ASX:MNS | FRA:U1P | OTCQX:MNSEF

QUARTERLY REPORT

31 JANUARY, 2022

Highlights

- Magnis' subsidiary Imperium3 New York (iM3NY) Gigawatt scale Lithium-ion Battery Plant began its semi-autonomous phase. This is an important phase during the plant's construction as batches of cells can be produced for both marketing and due diligence purposes.
- At the end of December 2021, the iM3NY New York Plant Status was 51% complete and on track to be in fully automated production by 1H 2022.
- Magnis' Lithium-ion technology partner, C4V has produced exciting initial results in their Extra Fast Charging battery program with 7Ah (Amp hour) commercial cells using their patented BMLMP Technology. Current results show no capacity loss after 250 cycles with 15 min charge and variable discharge rates.
- The New York State Energy Research & Development Authority EFC Bus Program feedback to date has been very positive. The purpose of the program was to illustrate that C4V's Extra Fast Charging technology can be applied to State Transit Buses in New York State.
- Magnis Energy Technologies shares commenced trading on the OTCQX® Best Market under the ticker MNSEF. The OTCQX Best Market is the highest market tier of OTC Markets on which over 11,000 U.S. and global securities trade.
- Magnis signed a binding offtake agreement with Traxys Europe for the supply of graphite. The Traxys Group is a leading international physical commodity trader and merchant in the metals and natural resources sectors specialising in supply chain management of critical and technology minerals and metals. The agreement is for a 6-year period starting in late 2024 with a total of 600,000 tonnes of flake graphite covering all flake sizes

Magnis Energy Technologies Ltd (**ASX: MNS; OTCQX: MNSEF**) ("**Magnis**" or the "**Company**") is pleased to present its Quarterly Activities Report and overview of operations for the period ended 31st December 2021 ("**Quarter**", "**Reporting Period**").

OPERATIONAL UPDATE

iM3NY New York Lithium-ion Battery Plant Update

Magnis is committed to providing regular updates to shareholders regarding its subsidiary Imperium3 New York (iM3NY) as it builds out one of the largest home-grown, non-China reliant Gigawatt scale Lithium-ion Battery Plants in the US. The iM3NY team continues to collaborate with their EPC contractor Ramboll working through crucial design feed information. As of the end of the Quarter, the plant was 51% complete with significant progress made on internal and exterior works, the cathode and anode mixing rooms, cell assembly dry room, high bay dry room and the electrical sub-station.

iM3NY has commenced its Semi-Autonomous production phase and remains on track to achieve full automation by the first half of 2022. Shareholders should anticipate regular updates on the remaining items required to bring the factory to full automation.

Figure 1: Timeline of various production stages

Figure 2: iM3NY employees on the factory floor

Semi-Automated production started at the end of December with a batch of full-sized cells produced. This is an important phase where batches of cells are being produced for both marketing and due diligence purposes. Volumes will continue to increase right up to fully automated production, expected to occur in 1H 2022.

Figure 3: Production cells drying out ahead of cell assembly and testing

During the construction phase of the project, it is paramount that all required state permits were granted. As part of the build out, iM3NY was required to obtain three major permits, namely the Environmental Justice Plan, Air Permit and Aquifer Permit. During the Quarter, all permits required were granted, meaning all major regulatory approvals were met.

Over the reporting period, iM3NY was pleased to host a visit from the Consul General for Australia in New York and Northeast United States, Nick Greiner AC at their ~22,000 sqm Lithium-ion battery plant. The Consul General, Nick Greiner AC inspected the progress of the majority Australian owned Lithium Battery Plant and met key management and Directors of iM3NY to discuss the significance of the project.

