Liabilities	-	95	483	2,541	4,921	8,040
	4,954	**6,938**	**7,372**	**6,874**	**4,921**	**31,059**
2021						
Working capital facility	-	3,860	1,665	-	-	5,525
Supplier finance arrangement	2,375	-	-	-	-	2,375
Term loan	-	-	4,333	6,529	-	10,862
Lease Liabilities	-	89	453	2,387	5,426	8,355
	2,375	**3,949**	**6,451**	**8,916**	**5,426**	**27,117**

4.3.4 Fair value risk

The fair value of financial assets and financial liabilities not measured at fair value approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements.

As at 30 June 2022 there were no assets or liabilities impacted by fair value risk (30 June 2021: Nil).

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For the Year Ended 30 June 2022

4.4 Contributed equity

	30 June 2022 # Ordinary shares	30 June 2021 # Ordinary shares	30 June 2022 $'000	30 June 2021 $'000
Ordinary shares – fully paid	206,326,138	205,421,449	383,822	381,890
Ordinary shares – restricted	527,889	377,642	-	-
Total share capital	206,854,027	205,799,091	383,822	381,890

Movements in ordinary share capital

2021	**Date**	**# Shares**	**Issue Price**	**$'000**
Balance	**1 July 2020**	**145,632,909**		**291,226**
Institutional entitlement offer	26 April 2021	45,932,235	$1.60	73,492
Retail entitlement offer	21 May 2021	13,471,671	$1.60	21,555
Shares issued under Employee Share Plan		384,634		1,138
Share issue transaction costs				(5,521)
Balance of fully paid shares	**30 June 2021**	**205,421,449**		**381,890**

2022	**Date**	**# Shares**	**Issue Price**	**$'000**
Balance	**1 July 2021**	**205,421,449**		**381,890**
Shares issued under Employee Share Plan		904,689		1,932
Balance of fully paid shares	**30 June 2022**	**206,326,138**		**383,822**

In 2021 the Group issued additional equity through an institutional and retail entitlement offer. 59.4 million shares were issued with equity proceeds of $95.0 million received (before transaction costs). Transaction costs of $5.5 million were incurred.

4.4.1 Information about contributed equity

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

During the financial year ended 30 June 2022, the Company did not pay a dividend (30 June 2021: $nil).

4.5 Share-based payment plan arrangements

The Group operates several employee incentive schemes to remunerate employees, including senior executives, in the form of share-based payments.

The cost of share-based payments is determined by the fair value of the equity instruments granted at the date when the grant is made using an appropriate valuation model. That cost is recognised in employee benefits expense together with a corresponding increase in equity over the period of service and, where applicable, when the performance conditions are fulfilled (the vesting period).

The cumulative expense recognised for share-based payments at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of the equity instruments, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to a share-based payment, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an instrument and lead to an immediate expensing of the instrument unless there are also service and/or performance conditions.

No expense is recognised for instruments that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Tax-exempt employee share ownership plan

The tax-exempt employee share ownership plan ("TESP") was introduced in June 2018 and enables eligible employees to acquire shares in the company and take advantage of certain income tax concessions available. Eligible employees will be annually invited to apply for shares up to a value of $1,000. The shares will be held in trust for the employee and may be sold by the employee at any time after the last to occur of either:

a) Elapse of three years from the date of grant; or
b) Listing of the Company's shares on the ASX or earlier release of exercise restrictions by the board.

The employee participant is entitled to receive any dividends or other income associated with the shares held in trust but is not entitled to participate in any dividend reinvestment plan operated by the company. For the purpose of the earnings per share calculation these shares are included in basic earnings per share either when the employee terminates or at the end of the 3 years.

The fair value of shares granted under the TESP is determined based on the market price of the shares at grant date.

	2022	2021
Grant date	Dec 2021	Dec 2020
Number of employees granted shares	266	287
Value of shares granted per employee (on FTE and length of service pro-rata basis)	$279-$1000	$300-$1,000
Total number of shares	255,281	87,378
Fair value at grant date	$1.01	$2.74

Short term incentive plan

The employee short term incentive ("STI") plan was approved in November 2021. Under the STI plan, senior executives and other employees, as determined by the board, will defer a portion of their short-term incentive payment in the form of rights. In 2022 the board determined that all participants would have 100% of their STI outcome delivered in the form of rights in lieu of a cash payment.

