

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Magnis Energy Technologies Ltd

ABN

26 115 111 763

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	(491)	(715)
	(c) production	(585)	(1,096)
	(d) staff costs	(826)	(4,322)
	(e) administration and corporate costs	(14,119)	(19,761)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	23
1.5	Interest and other costs of finance paid	(3,652)	(11,697)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(19,665)	(37,568)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant, and equipment	(10,979)	(34,112)
	(d) exploration & evaluation (if capitalised)	(227)	(1,106)
	(e) investments in iM3NY, Charge CCCV	88	314
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(c) property, plant, and equipment	163	395
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities*	2	7
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(10,953)	(34,502)

* Short-term loans to/from Charge CCCV, Imperium3 Townsville + Imperium3 NY

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	(3,109)	18,941
3.2	Proceeds from issue of convertible debt securities	(1)	1,749
3.3	Proceeds from exercise of options	-	21,780
3.4	Transaction costs related to issues of equity securities or convertible debt securities	3,109	3,104
3.5	Proceeds from borrowings	111,983	112,789
3.6	Repayment of borrowings	(68,908)	(68,908)
3.7	Transaction costs related to loans and borrowings	-	3,508
3.8	Dividends paid	-	-
3.9	Other (provide details if material)^	-	-
3.10	Net cash from / (used in) financing activities	43,074	92,963

^ Repayment of lease liabilities

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	81,805	72,895
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(19,665)	(37,568)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(10,953)	(34,502)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	43,074	92,963
4.5	Effect of movement in exchange rates on cash held	5,982	6,455
4.6	Cash and cash equivalents at end of period	100,243	100,243

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5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	100,243	81,805
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	100,243	81,805

6. **Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

246

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. **Financing facilities**

Note: the term 'facility' includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

145,111

145,111

-

-

-

-

145,111

145,111

7.5 **Unused financing facilities available at quarter end**

0

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Magnis previously announced on 19 April 2022, that its majority owned subsidiary Imperium3 New York Inc(iM3NY) entered into a US\$100 million loan facility ("loan facility"), which was utilised to retire its US\$50 million senior secured loan facility entered into with Riverstone and provide additional cash and financial flexibility to take advantage of new long-term growth opportunities.

The key terms of the loan facility are: **Lender:** ACP POST OAK CREDIT I LLC through Atlas Credit Partners ("ACP") in collaboration with Aon, **Amount:** US\$100 Million, **Term:** 3 Years, **Guarantor:** Charge CCCV LLC (C4V), **Security:** a lien over the assets of iM3NY and the intellectual property of C4V (a minority shareholder in iM3NY) provided to iM3NY, and **Interest cost:** Secured Overnight Financing Rate (SOFR - that has a floor of 1%) + a 6% margin and Credit Insurance Wrap Premium, which in Year 1 is 8.25%, Year 2 is 4.6% or 2.5% (if milestone achieved) and in Year 3 is 4.35% or 2.25% (if further milestone achieved).

Please see the announcement on 19 April 2022 for more details.

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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(19,665)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(227)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(19,892)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	100,243
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	100,243
8.7	Estimated quarters of funding available (Item 8.6 divided by (Item 8.3 x -1))	5.0

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 28 July 2022

Authorised by: By the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
- If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

QUARTERLY REPORT

For Quarter Ending June 2022

Key Highlights

- **Magnis' Lithium-ion battery manufacturing facility, Imperium3 New York Inc ("iM3NY") was 84% complete at end of June and at the final stage before fully automated production can commence**
- **During the quarter, iM3NY closed an Intellectual Property-based Financing in collaboration with Atlas Credit Partners and Aon for US\$100 million**
- **After a 6-month global search managed by executive search firm Korn Ferry, the company announced the appointment of Mr. David Taylor as Chief Executive Officer**
- **Tanzanian Prime Minister and Ruangwa MP, Hon. Kassimu Majaliwa visited the Nachu Graphite Project**
- **Construction of the 59 houses in the Eco-village as part of the Resettlement Action Program continues to progress**
- **As an essential requirement for project financing of the Nachu Graphite Project, Magnis has appointed IBIS Consulting, a premier emerging market sustainability consultancy to prepare a detailed Environmental and Social Due-Diligence report**
- **Magnis' Corporate Social Responsibility programs continue to provide much needed infrastructure for the local community**
- **Magnis was the major sponsor of the International Meeting of Lithium Batteries (IMLB) 2022 conference that was recently held in Sydney**