Figure 4: Consul General for Australia in NY and Northeast, Nick Greiner AC along with iM3NY Chairman Dr Shailesh Upreti inside the New York Lithium-ion Battery Plant

C4V Extra Fast Charging Results

Our Lithium-ion technology research partner C4V continues to produce fantastic results in their fast-charging programs, aimed at solving one of the major issues facing widespread electric vehicle adoption today. The fast charging (FC) program previously announced on 22 June 2021 was a huge success. The program used 2-3Ah (Amp hour) cells which had a retention rate of over 60% at 2C-2C rates (30 min charge and 30 min discharge) after over 6000 cycles using C4V's patented Bio-mineralised Lithium mixed-metal phosphate (**BMLMP**) cathode technology. BMLMP has already been commercialized, is used in live applications today and will be produced at iM3NY's upcoming Gigafactory.

Following that success, the decision was made to fast track the extra fast charging (EFC) program using larger 7Ah commercial BMLMP cells. During the quarter, C4V achieved exciting initial results in the EFC battery program with 7Ah commercial cells. Current results show negligible capacity loss after 250 cycles with 15 min charge and variable discharge rates. The plan in 2022 is to take this program to over 3000 cycles and then run new programs at a higher current to achieve a 10-minute charge and then onto a 6-minute charge.

The tests were done at 90% depth of discharge which equates to a maximum energy being infused and withdrawn during charge and discharge cycles. These cells were made with standard scalable processes and materials from highly qualified suppliers to allow the scale-up of the technology with limited variability leading to a swift launch in the marketplace.

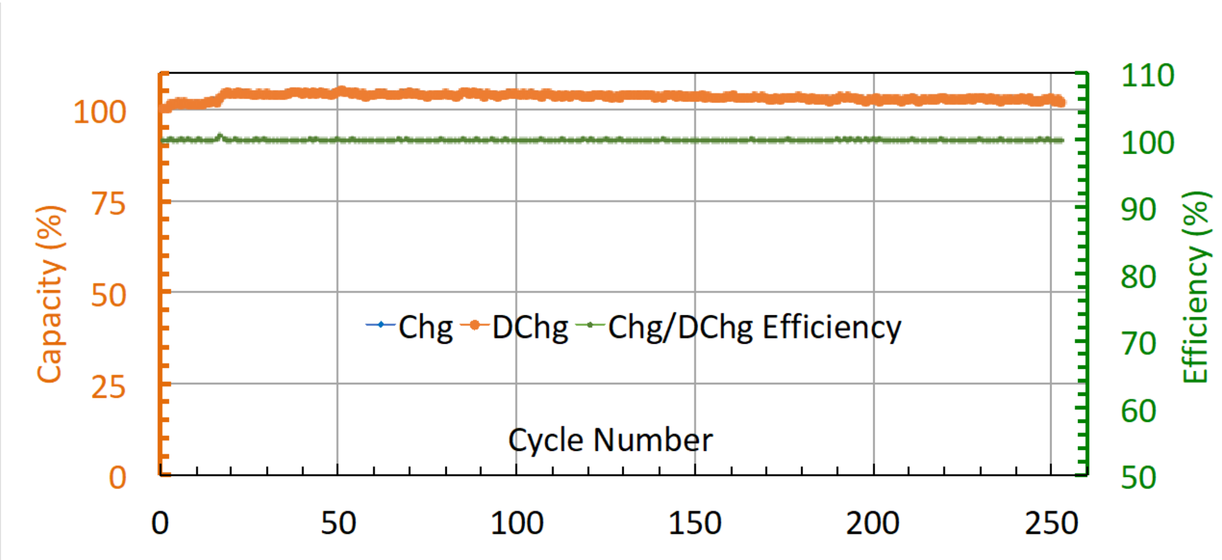

Figure 5: Optimized EFC 7Ah cell cycling data

C4V's EFC and FC results are expected to have a major impact on the transportation industry. This is particularly important for public transport such as buses as they are constantly on the road so require frequent charging and discharging. Traditionally batteries used in the EV industry currently have up to 80% retention after approximately 1,000 cycles using lower charging rates. The problem arises when constant fast charging rates are applied to traditional batteries, it typically decreases the battery life dramatically. Therefore, the real significance comes from the number of cycles coupled with charging times. Initial results show that the FC programs have been able to run through thousands of cycles with less degradation than other batteries. The EFC programs are expected to also show positive results and Magnis considers these results are a potential game changer for the industry.