Each right is equivalent to one share and is settled only in shares with no cash alternative. The fair value of each right is determined based on the market price of the share at grant date. Rights have a one-year service period.

Rights do not carry dividend or voting rights prior to vesting. Shares allocated on vesting of rights carry the same dividend and voting rights as other shares.

162,833 rights were granted on the 29th November 2021 valued at $192,833, (2021: 122,315 rights valued at $228,099). These rights will vest 12 months from the date of granting. No rights were forfeited, exercised or expired during the year.

530,526 rights were granted on 29th November 2021 valued at $648,771, (2021: 346,300 rights valued at $955,947). These rights automatically vest on granting. Of these rights 220,569 were exercised during the year and no shares were forfeited or expired.

Employee stock ownership plan

The employee stock ownership plan (ESOP) was used to deliver a one-off equity award to a number of senior executives and other employees, including the CEO, to reward their efforts in the Company achieving listing, to align their interests with the shareholders from listing and for retention purposes. Participation was at the discretion of the Board and options are subject to vesting conditions determined by the Board.

The exercise price of the options is equal to the market price of the underlying shares at IPO. The Board retains a discretion to make a cash payment to participants on vesting and exercise of the options in lieu of an allocation of shares.

5,093,678 options were granted to members of the executive team and a small number of other employees on 23 December 2019 under the one-off ESOP award on listing.

In September 2019, an independent valuation was undertaken of these options using a modified form of the Black-Scholes option pricing model which assumed a 12.5% departure rate, expected share price volatility of 40%, a 50% probability of no dividends through the 5-year option term and a 5% discount for marketability annual share price.

The terms of the options are:

- Issue date 23 December 2019

- Exercise price $2.60 (IPO price)
- Vesting date – 23 December 2022
- Term of 5 years (exercise window from 23 December 2022 to 23 December 2024)

The options were valued at $3,241,000. This cost is being amortised over the three-year vesting period. 96,780 options were forfeited during the year.

FY21 LTI Award

The FY21 LTI Award was to deliver a one-off equity award to a number of senior executives. These performance rights entitle the participant to acquire shares at nil cost on vesting, subject to the meeting of the vesting conditions.

778,050 performance rights were granted on 12th November 2020. The performance period commenced on 21 September 2020 and ends on 20 September 2023

The performance rights were valued at $1,507,894. The cost is being amortised over the three-year vesting period.

NED fee sacrifice

The Non-executive director fee sacrifice plan was added in FY2021 as a way to promote further employee ownership. The offer to the NEDs was made on 11 September 2020 and the rights were granted on 12th November 2020. These rights vested on 26th February 2021 and were issued on the same date.

107,518 rights were issued under this scheme in FY2021.

Salary restructure scheme

The Salary restructure scheme was added in FY2021. The offer to the eligible employees was made on 29 September 2020 and the rights were granted on 29th October 2020 for all employees excluding the CEO which was made on 12th November 2020 following annual general meeting (AGM). The offer was valid in relation to an employee's salary between the 12th October and the 20th June 2021 and includes an offer of matched rights to the maximum value of $2,500 per employee.

In total 80 employees took up the offer to restructure their salary and a total number of 351,569 rights were granted under the scheme. Base rights vested on a pro-rata basis over the period in equal monthly instalments on the last day of each month (such that base rights were fully vested by 30 June 2021. The matched rights vested in full on 30 June 2021.

Vested rights may be exercised by the employee with the exercise period commencing when the rights vest and ending on the expiry date. The expiry date is the 10-year anniversary of the grant date.

FY22 LTI Award

The FY22 LTI Award was to deliver a one-off equity award to a number of senior executives and selected senior employees. These performance options entitle the participant to acquire shares at an exercise price of $1.60 on vesting, subject to the meeting of the vesting conditions.

6,668,360 performance options were granted on 20th December 2021. The performance period commenced on 21 September 2021 and ends on 20 September 2024.