Magnis Energy Technologies Ltd (**ASX: MNS; FSE: U1P; OTC: MNSEF**) ("**Magnis**" or the "**Company**") is pleased to present its Quarterly Activities Report and overview of operations for the period ended 30th June 2022 ("**Quarter**", "**Reporting Period**").

OPERATIONAL UPDATE

Imperium3 New York Lithium-ion Battery Plant Update

Project Status and Recent Milestones

iM3NY overall project completion rate is at 84% at the end of June and is at the final stage before fully automated production can commence, which will occur once the local authority certificates are issued. At that time the completion rate is expected to be in the vicinity of 88%. The remaining 12% includes some cosmetic changes to the factory, minor works to an internal office area and the gradual ramp up of production.

Despite some unexpected supply chain and technical challenges that continued in the month of June, significant progress was made with assistance from the OEM technicians as listed below.

The TCO is expected to be issued shortly as a prerequisite to ensure the necessary inspection conditions are satisfied and before fully automated production can commence. Once fully automated production commences, a Complete Certificate of Occupancy (CCO) will be issued.

Once the subsequent ramp up has taken place, the production rate is expected to be around 10,000 cells/day.

Recent Key Activities/Milestones

- Majority of equipment in place and ready to go to commence production; Mixing, Coating, Drying, Calendaring, Slitting, Stamping, Stacking, Electrolyte Filling etc.
- A large team of South Korean technologists travelled to New York to provide technological expertise around the iM3NY plant for installation and commissioning of major cell assembly equipment, including the electrolyte filling.
- Fire Alarm System has been commissioned which was a mandatory requirement before the Temporary Certificate of Occupancy (TCO) could be issued for such a large-scale Li ion battery manufacturing plant.
- iM3NY currently employs 52 people with 17 additions in the last 2 months. The total count is expected to grow to 100 during Q4 2022.



Figure 1: Battery cells produced from semi-automated production



Figure 2: South Korean technologists at the iM3NY plant



Figure 3: Condenser system with carbon to capture solvent



Figure 4: Inspection of Cell Assembly Equipment

Nachu Graphite Project BFS Update

During the quarter, global engineering group Ausenco Services Pty Ltd (Ausenco) continued to make progress with the update of the Bankable Feasibility Study (BFS) for the Nachu Graphite Project in Tanzania. The study update is being based on a production rate similar to the 2016 Feasibility Study which had an annual graphite production of 220,000 tonnes of high-grade graphite. Although the completion of the updated BFS has experienced some unforeseen delays due to high demand for services across engineering, suppliers and contractors, Magnis will update the market with the results in due course.

Project Works

Magnis' wholly owned subsidiary Uranex Tanzania Limited ("Uranex") continued with early project works over the quarter in preparation for construction. In particular, completion of drilling and casing of several water bores to secure water for production and the clearing of the Special Mining Licence (SML) boundary.

Over the next 6 months, Uranex plans to do the following

- Purchasing pumps, piping and storage tanks to take water from the bores
- Build Storage Water Dam (SWD1) as part of the overall water management system designed for the project. This is being built early to ensure we capture water during the wet season to ensure good supply of water for construction in 2023
- Commencing detailed design work on the Tailings Storage Facility utilising Tanzanian and international consultants overviewed by Knight Piesold.

Eco-Village Resettlement Program

The company had identified approximately 1000 Project Affected People (PAP) who were assessed and compensated, of those only 59 families were living on the special mining licence area. The Eco-village is being built to house those families.

