



# Magnis Resources

L I M I T E D

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## QUARTERLY REPORT TO 31 DECEMBER 2017

### HIGHLIGHTS

- New York State Government funding
- Battery Sales Agreement for New York
- Energy giants join Magnis to develop German Gigafactory
- Townsville funding pledge for Feasibility Study
- 25,000 TPA Graphite Sales Agreement signed with major European Group
- Update on Tanzania legislative changes to the Mining Industry

### Corporate

- Cash position for the Company at 31 December 2017 A\$5.35M
- Senior Appointment for Investor Relations

Magnis Resources Limited [**"Magnis"** or the **"Company"**] [ASX: MNS] is pleased to present its Quarterly Activities Report for the period ended 31 December 2017.

Magnis has announced its participation in global consortiums, including ownership, to operate lithium-ion battery gigafactories in both Australia, the USA and Germany. As a member of these consortiums, Magnis' role will be to provide anode materials and associated technologies to assist in the production process. The major activities announced during the past quarter are summarised in this report.

### New York State Government Funding & Battery Sales Agreement Signed

Early in the quarter, Magnis announced that Imperium3 NY, [Magnis is a one third owner of Imperium3 NY through the Imperium3 consortium] has received funding ["the NY Funding Package"] totalling US\$13.25 million for Stage 1 production at the New York State Lithium-ion Gigafactory to be located at the Huron Campus in Upper New York State.

The details of the NY Funding Package are provided below for shareholders along with the official New York State Government Press Release and official press conference links.

The NY Funding Package was offered by Empire State Development (ESD), a NY Government Fund, to Imperium3 New York, which duly accepted the package. Imperium3 New York is a fully owned subsidiary of Imperium3. The incentives offered by ESD and accepted include:

1. A capital grant of US\$4 million from the Upstate Revitalization Initiative that is payable in arrears and primarily based on achieving full time employment targets;
2. Refundable tax credits of up to US\$3.5 million under the Excelsior Jobs Program that is contingent on full time employment targets and R&D expenditures;
3. US\$5.75 million of tax credits under the New York Investment Tax Credit scheme to Imperium3 NY, for New York based corporations.

The production of the gigafactory is expected to create hundreds of employment positions for the local Endicott area in New York and to encourage this collaborative effort, the ESD offered the performance based incentives and tax credits.

The New York State Government Press Release can be found here:

<https://www.governor.ny.gov/news/governor-cuomo-announces-imperium3-new-york-establish-lithium-ion-battery-giga-factory-southern>

The press conference can be viewed here:

<http://www.wbng.com/story/36520211/gov-cuomo-endicott-battery-factory-to-create-more-than-230-jobs>

## **About the New York Gigafactory**

A Joint Manufacturing Establishment Agreement was signed for a 15GWh lithium-ion battery plant as announced on 22 May 2017. The agreement was signed by Magnis, Charge CCCV (C4V), Boston Energy and Innovation, C&D Assembly and Primet Precision Materials.

The recent completion of the scoping study priced the capital costs for Stage 1 at US\$130m, with an expected first production date in the second half of 2019. First stage production will be at 3GWh with an aggressive ramp up to 15GWh.

## **Battery Production**

Using its innovative technology and industry experts, the batteries to be produced by the consortium have been qualified as safer, more efficient and less expensive. The consortium is currently producing batteries in a Megawatt scale facility, mainly for product evaluation, supplier qualification and system level performance validations.



Figure 1 – Cylindrical cells produced by Imperium3 NY

### Binding Sales Agreement Signed for New York Gigafactory

Several weeks following the NY Funding announcement, Imperium3 NY signed Binding Sales Agreements with several end users amounting to 40% of the planned first years of 3GWh production.

Agreements have been signed with a number of groups for terms ranging from 3-5 years with these counterparties and price details remaining confidential due to commercial sensitivity. End users are from a diverse range of industries including the automotive and energy sectors. The majority of customers are based in the United States, Asia and the Middle East and have been engaged with the consortium during the year towards building a sustainable supply chain to produce lithium-ion batteries.

Sales agreements are for the consortium's proprietary patented cathode technology, which eliminates the need for cobalt and nickel, while delivering comparable performance in terms of energy density and life at a significantly lower cost.

Over 30 battery material inputs, including raw materials, electrolyte, separator, additives and binders are currently undergoing qualification from strategic suppliers of these critical ingredients. Most of these upstream suppliers have production plants in the United States which makes Imperium3 NY batteries independent of Asia which is where most of today's lithium-ion batteries are produced. Combining local content and technology, Imperium3 is evolving as a global player and first in class to produce lithium-ion batteries with a western supply chain.