Nachu Graphite Project Update

Over the Quarter, Magnis' wholly owned Nachu Graphite Project has been busy ramping up project works as it moves closer to commencing construction. Water bore drilling to identify water required for construction purposes was very successful with several drill holes all showing significant water flow. Most importantly, the water volumes achieved are suitable for the construction phase. Furthermore, fencing off Nachu is expected to begin in Q1 2022 with the process to be completed within 3 months of starting.

Activities have also begun on the Eco-Village which will provide housing for 56 families affected by construction works. It is expected that during Q1 2022 the construction of the village will begin. Clearing works are also nearing completion with roadworks having commenced.

Binding Offtake Agreement for Nachu Graphite

After several months of providing flake graphite samples from Nachu for qualification purposes, Magnis signed a legally binding offtake agreement ("Binding Offtake Agreement") with Traxys Europe SA ("Traxys"). This is a major step in securing funding for Magnis' Nachu Graphite Project.

Headquartered in Luxembourg, Traxys is a physical commodity trader and merchant in the metals and natural resources sectors. Its logistics, marketing, distribution, supply chain management and trading activities are conducted by over 450 employees, in over 20 offices worldwide, and its annual turnover is in excess of USD 7 billion. Traxys, a privately held company, is owned by Traxys' management team, The Carlyle Group (NASDAQ:CG), and affiliates of Louis M. Bacon, the founder of Moore Capital Management, LP, and Moore Strategic Ventures, LLC, Mr. Bacon's privately held investment company.

The Binding Offtake Agreement provides for the future delivery and sale of high-quality natural graphite concentrate from Magnis' wholly owned Nachu Graphite Project in Tanzania. The duration of the delivery is for a 6-year period starting in late 2024 of 600,000 tonnes of natural graphite covering all flake sizes. The Binding Offtake Agreement provides that Traxys (or, if applicable, one of Traxys' customers) must take delivery of:

- 50,000 tonnes of Product (with varying specifications) within the first 12 months of the Commencement Date; and
- 110,000 tonnes of Product (with varying specifications) in each of the following 5 delivery years.

Under the Binding Offtake Agreement, Magnis is required to deliver natural graphite concentrate with the specifications below:

Mesh	Microns	Weight %	Production grade
Up to 35	500	9%	> 98.5
35 to 50	300 to 500	32%	> 98.5
> 50	< 300	59%	> 99.0

The pricing of graphite concentrate is to be delivered based on market prices of an equivalent production grade graphite concentrate at the time of delivery.

SUSTAINABILITY UPDATE

Corporate Social Responsibility in Tanzania

Magnis continues to place significant importance on Corporate Social Responsibility, notably in its Nachu graphite project in Tanzania. The Company has been engaged in social projects for 10 years with the local community and involved in the following programs.
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- Construction of Teachers room at Namkatila Primary School
- Maintenance of community garden
- Providing building materials and overseeing works for Mihewe Medical Clinic
- Providing building materials and overseeing works for Matambarale South Medical Clinic
- Providing building materials and overseeing works at the Matambarale Primary School

Figure 6: Building supplies provided to Mihewe Medical Clinic

CAPITAL MARKETS UPDATE

North American Trading in Magnis Shares

The Company began trading on the OTCQX® Best Market under the ticker MNSEF on November 23rd, 2021. Trading on OTCQX will enhance the visibility and accessibility of the Company to U.S. investors as it provides value and convenience to U.S. investors, brokers and institutions seeking to trade MNSEF. The OTCQX Best Market is OTC Markets Group's premier market for established, investor-focused U.S. and international companies on which over 11,000 U.S. and global securities trade. To be eligible, companies must meet numerous strict criteria that demonstrates compliance with U.S. securities laws, be current in their disclosure, and have a professional third-party sponsor introduction, which was assessed by OTCQX.