The company progressed construction of the Eco-village, started in the previous quarter. As previously advised, Uranex has contracted Italframe Limited, a Tanzanian Registered building contractor overseen by project consultants, Norplan Tanzania Ltd. to carry out the work on the village. It is well advanced, please see the picture below.

As of the end of the quarter, the status of major works is as follows

- Site clearance and construction of site facilities completed
- Site mobilisation completed and material testing results etc received
- Approvals granted where required based on quality control
- Setting out and excavations completed for all the houses and substructure works are almost complete for all the houses
- Superstructure works have progressed with a few houses now on roofing stages
- Plastering of walls is in progress both externally and internally as well as the 1st Fix for services
- Contractor has increased production on site of concrete blocks for walls by introducing a second Team for the works.



Figure 5: Concreting Works on site



Figure 6: Eco-Village Construction

SUSTAINABILITY UPDATE

Corporate Social Responsibility in Tanzania

Magnis continues to place significant importance on Corporate Social Responsibility (CSR), notably in its Nachu graphite project in Tanzania. The Company has been engaged in social projects for 10 years with the local community. We discuss some of the CSR activities that took place during the quarter.

After having provided materials and supervision for the renovation of classrooms in 2021, Magnis' subsidiary Uranex went back to Matambarale Primary school to help them complete the construction of 27 toilets. The company contributed towards the purchase of floor tiles to finalise the blocks (below).



Figure 7: Matambarale Primary School Toilet Block

Uranex's CSR team followed the Prime Minister on his tour of the six villages that surround the Special Mining Licence area. The PM commended the company for its contribution and support to the village communities and emphasized the positive impact the mining industry will have on Ruangwa's economic and social environment in general. He was especially impressed with the Eco-village.



Figure 8 & 9: Prime Minister and Ruangwa MP, HON. Kassimu Majaliwa, talks to his constituents.

ESG Review Underway

As an essential requirement for project financing of the Nachu Graphite Project, Magnis has appointed IBIS Consulting to undertake an Environmental and Social Due-Diligence of the Nachu Graphite Project in Tanzania. IBIS Consulting is a premier emerging market sustainability consultancy that assists private and public companies unlock value and improve their environmental and social performance.

The objective of the due-diligence project is to identify and assess all related potential environmental, community, social and health and safety risks and impacts associated with funding the Nachu Graphite Project. As such, IBIS will identify gaps in processes with respect to the “Environmental and Social Impact Assessment and Resettlement Action Plan” against the following reference framework of international standards and best practise guidelines:

- Applicable local environmental, health & safety and labour related laws, regulations and standards;
- Applicable international treaties and protocols;
- The IFC Performance Standards for Environmental and Social Sustainability;
- The World Bank Group and IFC General EHS Guidelines;
- Applicable World Bank Group and IFC Sector specific guidelines; and
- ILO Core Standards.

IBIS is preparing a vendor ESG due diligence report illustrating the ESG management, performance and compliance status of Magnis and outlining ESG risks and an indication of liabilities costs to address these, at both a corporate and site level. This report incorporates an ESG Corrective Action Plan to address any gaps identified, including a prioritised set of practicable recommendations (with short, medium and long term actions), costs and persons responsible.

FUNDING UPDATE

Imperium3 New York Completes US\$100 million Loan Refinance

iM3NY announced it had completed a US\$100 million, three-year intellectual property-based financing (the “loan facility”), in collaboration with Atlas Credit Partners and Aon.

The loan facility refinances the existing US\$50 million four-year Riverstone senior secured loan obtained by iM3NY in April 2021 and supports iM3NY's long term growth plans. Over the last year, iM3NY has made significant progress in the construction of the initial phase of its first Gigawatt scale factory and a portion of the net proceeds will be used to fast track its growth plans as it looks to expand production. For further details, refer to the ASX announcement dated April 19th, 2022.

CORPORATE UPDATE

CEO Appointed to Lead Next Phase of Growth

The company announced during the quarter the appointment of Mr. David Taylor as Chief Executive Officer following an extensive global search managed by executive search firm Korn Ferry. Mr. Taylor commences on 1st August 2022.