Imperium3 engineers are working closely with global battery equipment manufacturers to finalise the specifications of its machinery and automation that would make the New York Gigafactory one of the most efficient lithium-ion manufacturing plants globally.

## **Energy Giants Join Magnis to Develop German Gigafactory**

Magnis announced early in October the signing of a MoU for a 30GWh Lithium-ion battery with integrated Lithium-ion battery recycling plant in North Rhine Westphalia, Germany, within the Emscher-Lippe region.

The agreement is supported by the North Rhine Westphalia (NRW) government and has been signed by Magnis and Public-Private Partnership (PPP) WiN Emscher-Lippe GmbH (WIN).

The WIN PPP members include Energy and Chemicals giants such as British Petroleum (BP), EVONIK, INEOS, SABIC, SASOL, E.ON, Uniper, RAG and RWE/ Innogy, a number of financial institutions, government entities and economic development entities such as NRW-Bank, NRW.Invest. Thirteen regional municipalities for the economic development of the Emscher-Lippe region an industrialised area in NRW, are also members.

### **NRW**

With a population of 17 million and having US\$800 billion GDP, the Federal State of NRW, is Germany's largest Federal State and the largest industrial activity centre within Europe. Two sites have been shortlisted with the necessary infrastructure to provide advantages for Lithium-ion battery production.

### **Key Terms of the Development Agreement**

Under the Agreement, a 30 GWh Lithium ion battery manufacturing with integrated Lithium-ion battery recycling facility will be setup in NRW. The battery manufacturing plant development will be an integrated facility aimed at achieving the most sustainable supply chain solutions and include product qualification, quality control and close loop on site recycling.

The Emscher-Lippe region has a strong industrial base with one of the largest energy-chemicals clusters in Europe and there is existing infrastructure in place to house future industries such as the proposed gigafactory. The development of new industries, such as battery manufacturing, is regarded as an essential prerequisite for future employment and economic activity in NRW, especially in the Emscher-Lippe region. This would be a gain for the existing automotive industry and in the new industries that include renewable energies and consumer technologies.

Magnis will be responsible for sourcing raw materials and associated technologies. With its partners, Magnis will assist with general project development and management of the project.

### **Target Markets**

The automotive industry is critical to the German economy and electromobility is a major target market for the project. Germany is also leading the world in the transition to renewables, with over one-third of electricity generation now from renewables. Such a high proportion of intermittent renewables is starting to impact grid stability and hence stationary energy storage is another key target market for future production.

Meetings have been held with groups in the target markets based in Germany who have expressed interest in potential offtake and co-operation with more information expected in the near future.

Subsequent to the quarter end, the Company provided an update on the Lithium-ion battery manufacturing plant planned for construction in Germany.

An entity to own the Germany battery plant has been established and will be known as Listrom with Magnis holding a 45% stake.

To fast-track the project towards the critical phase, Dr Jörg Fabri has been appointed as Managing Director of Listrom.

Dr Fabri's decorated career spans four decades in the energy and chemicals sectors, covering senior managerial positions in large energy companies such as Shell, E.ON (VEBA) and RWE. Dr Fabri has also held senior positions with world class consulting firms where he provided advice to a range of large battery companies.

The WIN PPP (or "consortium") is pleased to advise that it has been included into the European Union Battery Alliance, the same group whose members include motoring leaders such as BMW, Daimler, Nissan and Peugeot-Citroen amongst others.

### **First Phase Study**

The consortium has approved commencement of the first phase study, which entails seeking government support, project incentives, and the selection of a final project location, chosen from two potential sites.

The establishment of a supply chain cluster has also begun with discussions having commenced with a range of existing conglomerates in regional chemical clusters. The common goal has been to establish a major project stakeholder and additional strategic partnerships while obtaining funding to proceed to the next phase.

In the recent months, key meetings have taken place with senior members from major German Original Equipment Manufacturers (OEMs), leading industry affiliates in the Lithium-ion battery industry, and material suppliers from both Europe and the United States involved in this battery plant.

Recent meetings have been very promising following the review of our plans and our technology, and key agreements are expected to materialise in the coming quarter.

### **Townsville Update**

Magnis noted on 13 November 2017 to the ASX that it referenced an announcement by Queensland Premier Annastacia Palaszczuk for a grant of A\$3.1M towards the feasibility study for the Townsville Lithium-ion battery gigafactory. The grant was conditional upon the re-election of the government, that has proven to be successful.