Terms of the options are:

- Issue date 20 December 2021
- Exercise price $1.60
- Vesting date – 28 October 2024
- Term of 5 years (exercise window from 28 October 2024 to 28 October 2026)

The performance rights were valued at $416,772. The cost is being amortised over the three-year vesting period.

4.6 Reserves

	2022 $'000	2021 $'000
Share-based payments	7,214	5,979
Share buyback	(311)	(311)
Foreign currency translation	(156)	(9)
	6,747	**5,659**

4.6.1 Information about reserves

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Share buy-back reserve

The share buy-back reserve relates to shares brought back from former owners of the business.

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currency to Australian dollars are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

5 Taxes

Current income tax expense or benefit for the current and prior periods is measured at the amount expected to be recovered from or paid to the tax authorities. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax liabilities have been recognised and offset against deferred tax assets up to the extent of the total value of the deferred tax liability as referred to in note 5.3.

5.1 Income tax expense

The major components of income tax expense are:

	2022 $'000	2021 $'000
Consolidated statements of profit or loss		
Current income tax charge/benefit	-	-
Adjustment for current tax relating to prior periods	-	-
Deferred income tax relating to the origination and reversal of temporary differences	-	-
	-	-

	2022 $'000 (Restated)	2021 $'000 (Restated)
The prima facie tax benefit on loss before tax differs from the income tax expense as follows:		
Accounting loss before tax	(47,821)	(36,000)
Benefit at the Australian statutory income tax rate of 30% (2020: 30%)	14,346	10,800
Tax impact of:		
Non-deductible expenses	(5,083)	(4,964)
Non-assessable income	-	-
Impact of different tax rates in foreign jurisdictions	54	(50)
Current year taxable loss not recognised	(9,317)	(5,786)
Income tax benefit	**-**	**-**

5.2 Deferred taxes

Deferred tax is provided using the asset-liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

5.2.1 Research and development tax credits

The Company is entitled to claim tax offsets for investments in qualifying expenditure under the Research and Development Tax Incentive regime in Australia. The group accounts for these allowances as tax credits, which at present are being carried forward. The group accounts for these allowances as tax credits, which at present are being carried forward and which may reduce income tax payable and current tax expense in future years. A deferred tax asset, subject to accounting recognition criteria is available to be recognised for unclaimed tax credits that are carried forward as deferred tax assets. At 30 June 2022 no deferred tax asset has been recognised, see note 5.4. A deferred tax asset, subject to accounting recognition criteria is available to be recognised for unclaimed tax credits that are carried forward as deferred tax assets.

5.3 Recognised deferred tax assets and liabilities in statement of financial position

Deferred income tax at 30 June 2022 relates to the following

	2022 $'000 (Restated)	2021 $'000 (Restated)
Deferred tax liabilities relating to temporary differences:		
Receivables	(25)	(24)
Intangible assets	(4,050)	(2,667)
Property, plant and equipment	(6,551)	(2,124)
	(10,626)	(4,815)
Deferred tax assets related to temporary differences:		
Provisions and accruals	3,785	5,102
Capital raising costs	1,960	2,776
Other	89	147
	5,834	8,025
Net deferred tax asset	(4,792)	3,210
Less: temporary differences not recognised	4,792	(3,210)
Net deferred tax recognised in the statement of financial position	-	-

Deferred tax liabilities have been booked and offset against deferred tax assets up to the extent of the total value of the deferred tax liability.

Capital raising costs relate to a temporary difference claimed under Australian tax law S40-880 for black hole expenditure. The allows a deduction for business capital expenditure on a straight-line basis over a 5-year period.

The Group has not recognised the balance of the net deferred tax asset as described in accounting judgements and estimates at note 5.5.

5.4 Carry forward unrecognised tax losses and R&D tax credits

The Groups had income tax losses of $129.1m and R&D tax credits of $23.0m at year end (2021: income tax losses $100.8m and R&D tax credits $12.6m) for which no deferred tax asset is recognised on the statement of financial position as they are currently not considered probable of realisation. The income tax losses and R&D tax credits have no expiry date and are available indefinitely for offset against future assessable income subject to continuing to meet relevant statutory tests.