As part of the Company's effort to simplify access even further for US investors, Magnis is currently in the process of securing Depository Trust Company ("DTC") eligibility for its common shares. DTC manages electronic clearing and settlement of publicly traded companies across the United States and in 131 other countries. Trading through DTC allows for cost-effective clearing and guaranteed settlement, simplifying and accelerating the settlement process of daily trades.

CORPORATE UPDATE

Convertible Notes update

On 3 August 2021 a convertible note facility was announced for $20 million. During the quarter Lind Partners converted their final outstanding amount to equity. The remaining note holder SBC Global Investment Fund has $1.75M remaining.

Unlisted Options being exercised

On 8 February 2021 a capital raising was successfully completed which included 121,428,572 unlisted options with a strike price of $0.50, which are due to expire in May 2023. During the quarter, 39,455,471 options were exercised with $19,727,735.50 received. Post-quarter, a further 4,077,367 shares were exercised for a further $2,038,683.50.

Further information as required under Listing Rule 5.3

No substantive mining exploration occurred during the Quarter, with the primary work related to water work already outlined. The major development activity that occurred was the corporate binding Traxys off-take agreement earlier discussed.

No licenses were given up or acquired in the relevant period. Magnis' licences 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 Limited (**ASX: MNS; OTCQX: MNSEF**) is a vertically integrated lithium-ion battery company with strategic investments in several aspects of the electrification supply chain including manufacturing of green credentialed lithium-ion battery cells, leading edge lithium-ion battery technology and high-quality, high-performance anode materials. The Company's vision is to enable, support and accelerate the green energy transition critical for 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:

Frank Poullas
Executive Chairman
Ph: +61 2 8397 9888
www.magnis.com.au
Suite 9.03 Aurora Place, 88 Phillip Street, Sydney NSW 2000

Appendix 5B

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

Name of entity

Magnis Energy Technologies Ltd

ABN	Quarter ended ("current quarter")
26 115 111 763	31 December 2021

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 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	-	(8)
	(c) production	-	-
	(d) staff costs	(1,732)	(2,943)
	(e) administration and corporate costs	(2,433)	(4,936)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	10
1.5	Interest and other costs of finance paid	(3,384)	(5,743)
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**	**(7,546)**	**(13,620)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant, and equipment	(6,529)	(8,946)
	(d) exploration & evaluation (if capitalised)	(318)	(675)
	(e) investments in iM3NY, Charge CCCV	81	166
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(c) property, plant, and equipment	232	232
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities*	2	5
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(6,532)**	**(9,218)**

* 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)	2,200	22,200
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	19,728	19,728
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,200)	(1,205)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	14	14
3.7	Transaction costs related to loans and borrowings	770	1,513
3.8	Dividends paid	-	-
3.9	Other (provide details if material)^	-	-
3.10	**Net cash from / (used in) financing activities**	**21,512**	**42,250**

^ 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	87,938	72,895
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,546)	(13,620)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(6,532)	(9,218)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	21,512	42,250
4.5	Effect of movement in exchange rates on cash held	(716)	2,349
4.6	**Cash and cash equivalents at end of period**	**94,656**	**94,656**

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	94,656	87,938
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)**	**94,656**	**87,938**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	225
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	68,899	68,899
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**68,899**	**68,899**

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.

On 19th April 2021, Magnis announced that its majority owned subsidiary Imperium3 New York Inc. (iM3NY) had received a mixture of debt and equity funding, which included a US$50 Million senior - secured term loan from Riverstone Credit Partners L.P. (Riverstone) that is to be used to fast-track production at the iM3NY Lithium-ion Battery Manufacturing Plant located in Endicott, New York. Broad terms of the Loan include Amount: US$50 Million, Term: 4 Years and Interest Rate: 12.5% p.a.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(7,546)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(318)
8.3	**Total relevant outgoings (Item 8.1 + Item 8.2)**	**(7,864)**
8.4	Cash and cash equivalents at quarter end (Item 4.6)	94,656
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	**Total available funding (Item 8.4 + Item 8.5)**	**94,656**
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	**12.0**

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

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

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

Notes

1. 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.
2. 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.
3. 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.
4. 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".
5. 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.