Mr. Taylor has 30 years of international experience in senior leadership roles in private, listed, and government organisations leading the development and growth of businesses and major projects across the property, construction, transport, renewables, energy, environmental and social infrastructure sectors.

Possessing strong strategic, commercial, and leadership skills, Mr. Taylor is well respected and has a proven ability to develop and deliver organic and inorganic growth strategies, lead diverse teams across geographical and cultural boundaries, develop and implement strategic initiatives, and work collaboratively with a wide range of stakeholders.

Most recently, Mr. Taylor lead the development and growth of Worley Ltd in the energy, chemicals, and resources sectors in the ANZ East region where he was responsible for developing and implementing their business growth plans, managing strategic relationships with key customers and partners while leading and delivering change initiatives to enhance organisational capabilities.

David holds a Bachelor of Building in Construction Economics (First Class Honours) from University of Technology Sydney, a Master of Business Administration and a Master of Applied Finance from Macquarie University and is a member of the Australian Institute of Company Directors.

Magnis Major Sponsor of IMLB 2022 in Sydney

Magnis was the major sponsor of the International Meeting of Lithium Batteries (IMLB) 2022 conference (<https://imlb2022.org/>) that was recently held in Sydney. Delegates from industry and academia from all over the world were at the conference to learn about the latest research and industry trends in the Lithium battery space.

Throughout the weeklong conference the Magnis team discussed with delegates the latest developments from iM3NY and C4V. Magnis' unique high purity natural flake graphite concentrate from Tanzania was also on display and the team discussed how it plans to use this feedstock and its C4V licensed anode processing technology to produce high performance, green credentialed anode materials.



Figure 10 & 11: Left: Magnis as the major sponsor of IMLB2022 in Sydney; Right Magnis' Director of Battery Technologies, Dr Jawahar Nerkar holding iM3NY P-Series prototype cell



Figure 12 & 13: Left: Nachu Graphite Concentrate samples of different sizes and purity; Right: Nobel Laureate Professor M. Stanley Whittingham delivering his presentation on day 1 of the conference

Further Information as Required under Listing Rule 5.3

No substantive mining exploration occurred during the Quarter, with the exception of the primary work related to bore fields work already outlined. The mining and development activities during the quarter are fully explained above in the Nachu Graphite Update.

No licenses were given up or acquired in the relevant period. Magnis' licences held by Uranex in Tanzania follow:

- SML 550/2015 - the Special Mining Licence of 29.77 km² that covers the Nachu Graphite Project; and
- PL10929/2106 - the prospecting licence that surrounds the SML and is the licence that contains the various graphite mineralised discovered and reported from 2012 to 2015.

Related Party Payments

Payments to related parties (or their associates) of the Company were disclosed in section 6 of Appendix 5B for the Quarter. The payments for the Quarter comprise directors' fees, consulting fees, and payments made for services provided by an associate of a related party.

About Magnis Energy Technologies

Magnis Energy Technologies Ltd (ASX: MNS; OTCQX: MNSEF; FSE: U1P) is a vertically integrated lithium-ion battery technology and materials company with strategic assets, investments and partnerships in the electrification supply chain. The company's US based subsidiary Imperium3 New York, Inc ("iM3NY") operates a Gigawatt scale Lithium-ion battery manufacturing project in Endicott, New York. Magnis along with its joint venture and technology partner Charge CCCV LLC ("C4V") are the major shareholders in iM3NY which plans to commercialise C4V's patented technology to produce green credentialed lithium-ion battery cells. Magnis also has a minority stake in C4V and has exclusively licensed their anode processing technology with an aim to produce high performance anode materials utilising ultra-high purity natural flake graphite from Magnis' Nachu Graphite Project in Tanzania. The company's vision is to enable, support and accelerate the green energy transition critical for the adoption of Electric Mobility and Renewable Energy Storage.

This announcement has been authorised for release by the Board of Magnis Energy Technologies Limited (ACN 115 111 763).

FOR FURTHER INFORMATION

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