Critical accounting estimates and judgements

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Management have determined that it is not appropriate to recognise a deferred tax asset until consistent levels of profitability can be demonstrated. The deferred tax asset has been recognised up to the amount of available taxable temporary differences.

Refer above for details regarding unrecognised tax amounts.

6 Other notes

6.1 Information about subsidiaries

The table below lists the controlled entities of the Group.

Name	Principal activities	Country of incorporation	% equity interest 2022	% equity interest 2021
Carbon Revolution Operations Pty Ltd	Carbon fibre wheels	Australia	100	100
Carbon Revolution Technology Pty Ltd	Carbon fibre wheels	Australia	100	100
Carbon Revolution (USA) LLC	Carbon fibre wheels	United States	100	100
Carbon Revolution (UK) Limited	Carbon fibre wheels	United Kingdom	100	100

6.2 Deed of cross guarantee

Carbon Revolution Limited and Carbon Revolution Operations Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed dated 25 June 2019, Carbon Revolution Operations Pty Ltd has been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly owned companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission. Refer below for the statement of profit and loss and other comprehensive income for the parties to the deed of cross guarantee for the year ended 30 June 2022:

	2022 $'000 (Restated)	**2021 $'000 (Restated)**
Sale of wheels	38,276	32,189
Engineering services	464	2,732
Sale of tooling	1,596	-
Revenue	**40,336**	**34,921**
Cost of goods sold	(57,445)	(49,217)
Gross margin	**(17,109)**	**(14,296)**
Other income	4,170	10,431
Operational expenses	(2,009)	(3,362)
Research and development expenses	(16,933)	(10,513)
Administrative expenses	(13,242)	(15,630)
Marketing expenses	(1,518)	(873)
Finance costs	(1,390)	(1,704)
Loss before income tax expense	**(48,031)**	**(35,947)**
Income tax expense	-	-
Loss for the year after income tax	**(48,031)**	**(35,947)**
Other comprehensive income	**-**	**-**
Total comprehensive loss for the year, net of tax	**(48,031)**	**(35,947)**

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Refer below for the statement of financial position for the parties to the deed of cross guarantee as at 30 June 2022:

	2022 $'000 (Restated)	2021 $'000 (Restated)
Current assets		
Cash and cash equivalents	22,594	87,241
Receivables	14,397	12,152
Contract assets	5,909	-
Inventories	20,042	18,066
Other current assets	1,587	1,053
Total current assets	**64,529**	**118,512**
Non-current assets		
Property, plant and equipment	57,616	47,319
Right of use asset	7,564	7,983
Intangible assets	14,364	9,749
Total non-current assets	**79,544**	**65,051**
Total assets	**144,073**	**183,563**
Current liabilities		
Payables	9,502	9,857
Borrowings	18,686	12,233
Lease liability	579	542
Contract liability	458	-
Deferred income	1,028	1,060
Provisions	4,161	3,654
Total current liabilities	**34,414**	**27,346**
Non-current liabilities		
Borrowings	4,333	6,529
Lease liability	7,461	7,813
Contract liability	323	
Deferred income	5,211	4,782
Provisions	713	611
Total non-current liabilities	**18,041**	**19,735**
Total liabilities	**52,455**	**47,081**
Net liabilities	**91,618**	**136,482**
Equity		
Contributed equity	383,822	381,890
Reserves	6,894	5,659
Accumulated losses	(299,098)	(251,067)
Total equity/ (deficiency in equity)	**91,618**	**136,482**

6.3 Directors and Key management personnel

	2022 $	2021 $
Compensation by category		
Short-term employment benefits	2,195,825	1,037,034
Post-employment benefits	96,132	82,020
Share based payments	-	1,251,222
	2,291,957	2,370,276

6.4 Transactions with related parties

There were no transactions with related parties in 2022.

6.5 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2022 the parent entity of the Group was Carbon Revolution Limited. The parent entity applied the same accounting policies as the Group.

