Carbon Revolution Limited (ABN 96 128 274 653)

Appendix 4D

Half-year report period ended 31 December 2022 (Corresponding Period 31 December 2021)

Results for announcement to the market

	Percentage change		**Dec 2022 in $000**	Dec 2021 in $000 (Restated)
Revenue from ordinary activities	2% up	to	18,009	17,646
Profit (loss) from ordinary activities after tax attributable to members	11% up	to	(27,481)	(24,738)
Net profit (loss) for the period attributable to members	11% up	to	(27,481)	(24,738)

Dividends

No dividends were paid or declared since the commencement of the half-year and the directors do not recommend the declaration of a dividend.

Comments

For the review of the results kindly refer to the Directors' Report attached to this Appendix 4D. Further explanation of the performance is also provided in the Company's ASX/ Media Announcement for the half-year ended 31 December 2022.

Net tangible asset

	31 December 2022 in $000	**31 December 2021 in $000 (Restated)**
Net tangible assets per security	0.242	0.488

Audit review

This report has been based on the consolidated financial statements which have been reviewed by the Group's auditors. A copy of the unqualified review report can be found in the half-year report.

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' Report and the consolidated financial statements for the half-year ended 31 December 2022.

The half-year report should be read in conjunction with the most recent annual financial report.

CARBON REVOLUTION LIMITED

ABN 96 128 274 653

HALF YEAR REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2022

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Directors' Report

The directors of Carbon Revolution Limited ("the Company") submit herewith the financial report of the Company and its controlled entities ("the Group", or "Carbon Revolution") for the half-year ended 31 December 2022 in order to comply with the provisions of the *Corporations Act 2001*. The directors' report as follows.

Directors

The directors in office during the half-year and up to the date of this report are:

- James Douglas (Chair)
- Jake Dingle (MD/CEO)
- Lucia Cade
- Dale McKee
- Mark Bernhard

The above named directors held office during and since the end of the half-year.

Results and Review of Operations

Carbon Revolution is an Australian-based technology company manufacturing advanced carbon fibre wheels. Established in 2007, Carbon Revolution is the first company globally to successfully develop and manufacture single-piece carbon fibre wheels to original equipment vehicle manufacturer ("*OEM*") quality standards.

Since its first OEM program for Ford in 2015, the Group has progressively increased production capacity to address increasing OEM demand. The Group is currently supplying wheels to the automotive market for luxury and high-performance vehicles and is developing wheels for SUVs and EVs under contract for its OEM customers.

Carbon Revolution's wheels and manufacturing processes are protected by an extensive intellectual property ("*IP*") portfolio, including trade secrets and around 60 granted patents across multiple patent families and key jurisdictions around the world.

Merger proposal and US listing

On 30 November 2022, Carbon Revolution and Twin Ridge Capital Acquisition Corp. (NYSE:TRCA) ("TRCA") announced ("Merger Announcement") that they had entered into a binding business combination agreement ("BCA") and accompanying scheme implementation deed ("SID") to give effect to a transaction under which they would both be acquired by an Irish entity, Poppetell Limited (now renamed 'Carbon Revolution Limited') ("MergeCo") (the "Transaction"). Subject to completion of the Transaction, MergeCo is expected to trade on either the New York Stock Exchange or Nasdaq by mid-CY2023.

The Transaction is anticipated to unlock critical investment capital to fund operations, capital expenditure and strategic growth opportunities. It is also expected to support the Group's industrialisation activities and accelerate its planned path to profitability.

Since signing of the binding BCA and SID in November, the Group has been progressing actions required for completion of the Transaction, including preparation of the F4 Registration Statement which is required to be lodged with the U.S. Securities and Exchange Commission ("SEC"). A key part of these preparations is a re-audit of the Group's FY21 and FY22 financial statements. The F4 registration statement was completed and lodged with the SEC on 27 February 2023. Next steps include completion of the extension of TRCA's business combination deadline (discussed further in the Merger Announcement).

In the half-year capital raising costs associated with the transaction of $3.2 million were expensed.