The Townsville Battery plant project consists of Imperium3, Eastman Kodak Company and C&D Assembly. Magnis is currently a one-third owner of the Townsville battery plant.

The Imperium3 consortium will await further details on the processing of the grant once Queensland Parliament reconvenes next month. Further funding discussions continue to progress with government entities and private enterprises.

## **25,000 TPA Graphite Sales Agreement Signed with Major European Group**

Magnis announced to the ASX on 1 December 2017 the securing of a Sales Agreement for the supply of flake graphite with World Plastik ve Petrokimya Sanayi ve Ticaret, a division of the World Group ["World Group"].

The Agreement signed for 25,000 tonnes per annum of flake graphite consisting of 15,000 tonnes per annum of Super Jumbo [+500 microns] at 97-99%TGC purity and 10,000 tonnes per annum of Jumbo [+300 microns] at a purity of 97.5% - 99.5%TGC. Under the agreement, Magnis can source the graphite from its Nachu project, as well as from other mines that produce graphite based on the above specifications.

Pricing is fixed over the initial 3-year term and is commercial in confidence with first delivery expected in 2019.

Overall pricing exceeds the forecasts used in the Magnis Bankable Feasibility Study released via an announcement to the ASX on 31 March 2016.

World Group is a major player in the field of Energy, International Commodity Trade, E.P.C, financing solutions and infrastructure projects. It has headquarters in Istanbul with finance offices in Geneva as well as representative offices in the regions of the Middle East and North African, Commonwealth Independent States and Asia.

The majority of its business activity is physical trading of oil, gas, petrochemical and polymer Products. In addition to trading of commodities through its fully owned and stake holding subsidiary companies, World Group is also a developer, investor and co-owner of power plants, energy and infrastructure projects and oil and gas product storage terminals.

World group is a member of the Energy Council of Foreign Investors for The Republic of Turkey, a group consisting of government officials, industry, and other stakeholders with a view to support the efforts of both international and national market players for new endeavours in the developing Turkish energy market.

Further information on the Word Group can be found at [www.worldkimya.com](http://www.worldkimya.com)

## **Update on Tanzania Mining Legislation and Regulations**

Magnis' Tanzanian executives continue to meet with government officials and the Ministry of Minerals in Tanzania to discuss the benefits and support of the integrated development of the Nachu Graphite Project coupled with downstream operations of the Special Economic Zone. The exact impact from the recent regulation changes that form part of the Mining Act in Tanzania on Nachu requires more details from officials at present and the Magnis team based in Tanzania are working together with relevant parties to lay the groundwork for suitable outcomes for the Company and Tanzania.

Over the past year, due to Magnis' pivotal role in the development of proposed Lithium-ion Battery Gigafactories in the United States, Germany and Australia, Magnis has evolved from being solely a supplier of graphite from its Nachu Project to becoming both a potential buyer and seller of graphite as well as being a significant and active participant in Lithium-ion battery manufacturing.

In its role as a graphite buyer, Magnis continues to examine diversifying its sourcing of anode materials for the Lithium-ion Battery Gigafactories, in which it has interests, to mitigate the risk posed from an over reliance on one source. Through this diversification, Magnis has and continues to assess multiple sources of natural and synthetic graphite.

## Funding

Cash position for the Company at 31 December 2017 was A\$5.35M.

The funding position provides a strong capital base for the future as the Company continues its focus on the lithium-ion battery factory strategy including the responsibility for the end to end supply chain in sourcing the raw materials and associated technologies for lithium-ion battery cells.

Subsequent to the quarter end, the Company has received a research and development rebate amounting to \$241,698 from the Australian Taxation Office.

## Investor Relations Appointment

Mr Travis Peluso was appointed to the position of Investor Relations Director during December. Travis has joined the Magnis executive team and will take on a role of accountability for the communication to both the institutional and retail investment communities. He will be the point of contact to add detail and context behind the Magnis journey, going from African graphite supplier to one of the world's largest manufacturers of lithium-ion battery cells. Travis has been a supporter and significant long term investor of Magnis for the past 8 years.

Travis has spent the past 22 years immersed in the rapidly evolving telecommunications and technology sector, with his past 10 years in senior management/executive roles at both Telstra and Singtel-Optus. An experienced executive and manager of large diverse teams, Travis has an aptitude for evolving technology with strong commercial and deal-making capabilities.

## Tenements

The following is the Schedule of Mineral Tenements held by the Company:

SML550/2015	SML Nachu	[100%]
PL10929/2016	Nachu	[100%]



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