	2022 $'000 (Restated)	2021 $'000 (Restated)
Results of parent entity		
Loss for the year	48,445	35,698
Other comprehensive loss	-	-
Total comprehensive loss for the year	48,445	35,698
Financial position for the parent entity at year end		
Current assets	14,253	81,323
Total assets	106,550	153,256
Current liabilities	(12,545)	(12,528)
Total liabilities	(15,433)	(16,681)
Total equity of the parent company comprising of		
Contributed equity	383,822	381,890
Reserves	6,903	5,668
Accumulated losses	(299,608)	(251,163)
Total equity/ (deficiency in equity)	91,117	136,395

6.6 Auditor's remuneration

The auditor of the Group for the year ended 30 June 2022 is Deloitte (30 June 2021: Deloitte).

	2022 $	2021 $
Audit Services		
Audit and review of the financial report	152,500	132,500

6.7 Unrecognised items

6.7.1 Guarantees

The Group has entered into property lease rental guarantees with a face value of $391,763 (30 June 2021: $271,763).

6.7.2 Capital commitments

The Group has capital commitments for manufacturing equipment as at 30 June 2022 totalling $7.5 million (30 June 2021: $2.7 million).

6.7.3 Contingent liabilities

The Group has no contingent liabilities as at 30 June 2022 (30 June 2021: nil).

6.8 Changes in accounting policies

There were no changes in accounting policies during the financial year.

6.9 Accounting standards issued but not yet effective at 30 June 2022

At the date of authorisation of the consolidated financial statements, other Standards and Interpretations issued but not yet effective and relevant for the Group were listed below.

Standard and Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB10 & AASB128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022	30 June 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current *AASB 2020-6 Amendments to Australian Accounting Standards— Classification of Liabilities as Current or Non-current – Deferralof Effective Date*	1 January 2022	30 June 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	30 June 2023
AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19 Rent Concessions	1 June 2020	30 June 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024

The Directors of the Group do not anticipate that the adoption of above amendments will have a material impact in future periods on the financial statements of the Group.

6.10 Subsequent events

On 29 November 2022 CR received the executed grant documents from the Federal Government for the Modern Manufacturing Initiative – Round 2 – Manufacturing Integration Stream – Recycling & Clean Energy Priority grant. CR was awarded a $12 million grant under this initiative in May 2022 which was confirmed by the new government on 26 August 2022. Of the grant $9 million were received in December 2022.

On 30 November 2022 the Company and Twin Ridge Capital Acquisition Corp, a special purpose acquisition company listed on the New York Stock Exchange (the "SPAC"), announced they have entered into a binding Business combination agreement ("BCA") and accompanying scheme implementation deed ("SID") pursuant to which a Irish company Poppetell Limited to be renamed Carbon Revolution plc ("MergeCo") will acquire both CR (via a scheme of arrangement ("Scheme")) and the SPAC (via the BCA) ("Transaction"). Upon closing of the Transaction, the ordinary shares and warrants of MergeCo are expected to trade on either the New York Stock Exchange or Nasdaq, and CR shares shall cease to be quoted on the ASX.

There were no other subsequent events.

Directors' Declaration

In accordance with a resolution of the Directors of Carbon Revolution Limited, I state that:

In the opinion of the Directors:

(a) the Financial Statements and Notes of Carbon Revolution Limited for the financial year ended 30 June 2022 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Group's financial position at 30 June 2022 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;

(b) the Financial Statements and Notes also comply with International Financial Reporting Standards; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Chair

Geelong

27 February 2023

Deloitte.

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Independent Auditor's Report to the Members of Carbon Revolution Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carbon Revolution Limited (the Company) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.3 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Re-issue of the Financial Report