Progress with liquidity improvement initiatives, bridge funding, proposed new debt facility and new equity

The Group is pursuing funding initiatives to address its significant funding challenges and to enable it to complete the Transaction with Twin Ridge as announced on 30 November 2022. These proposed funding initiatives include:

- bridge funding of $10.8 million from early payment and bailment arrangements with customers of the Group and which is anticipated to be received in March 2023 through to May 2023;
- short-term convertible debt of $2 million anticipated to be received in March 2023;
- a new debt facility, using the Company's assets (eg intellectual property) as collateral, under which approximately $72 million (US$51 million) of net cash (net of prepaid interest, fees and discounts) is anticipated to be received by the Company in April 2023; and
- a capital raising in connection with the completion of the Transaction under which it is anticipated that approximately $29 million (net of transaction costs) will be raised in June/July 2023.

As of the date of issuance of these financial statements, the Company has secured the following funding initiatives:

- 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 has 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 Company during the period from February to April 2023, with the new payment date ranges from late April to late May 2023; and
- the Group has 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.

While the proposed funding initiatives are designed to address the Group's medium to longer term funding needs and enable the Transaction to complete, there can be no assurance that these funding initiatives will be realised. The risks associated with realisation of these funding initiatives are referred to in the Group's ASX announcement accompanying this amended FY22 financial report ("Funding and Liquidity Initiatives Update and Amended Financial Report for FY22" dated 27 February 2023). If these proposed funding initiatives are not realised or are delayed, the Group will have to seek other options including delaying or reducing operating and capital expenditure, considering the possibility of an alternative transaction or fundraising, and in the event that none of these are available, voluntary administration.

After considering all of the above funding initiatives, the Directors are of the opinion that it is appropriate for the Company to prepare the financial statement on the basis that the Group is a going concern. 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 Company not continue as a going concern.

Notwithstanding this assessment, there exists a material uncertainty that casts doubt on the Company's ability to continue as a going concern for at least the next 12 months; therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The independent auditor's review report has highlighted this matter by noting the existence of material uncertainty in relation to the Company's ability to continue as a going concern.

Financial Performance and Operations

In the past six months, the Group has delivered growth in wheel sales and an improved gross margin[1] compared to the prior corresponding period (PCP). Revenue was $18.0 million (HY1 FY22: $17.6 million), growing by 2.3%. The growth reflected a higher average wheel price due to product mix, with total wheels sold of 6,181 being 5% below the PCP.

Pleasingly we delivered strong growth in contribution margin which increased 114% to $1.5 million. Plant facilities continued to run as expected during the half year with the team focusing on quality, throughput, and efficiency improvements. This was achieved with a lower level of production than planned after supply chain challenges at General Motors led to the temporary reduction in wheel orders from September 2022 to January 2023.

The Group is preparing for the expected increase in production levels during 2023 including the resumption of more normal wheel production for the GM Corvette Z06 wheels and the new wheel program launches for the Ford Mustang Dark Horse and a premium SUV program. Development and launch activities for development programs are progressing well.

Carbon Revolution has 9 awarded programs (5 in production, 4 in development) with global OEMs, with a further 5 programs under engineering contracts. The Group expects a further 2 programs will transition into production across the next 18 months.

We are pleased with the installation and commissioning progress on the Mega-line. Several processes are already in production including the face lay-up, pre-heat, demould and tool management system. These systems are operating well, and we continue to systematically commission the overall line integration. On a cumulative basis $14.8 million has been invested on the project, of which $3.2 million was incurred during this half. There are commitments for a further $4.8 million for the Mega-line project.

As of 31 December 2022, the Group's cash balance was $14.1 million. Improved cash flows for the half year comprised:

- Cash flow from operating activities (including government grants) was a $5.3million inflow compared to a $28.0 million outflow in the PCP. Operating cashflows were bolstered by higher receipts from customers, higher receipts of government grants and lower payments to suppliers and employees.
- Net investing cash outflow of $8.4 million driven by $5.9 million investment in property, plant and equipment and $2.5 million of investment in intangibles. The relatively low level of investment-related expenditure was largely due to the timing of Mega-line milestone payments falling outside of the half-year along with tight control of new investment spending.
- Net cash outflow from financing activities of $5.8 million consisted primarily of $3.1 million of costs related to the proposed Transaction.

[1] Contribution margin is Wheel Revenue less Direct Costs. Direct costs include: Raw materials and consumables, direct labour, freight and other direct cost

No dividends were paid or declared since the commencement of the half-year and the directors do not recommend the declaration of a dividend.

Refer to Note 1 to the financial statements for further detail regarding the basis of preparation of the financial statements.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 6 of the half-year report.

