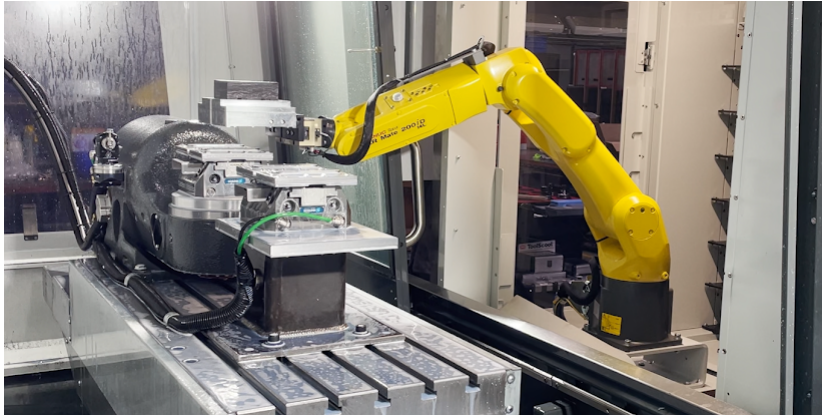


## Elevated Materials Update January 2023

Fri, Jan 27, 2023 at 9:10 AM

Hello Elevated Materials Stakeholders,

Check out our new robot!



### Equipment and Development:

Over the last 6 months we have put in a significant amount of time and effort building up a new production line of carbon fiber blocks and billets. The setup process for stock block generation involved designing and refitting Press 5 with a new block forming tool, and developing an unspooling device for automatically preparing our feed material for that tool. Once the blocks are made they can either be sold as stock to other manufacturers, or cut into parts on our new Haas CNC. Because we expect to run the CNC to run close to 20 hours a day, we have also outfitted it with a robotic arm to load and unload parts.

Our new equipment has enabled us to produce parts for LA Golf's 2023 putters, the Malibu-X and the Bel-Air-X, which debuted at the PGA show in Florida this week.

<https://www.golfchannel.com/video/la-golf-reveals-technologically-advanced-all-carbon-putter-pga-show>



## Sales:

The driving force for bringing in the block production line and the CNC machining center is LA Golf and their putter product line. Last year we delivered roughly 2000 parts to LA Golf while outsourcing all of the machining. We anticipate delivering an excess of at least 5000 parts to LA Golf this year, which has been the driving force behind our new production line. We also anticipate allocating additional machine capacity to other customers as we grow our sales of this new block product.

Aside from LA Golf, Our sales pipeline for 2023 is looking strong, with recent orders from Globus Medical and Cam Logic. We are also closing in on new orders for satellite structures from Tyvak and structural brackets for a military radar system, which have the potential to bring in revenues near \$100k.



In mid December we delivered a \$90k order to Globus Medical. The parts are to be used in a line of patient position systems and were accepted and paid for this week. We are already discussing the next round of parts that they would like us to start making for them. In addition to the parts that we have already delivered from our standard sheet production line, Globus is interested in having us make them parts on the new 5 axis mill from our block material. The Globus parts will yield a much higher \$/lb revenue than the putters.

Cam Logic, a customer we have been working with for a couple of years has been using our sheet material to reinforce end efforts on robotic arms that assemble different automotive components for Chrysler. They just wrapped up a project last week, for which we delivered \$45K worth of sheets, and are already talking about their next upcoming project.

## Financial Position:

I have attached our 2022 P&L, and our balance sheet. The financials have not been reviewed and are likely to change with writeoffs and depreciation.

While our sales are strong our cash position is that of a growing startup, tight. We are sitting with a number of putters from last year that are still work in progress. Because the machining was outsourced, we had less oversight on the QC and have roughly \$60K in putters that need minor cosmetic work done in order to be delivered. Prices have been adjusted to account for this additional work, but the cash outlay to the machinist has still been made, while the revenue is still waiting to be collected.

As we move into 2023 our monthly expenses are going to be increasing drastically with the addition of lease payments for the new Haas at \$6000/month, a rent increase of \$3500/month and various employee raises to retain our top talent. Management has decided to postpone our own raises until the increased expenses are reliably covered.

While our monthly expenses are increasing by more than 10% we are expecting that the additional revenue generated by the Haas will more than cover. Last year you can see on our P&L that the costs of outsourcing putter machining totaled more than \$300k. Insourcing will significantly reduce both our direct cost and our post processing work required. We are excited.

## Supply Chain:

In October we held a tradeshow booth at CAMX and have generated a number of quality leads for out of spec rolled material. We are actively following up with these suppliers to pick up rolls where we can.

Our primary material for manufacturing the blocks mentioned above is "edge slit", a material that is trimmed off of the production lines for unidirectional rolls at all prepreggers including Toray and Axion.



This is our first truly upcycled material source that we can process mechanically and it should remain abundant for the foreseeable future. At the moment we have been stockpiling material and have roughly 30 pallets in cold storage in Washington. It packs significantly denser than standard trim scrap. As the block production picks up to keep up with the demand for putters, we will be able to pull on that stock pile. As we begin to outpace Toray's ability to produce this scrap, we will be able to collect similar material from Axiom and other domestic prepreggers.

Best,

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