

QUARTERLY REPORT

For Quarter Ending December 2022

Key Highlights

- **Magnis' Lithium-ion battery manufacturing facility operated by Imperium3 New York Inc ("iM3NY") completed internal qualification of its commercially produced cells.**
- **Progress made for planned US active anode material facility with orders placed for key demonstration plant equipment and appointment of commercial real estate advisor JLL to locate a suitable site**
- **Construction of the Eco-village as part of the Resettlement Action Plan for the Nachu Graphite Project in Tanzania was largely completed with resettlement to occur in the third quarter FY23**
- **Magnis' Corporate Social Responsibility programs continue to provide much needed infrastructure for the local community with running water provided to the homes in the village and solar powered street lighting throughout the village**
- **Financial and legal advisers with extensive transactional experience in the mining and metals industry in Africa appointed to assist with funding for the Nachu Graphite Project**
- **Continued negotiations on the framework agreement with the Government of Tanzania which is expected to be concluded during the third quarter FY23**

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 31st December 2022 (“**Quarter**”, “**Reporting Period**”).

COMPANY OVERVIEW

Magnis’ vertically integrated lithium-ion battery technology and materials strategy involves the development of strategic assets, investments and partnerships in key segments of the Lithium-ion battery supply chain. The company’s vision is to enable, support and accelerate the mass adoption of electric vehicles and renewable energy storage critical for the green energy transition.

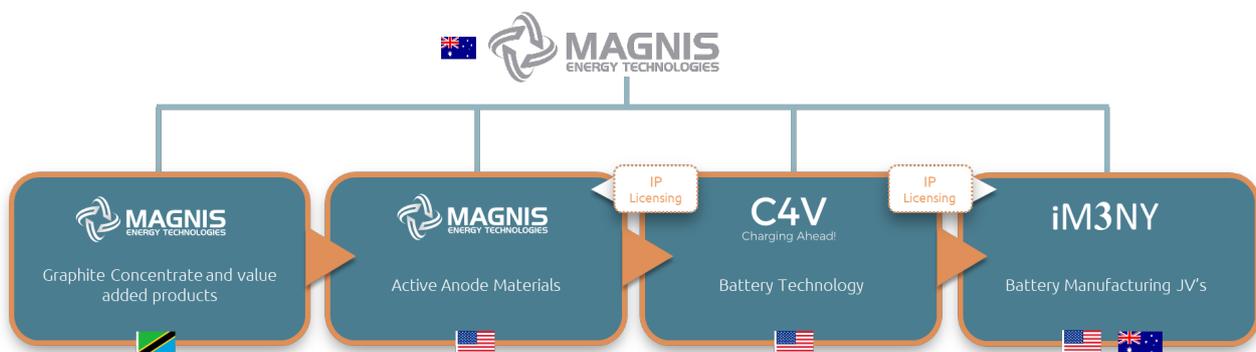


Figure 1: Magnis’ Integrated Lithium-ion Battery Strategy

OPERATIONAL UPDATE

Imperium3 New York Lithium-ion Battery Plant

Post the commencement of commercial production, an internal qualification process commenced to ensure cells are in compliance with safety and environment guidelines as well as customer product specifications. During the quarter, this program was successful with cells now undergoing independent certification prior to being shipped to customers in commercial quantities.

Independent certifiers were appointed during the quarter to complete the certification of cells for transportation. Due to staffing resources by the independent certifier, there have been delays experienced. Meanwhile, sample cells are being assessed by customers to ensure they meet their specifications.

Once the independent certification has been completed, commercial quantities will be shipped to customers. Revenue recognition will commence once customers have finalized their assessment processes.

iM3NY Expansion Strategy Underway

HSBC has been appointed as financial adviser to iM3NY to assist with its funding strategy to meet the expansion plans to reach 38GWh in the coming years. The process to date has yielded interest from a number of parties, including OEM's and financial investors.



Figure 2, Top Left: Professor M. Stanley Whittingham talking with Alejandra Y. Castillo, the Assistant Secretary of Commerce for the US Economic Development Administration

Figure 3, Top Right: Cell Assembly Line at iM3NY

Figure 4, Bottom Left: iM3NY P-Series battery cells

Figure 5, Bottom Right: Magnis CEO, David Taylor addresses several members of the iM3NY team in Endicott, New York

Magnis Active Anode Materials Project Advances

Magnis' plans to establish an Anode Active Material (AAM) manufacturing plant utilising high quality and high purity natural graphite feedstock from its wholly owned Nachu graphite project in Tanzania progressed further with the following milestones achieved during the quarter.

- Orders placed for key long lead time equipment with leading supplier Hosokawa Alpine Aktiengesellschaft for its Active Anode Material Demonstration Plant, which equipment will also be utilized in the full scale AAM Plant
- Continued work with its battery technology partner C4V LLC to produce AAM samples utilising graphite concentrate from Nachu for testing by potential customers
- Appointed Jones Lang Lasalle, Americas, Inc as commercial real estate adviser to identify and secure a real estate solution that best meets the Company's long-term operational plans for a full scale AAM plant. Several locations within the United States are currently being investigated
- Discussions held with several global engineering groups to conduct the necessary technical feasibility studies required for the full-scale plant

Key Advisers appointed for the Nachu Graphite Project

Key financial and legal advisers were appointed to assist with project financing required to fund construction of the Nachu Graphite Project. Independent corporate finance advisory firm HCF International advisers based in London, UK was selected based on their experience and expertise in the mining and metals sector, and a long history of securing funding for projects in Africa. Additionally, International law firm Milbank LLP was appointed as legal adviser given their experience advising a range of clients on some of Africa's most significant project finance transactions.