Rounding

The amounts contained in the Directors' Report and financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016. The Group is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors pursuant to section 306(3) of the *Corporations Act 2001*.

James Douglas

Chair

Geelong, 28 February 2023

Jake Dingle

Managing Director

Geelong, 28 February 2023

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28 February 2023

The Board of Directors
Carbon Revolution Limited
75 Pigdons Road
Deakin University
WAURN PONDS VIC 3216

Dear Board Members

Carbon Revolution Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Carbon Revolution Limited.

As lead audit partner for the review of the financial statements of Carbon Revolution Limited for the half year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Shodai Enters

Shodai Enters
Partner
Chartered Accountants

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Condensed consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	Note	Half-year ended 31 December 2022 $'000	Half-year ended 31 December 2021 $'000 (Restated)
Sale of wheels		18,009	17,306
Engineering services		-	21
Sale of tooling		-	319
Revenue	2	**18,009**	**17,646**
Cost of goods sold		(25,586)	(25,393)
Gross margin		**(7,577)**	**(7,747)**
Other income	3	2,485	1,681
Operational expenses		(388)	(1,936)
Research and development		(9,134)	(8,965)
Administrative expenses		(7,855)	(6,212)
Marketing expenses		(732)	(847)
Capital raising transaction costs		(3,243)	-
Borrowing costs		(1,037)	(712)
Loss before income tax expense		**(27,481)**	**(24,738)**
Income tax expense		-	-
Loss for the period after income tax		**(27,481)**	**(24,738)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		(17)	(60)
Other comprehensive loss		**(17)**	**(60)**
Total comprehensive loss for the period, net of tax		**(27,498)**	**(24,798)**
Earnings per share			
Basic	5	($0.13)	($0.12)
Diluted	5	($0.13)	($0.12)

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

The condensed consolidated statement of profit or loss and other comprehensive income has been restated as discussed in Note 1.3.

Condensed consolidated statement of financial position

For the half-year ended 31 December 2022

	Note	31 December 2022 $'000	30 June 2022 $'000 (Restated)
Current assets			
Cash and cash equivalents		14,078	22,693
Receivables		5,674	14,483
Contract assets		1,946	5,909
Inventories	6	20,754	20,164
Other current assets		2,640	1,587
Total current assets		**45,092**	**64,836**
Non-current assets			
Property, plant and equipment		58,488	57,616
Right-of-use assets		7,804	7,564
Intangible assets	7	15,688	14,364
Total non-current assets		**81,980**	**79,544**
Total assets		**127,072**	**144,380**
Current liabilities			
Payables		8,120	9,502
Borrowings	8	20,581	18,686
Lease liability		633	579
Contract liability		779	458
Deferred income		1,763	1,028
Provisions		4,414	4,161
Total current liabilities		**36,290**	**34,414**
Non-current liabilities			
Borrowings	8	-	4,333
Lease liability		7,694	7,461
Contract liability		-	323
Deferred income	3	15,950	5,211
Provisions		657	713
Total non-current liabilities		**24,301**	**18,041**
Total liabilities		**60,591**	**52,455**
Net assets		**66,481**	**91,925**
Equity			
Contributed equity	4	385,536	383,822
Reserves		7,070	6,747
Accumulated losses		(326,125)	(298,644)
Total equity		**66,481**	**91,925**

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

The condensed consolidated statement of financial position has been restated as discussed in Note 1.3.

Condensed consolidated Statement of Changes in Equity

For the half-year ended 31 December 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 at 30 June 2021 (Restated)		**381,890**	**(311)**	**5,979**	**(250,823)**	**(9)**	**136,726**
Net loss after tax for the half year (Restated)		-	-	-	(24,738)	-	(24,738)
Other comprehensive loss for the half year		-	-	-	-	(60)	(60)
Total comprehensive loss for the half year (Restated)		**-**	**-**	**-**	**(24,738)**	**(60)**	**(24,798)**
Transactions with owners in their capacity as owners:							
Share-based payments	4	1,712	-	(838)	-	-	874
Share issue costs		-	-	-	-	-	-
Total transactions with owners in their capacity as owners		**1,712**	**-**	**(838)**	**-**	**-**	**874**
Balance as at 31 December 2021 (Restated)		**383,602**	**(311)**	**5,141**	**(275,561)**	**(69)**	**112,802**
Balance as at 30 June 2022 (Restated)		**383,822**	**(311)**	**7,214**	**(298,644)**	**(156)**	**91,925**
Net loss after tax for the half year		-	-	-	(27,481)	-	(27,481)
Other comprehensive loss for the half year		-	-	-	-	(17)	(17)
Total comprehensive loss for the half year		**-**	**-**	**-**	**(27,481)**	**(17)**	**(27,498)**
Transactions with owners in their capacity as owners							
Share-based payments	4	1,714	-	340	-	-	2,054
Share issue costs		-	-	-	-	-	-
Total transactions with owners in their capacity as owners		**1,714**	**-**	**340**	**-**	**-**	**2,054**
Balance as at 31 December 2022		**385,536**	**(311)**	**7,554**	**(326,125)**	**(173)**	**66,481**