As stated in Note 1.7 to the financial statements, the accompanying financial report is a "re-issued financial report" and supersedes the financial report authorised by the directors on 26 August 2022. This audit report supersedes our audit report dated 26 August 2022 relating to the previously issued and now superseded financial report. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalisation of development costs *Refer to Note 3.5 Intangible assets* As at 30 June 2022 the Group's capitalised development costs totalled $14m (restated) as disclosed in Note 3.5. Capitalisation of development costs requires management judgement to determine whether: o The expenditure relates to development activity and not research activity, o The expenditure meets all of the criteria under AASB138, Intangible Assets (AASB 138), for capitalisation as intangible assets, o Expected future economic benefits attributable to the intangible assets will flow to the Group, o The amortisation of intangible assets commences when the asset is available for use in the manner intended by management, and o The useful lives assigned are appropriate.	*Our procedures included, but were not limited to:* o Obtaining an understanding of the process undertaken by management to determine whether expenditure should be capitalised as intangible assets; o Assessing that management's accounting policy is consistent with AASB138; o Assessing capitalised development costs at balance date to determine whether they meet all of the recognition criteria under AASB138 and it is probable that expected future economic benefits attributable to those assets will flow to the Group; and o Reviewing the register of capitalised intangible assets at balance date to verify that: ▪ Amortisation has commenced on intangible assets that are available for use; and ▪ The useful lives assigned to each intangible asset are appropriate. We have also assessed the appropriateness of the disclosures in Notes 1.7 and 3.5.1 to the financial statements.
Supplier Financing Arrangement *Refer to Note 4.2 Borrowings and other financial liabilities* As at 30 June 2022 the Group had $5m of amounts payable under a supplier financing arrangement. Under AASB 107 *Statement of Cash Flows* and AASB 7 *Financial Instruments: Disclosures,* there is no explicit guidance as to when to classify supplier finance arrangements as operating or financing activities. The assessment involves judgement and careful consideration of all relevant facts and circumstances of the arrangement.	*Our procedures included, but were not limited to:* o Obtaining an understanding of management's processes and judgements in determining the appropriate classification of its supplier financing arrangement; o Evaluating the terms of the supplier financing arrangement, relative to the terms of the Group's other suppliers and lenders; o Determining whether the substance of the arrangement is more akin to trade payables or borrowings.

<table>
<tr><td></td><td>We have also assessed the appropriateness of the disclosures in Notes 1.7, 4.1.1 and 4.2 to the financial statements.</td></tr>
<tr><td>Carrying Value of Property, Plant and Equipment and Intangible Assets

Refer to Note 3.3 Property, Plant and Equipment, Note 3.5 Intangibles assets and Note 3.5.1 Information about intangible assets and significant estimates

As at 30 June 2022 the Group's carrying value of Property, Plant and Equipment and Intangible Assets totals $72 million (restated). These assets are required to be assessed for impairment where an indicator of impairment exists. Management has determined that indicators of impairment exist as at 30 June 2022.

Management has assessed that there is one cash-generating unit (CGU), being the Company itself, due to the nature of its business. During the year, management changed its methodology for assessing the recoverable amount of the CGU, from fair value less costs to sell approach, to using a Value in Use (ViU) model.

The determination of recoverable amount is complex and involves significant judgements in respect of the assumptions and estimates used in preparing ViU models, including the determination of:
Forecasts of Earnings before Interest, Tax, Capital Expenditure, Depreciation & Amortisation (EBITDA) for the years 2023 to 2028;
The terminal growth rate applied; and
The discount rate applied.
Management has applied significant judgement to determine the assumptions within the ViU model and the appropriateness of the sensitivities disclosed in the financial statements using internal and external data as inputs.</td><td>Our procedures included, but were not limited to:

- Obtaining an understanding of the controls implemented to address the risk relevant to the key assumptions and estimates within the ViU valuation model;
- In conjunction with our valuation specialists, our procedures included, but were not limited to:
Evaluating management's identification of CGUs;
Comparing the forecast cash flows to the latest Board approved budget;
Comparing the estimated cash flows to the actual cash flows generated in the current year, and challenging material differences to assess management's ability to forecast cash flows accurately;
Comparing the discount rate applied to the forecast cash flows with an independently developed rate;
Challenging the reasonableness of key assumptions including, but not limited to:
revenue and EBITDA forecasts
long-term growth rates
forecast growth in the budget period and terminal value
working capital levels
required capital expenditure
appropriateness of the sensitivities disclosed
and comparing them to historical performance, industry benchmarks, and internal and external evidence available.
Assessing the integrity of the ViU model, including the mathematical accuracy of the underlying calculation formulae;
Performing sensitivity analysis on the future cash flows, growth and discount rates.
Assessing the appropriateness of the Group's disclosure in Note 3.5.1 to the financial statements.</td></tr>
</table>

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Shodai Enters

Shodai Enters
Partner
Chartered Accountants

Melbourne, 27 February 2023