Eco-Village Resettlement Program

The company had identified 785 Project Affected People (PAP) who were assessed and compensated, of those only 59 families were living on the special mining licence area. 70 houses are being constructed, 59 for the identified PAPs and 11 for some PAPs that were identified as disadvantaged during the valuation process. The Eco-village being built to house those families, was completed save for some minor works such as street lighting.

As of the end of December 2022, the construction of all housing units of the Eco – Resettlement Village was completed. The ground surface has been levelled to allow for landscaping work to also begin. The next phase will be the construction of the internal roads and the installation of solar powered streetlights. The Uranex CSR Team is working on the necessary plans to cater to the households with livestock, as well as preparation of training programs which will assist the PAP's with their relocation.



Figure 6 & 7: Eco-village & Water Tank Tower

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.

In November 2022, the Uranex CSR team mobilized the Eco-Village contractors to promote their engagement in CSR actions in the Ruangwa district with the team assisting in the completion of Chunya Mtumbuni Primary school.

The Namikulo Maternity ward is nearing completion and in its final phase. External paint has been applied, security bars, aluminum windows and mosquito nets have been installed, and outside levelling has been completed.



Figure 7: Back of the maternity ward

The CSR team continued to refine its list of Long-Term Sustainable Projects for the Nachu Graphite Project's surrounding communities and environment. After conducting surveys and meetings with affected communities, the team chose to focus on programs to promote safe water, capacity building, livelihood restoration, gender focused programs and skills and education-based training.

CORPORATE UPDATE

Townsville Update

During the quarter, Townsville Council revoked their original allocation of land in the Lansdown Development instead offering IM3TSV the opportunity to reapply for an alternate site after it changed its focus for the Lansdown Development, focusing more on Hydrogen. Magnis also moved to majority ownership of IM3TSV through the acquisition of an additional 33% of its parent for a nominal fee.

At this point in time, Magnis has decided not to pursue an alternate site at the Lansdown development, as there are no sites that meet our requirements. Magnis are instead considering other options for the location of its Australian gigafactory.

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 are as follows:

- 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

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 several aspects of the electrification supply chain. The

company's US based subsidiary Imperium3 New York, Inc ("iM3NY") operates a Gigawatt scale Lithium-ion battery manufacturing plant in Endicott, New York. Magnis along with its joint venture and technology partner Charge CCCV LLC ("C4V") are the major shareholders in iM3NY. iM3NY has commercialised C4V's patented cathode technology to produce green credentialed lithium-ion battery cells. Magnis also has a minority stake in C4V and has also exclusively licensed their anode technology to produce high quality, high performance anode materials 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 Ltd (ACN 115 111 763).

FOR FURTHER INFORMATION

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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")

31 December 2022

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	(704)	(1,525)
	(c) production	(2,163)	(3,653)
	(d) staff costs	(1,011)	(1,826)
	(e) administration and corporate costs	(830)	(5,697)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	35	47
1.5	Interest and other costs of finance paid	(3,762)	(6,870)
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	(8,435)	(19,524)
2.	Cash flows from investing activities	-	-
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements	-	-
	(c) property, plant, and equipment	(28,453)	(42,395)
	(d) exploration & evaluation (if capitalised)	(813)	(1,389)
	(e) investments in iM3NY, C4V, iM3TSV	(5)	(5)
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements	-	-

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) property, plant, and equipment	2	2
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities*	138	242
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(29,131)	(43,545)

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

3. Cash flows from financing activities	-	2,140
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities	-	(1,000)
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	5,675	4,523
3.8 Dividends paid	-	-
3.9 Other (provide details if material)^	-	-
3.10 Net cash from / (used in) financing activities	5,675	5,663

^ 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	78,830	100,238
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(8,435)	(19,524)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(29,131)	(43,545)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,675	5,663
4.5 Effect of movement in exchange rates on cash held	(2,404)	1,703
4.6 Cash and cash equivalents at end of period	44,535	44,535

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

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	44,535	78,830
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)	44,535	78,830

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	405
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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	146,705
7.2	Credit standby arrangements	-
7.3	Other (please specify)	-
7.4	Total financing facilities	146,705

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 majority owned subsidiary Imperium3 New York Inc(iM3NY) has a US\$100 million loan facility ("loan facility").

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 or below link for more details. <https://wcsecure.weblink.com.au/pdf/MNS/02511299.pdf>

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(8,435)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(813)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(9,248)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	44,535
8.5 Unused finance facilities available at quarter end (Item 7.5)	0
8.6 Total available funding (Item 8.4 + Item 8.5)	44,535
8.7 Estimated quarters of funding available (Item 8.6 divided by (Item 8.3 x -1))	4.8

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: 25 January 2023

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.