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

The condensed consolidated statement of changes in equity has been restated as discussed in Note 1.3.

Condensed consolidated statement of cash flows

For the half-year ended 31 December 2022

	Note	Half-year ended 31 December 2022 $'000	Half-year ended 31 December 2021 $'000 (Restated)
Cash flow from operating activities			
Receipts from customers		29,903	18,380
Receipt of grants and research and development incentives		15,186	151
Payments to suppliers and employees		(38,902)	(44,832)
Interest received		37	59
Borrowing costs		(880)	(1,757)
Net cash from/ (used in) operating activities		**5,344**	**(27,999)**
Cash flow from investing activities			
Payments for property, plant and equipment		(5,914)	(9,018)
Payments for intangible assets		(2,510)	(2,844)
Net cash used in investing activities		**(8,424)**	**(11,862)**
Cash flow from financing activities			
Capital raising transaction costs		(3,144)	(422)
Proceeds from third-party borrowings	8	15,505	15,559
Repayment of third-party borrowings	8	(17,943)	(14,354)
Repayment of lease liability		(191)	(314)
Net cash (used in)/ from financing activities		**(5,773)**	**469**
Net decrease in cash held		(8,853)	(39,392)
Cash at beginning of financial period		22,693	87,257
Effects of exchange rate changes on cash and cash equivalents		238	(68)
Cash at end of financial period		**14,078**	**47,797**

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

The condensed consolidated statement of cash flows has been restated as discussed in Note 1.3.

Notes to the condensed consolidated financial statements

For the half-year ended 31 December 2022

Note 1: Summary of significant accounting policies

This half-year financial report represents the consolidated results of Carbon Revolution Limited ("the Company") and its controlled entities ("the Group"). The half-year financial report comprises general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

1.1. Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is an entity of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2022 annual financial report for the financial year ended 30 June 2022. The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 realization 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.

On 30 November 2022, Carbon Revolution and Twin Ridge Capital Acquisition Corp. (NYSE:TRCA) ("TRCA") announced ("Merger Announcement") that they had entered into a binding business combination agreement ("BCA") and accompanying scheme implementation deed ("SID") to give effect to a transaction under which they would both be acquired by an Irish entity, Poppetell Limited (now renamed 'Carbon Revolution Limited') ("MergeCo") (the "Transaction"). Subject to completion of the Transaction, MergeCo is expected to trade on either the New York Stock Exchange or Nasdaq by mid-CY2023.

For the half year ended 31 December 2022, the Group incurred a loss after tax of $27.5 million (2021 $24.7 million), it generated positive cashflows from operating activities of $5.3 million (2021 negative $28.0 million) and is in a net asset position and has cash balances of $14.1 million (December 2021 $47.8 million) as at 31 December 2022.

Subsequent to 31 December 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.

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, 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 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.

1.2. New accounting standards and interpretations

In the current reporting period, the Group was not required to adopt any changes to accounting standards.

1.3. Restatement to the financial statements

Subsequent to the issuance of the Group's 2022 Australian statutory financial statements and during the process of preparing the 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 identified certain restatements to its 2022 Australian statutory financial statements. These restatements are disclosed in the reissued 2022 Australian statutory financial statements that were issued on 27 February 2023 ("Reissued Financial Statements"). In reissuing the 2022 Australian Statutory Financial Statements 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 half-year condensed consolidated financial statements ("half-year 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 half-year financial statements:
    - For the half year ended 31 December 2021, research and development expenses, net of adjustments to amortisation expenses, were understated by $2.9 million;
    - As of 30 June 2022 intangible assets, net of amortisation were overstated by $20.5 million with a corresponding understatement of accumulated losses as of that date, as disclosed in the Reissued Financial Statements;

- For the half year ended 31 December 2021, cash flows used in operating activities increased by $5.7 million, 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 half-year financial statements:

  - As of 30 June 2022, the Group decreased payables and increased current borrowings by $5.0 million as disclosed in the Reissued Financial Statements;
  - For the half year ended 31 December 2021, cash flows used in operating activities increased by $3.0 million with a corresponding increase in cash provided by financing activities;
  - For the half year ended 31 December 2021, there was a reclassification of $123 thousand 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 Consolidated Statement of Financial Position presented below has been restated through the Reissued Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	As restated
	30-Jun-22	30-Jun-22	30-Jun-22	30-Jun-22
	$'000	$'000	$'000	$'000
Intangible assets	34,860	(20,496)	-	14,364
Total non-current assets	**100,040**	**(20,496)**	-	**79,544**
Total assets	**164,876**	**(20,496)**	-	**144,380**
Payables	14,456	-	(4,954)	9,502
Borrowings	13,732	-	4,954	18,686
Total current liabilities	**34,414**	-	-	**34,414**
Total non-current liabilities	**18,041**	-	-	**18,041**
Total liabilities	**52,455**	-	-	**52,455**
Net (liabilities) / assets	**112,421**	**(20,496)**	-	**91,925**
Accumulated losses	(278,148)	(20,496)	-	(298,644)
Total (deficiency in equity) / equity	**112,421**	**(20,496)**	-	**91,925**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	As restated
	2021	2021	2021	2021
	$'000	$'000	$'000	$'000
Research and development	(6,068)	(2,897)	-	(8,965)
Administrative expenses	(6,335)	-	123	(6,212)
Finance costs	(589)	-	(123)	(712)
Loss before income tax expense	**(21,841)**	**(2,897)**	**-**	**(24,738)**
Income tax expense	-	-	-	-
Loss for the year after income tax	**(21,841)**	**(2,897)**	**-**	**(24,738)**
Total comprehensive loss for the year, net of tax	**(21,901)**	**(2,897)**	**-**	**(24,798)**
Earnings per share	**(0.11)**	**(0.01)**	**-**	**(0.12)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	As previously reported	Restatement adjustment - Intangible Assets	Restatement adjustment - Supplier Financing arrangement	As restated
	2021	2021	2021	2021
	$'000	$'000	$'000	$'000
Cash flow from operating activities				
Payments to suppliers and employees	(36,290)	(5,653)	(2,889)	(44,832)
Finance costs	(1,672)	-	(85)	(1,757)
Net cash used in operating activities	**(19,372)**	**(5,653)**	**(2,974)**	**(27,999)**
Cash flow from investing activities				
Payment for intangible assets	(8,497)	5,653	-	(2,844)
Net cash (used in) / provided by investing activities	**(17,515)**	**5,653**	**-**	**(11,862)**
Cash flow from financing activities				
Proceeds from third party borrowings	8,523	-	7,036	15,559
Repayment of third party borrowings	(10,292)	-	(4,062)	(14,354)
Net cash provided by / (used in) financing activities	**(2,505)**	**-**	**2,974**	**469**
Net increase / (decrease) in cash held	(39,392)	-	-	(39,392)
Cash at end of financial year	**47,797**	**-**	**-**	**47,797**

Note 2: Segment reporting

The Group operates in one business segment, being the manufacture and sale of carbon fibre wheels predominantly for automotive applications. 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.

Revenue and non-current assets by geography comprise:

	31 December 2022 $'000	31 December 2021 $'000
Revenue		
International	18,009	17,646
Domestic	-	-
	18,009	17,646

	31 December 2022 $'000	30 June 2022 $'000 (Restated)
Non-current assets		
International	-	-
Domestic	81,980	79,544
	81,980	79,544

Note 3: Other income

	31 December 2022 $'000	31 December 2021 $'000
Government grants	2,152	1,229
Interest income	37	59
Realised foreign exchange gain	259	11
Unrealised foreign exchange gain	-	137
Other income	37	245
	2,485	1,681

In December 2022 the Company received $9m from the Federal Government for the Modern Manufacturing Initiative – Round 2 – Manufacturing Integration Stream – Recycling & Clean Energy Priority grant. As of 31 December 2022, no income has been recognised as the assets have yet to be completed and capitalised and the amount received was recognised as deferred income and presented in the operating cash flow.

In December 2022 the Company received $2m from the State of Victoria for the SOV grant as a prepayment in deferred income, which is shown in the operating cash flow. The milestones in regard to this payment is scheduled to be achieved in future periods and therefore no income was recognised.

Note 4: Equity – issued capital

	31 December 2022 Ordinary shares	30 June 2022 Ordinary shares	31 December 2022 $'000	30 June 2022 $'000
Ordinary shares – fully paid	209,986,635	206,326,138	385,536	383,822
Restricted shares	338,951	527,889	-	-
Balance	**210,325,586**	**206,854,027**	**385,536**	**383,822**

Movement in ordinary shares during the period	**Number of shares**	**$'000**
Balance at 01 July 2021	205,421,449	381,890
Transfer from share-based payment reserve	904,689	1,932
Balance at 30 June 2022	**206,326,138**	**383,822**
Balance at 01 July 2022	206,326,138	383,822
Transfer from share-based payment reserve	3,660,497	1,714
Balance at 31 December 2022	**209,986,635**	**385,536**

Note 5: Earnings per share

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

	31 December 2022 $'000	31 December 2021 $'000 (Restated)
Earnings		
Earnings for the purposes of basic earnings per share being loss for the year	(27,481)	(24,738)
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	(27,481)	(24,738)

	31 December 2022 No. '000	31 December 2021 No. '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	206,102	205,758
Effect of dilutive potential ordinary shares	-	-
	206,102	205,758

Note 6: Inventories

	31 December 2022 $'000	30 June 2022 $'000
Current		
Raw materials	9,885	7,646
Work in progress	8,496	8,969
Finished goods	4,419	5,037
Consumables and spare parts	3,522	3,276
Provision for trial wheels, obsolescence and scrap	(5,568)	(4,764)
Inventories at the lower of cost and net realisable value	20,754	20,164

Note 7: Intangible asset balances

	Development costs $'000	Patents and trademarks $'000	Total $'000
At 30 June 2022 (Restated)			
Gross cost	15,750	1,354	17,062
Less accumulated amortisation	(2,247)	(493)	(2,698)
Net book amount	13,503	861	14,364
Half-year ended 31 December 2022			
Opening net book amount (Restated)	13,503	861	14,364
Additions	2,458	52	2,510
Amortisation	(1,142)	(44)	(1,186)
Closing net book amount	14,819	869	15,688
At 31 December 2022			
Gross cost	18,208	1,406	19,614
Less accumulated amortisation	(3,389)	(537)	(3,926)
Net book amount	14,819	869	15,688

Note 8: Borrowings and other financial liabilities

	31 December 2022 $'000	30 June 2022 $'000 (Restated)
Current borrowings		
Secured		
Working capital facility	3,249	6,843
Term loan	6,500	2,889
Letter of credit facility	4,000	4,000
	13,749	**13,732**
Unsecured		
Supplier finance arrangement	6,832	4,954
	20,581	**18,686**
Non-current borrowings		
Secured		
Term loan	-	4,333
	-	4,333

As at 31 December 2022, $4.3 million of amounts owing to Export Finance Australia ("EFA") under the term loan which with a maturity date of 31 December 2024 has been reclassified as a current liability. This is due to EFA being entitled to demand immediate repayment of all amounts owing to it under all facilities under the default provisions of the financing agreement between Carbon Revolution and EFA as at 31 December 2022. Subsequent to 31 December 2022, in January 2023, EFA waived its right to demand immediate payment of this facility.

Note 9: Subsequent Events

The defaults subsisting under financing agreement between Carbon Revolution and EFA as at 31 December 2022 as disclosed in Note 8 have been subsequently waived by EFA.

Directors' Declaration

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

In the opinion of the directors:

a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

b) the attached financial statements and notes thereto set out on pages 7 to 19 are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

James Douglas

Chair

Geelong

28 February 2023

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Independent Auditor's Review Report to the members of Carbon Revolution Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the half-year financial report of Carbon Revolution Limited (the "Company") and its subsidiaries ("the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and

b) complying with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of the auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 to the condensed consolidated 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 conclusion is not modified in respect of this matter.

Restatement of the Financial Statements

As discussed in Note 1.3 to the condensed consolidated financial statements, the accompanying financial statements have been restated. Our conclusion is not modified in respect of this matter.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Director's Responsibility for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Shodai Enters

Shodai Enters
Partner
Chartered Accountants
Melbourne, 28 February 2023