

ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Wednesday 26 April 2023

Quarterly Activities and Cashflow Reports

Li-S Energy Limited (ASX: LIS) ("LIS" or "the Company") is pleased to provide its March 2023 Quarterly Activities and Cashflow Reports.

This announcement has been authorised by the Board.

For further information contact:

Dr. Lee Finniear

Chief Executive Officer Li-S Energy Limited +61 (0)7 3054 4555

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ASX Announcement

Wednesday 26 April 2023

Li-S Energy Limited (ASX: LIS) ("Li-S Energy" or "the Company") is pleased to provide the following activities report for the quarter ended 31 March 2023, pursuant to Listing Rule 4.7C.

Highlights, material developments and changes

- Built the first test cells utilising our third generation (GEN3) semi-solid state lithium sulfur technology. The GEN3 technology provides a number of key improvements over our second generation lithium sulfur cells, including a significant improvement in volumetric energy density, higher gravimetric energy density, and an enhanced safety profile through the use of a low flammability electrolyte.
- Achieved a 45% increase in volumetric energy density with those new GEN3 20-layer semi-solid state lithium sulfur battery cells. The cells are demonstrating a gravimetric energy density of over 400Wh/kg, and a volumetric energy density of 540Wh/l.
- Appointed Dr Paul Bayley as Research & Development Manager. Dr Bayley joins us after spending six years at Apple Inc in Cupertino, USA, where he was leading battery development projects for advanced lithium metal and lithiumion batteries. Dr Bayley also has a PhD in Ionic Liquid Electrolytes for Lithium Metal Batteries. His appointment adds significant breadth and depth to the technical and scientific capabilities of our team.
- Continued Phase 3 facility design and construction. This is progressing well, with the dry room chiller units, installed on-site during the quarter. The dry room wall, roof panels and the dehumidifiers were also being produced by the manufacturers during the quarter.
- Thoroughly evaluated prospective Phase 3 equipment manufacturers from Europe and Asia, and completed multiple onsite manufacturer and customer factory inspections to assess live demonstrations of the equipment options in operation.
- The CEO visited the UK, Europe, USA and Asia to advance the Company's battery commercialisation and partnership development program during the quarter:

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- In Europe the schedule included meetings with large European battery manufacturers and global aerospace and defence companies, developing relationships to support our battery commercialisation. Li-S Energy management also met with a number of UK & European battery R&D and scale up facilities including the UK Battery Industrialisation Centre.
- In the USA we met with our eAviation partner, Magnix to further our existing project, and attended the International Battery Seminar in Orlando to expand our global relationships with prospective partners.
- In Asia we met with equipment manufacturers to finalise the equipment selection for our Phase 3 2MWh production line.
- The Company had \$36.3 million in cash at 31 March 2023.

CEO Dr Lee Finniear commented:

"This quarter has seen us achieve a breakthrough in our volumetric energy density with the new 20-layer GEN3 semi-solid state lithium sulfur battery cells, produced at our new Phase 2 facility in Geelong, Victoria.

The 45% increase in volumetric energy density is highly significant, as it substantially reduces the physical size of our cells while still delivering twice the energy density compared to lithium ion. This is critical in applications where battery size and weight are both important.

Our 2MWh Phase 3 production facility construction continues on schedule. External concrete works and the dry room chiller installation were completed during the quarter, and we expect the dry room walls, roofing and additional plant installation to commence in the coming quarter.

I was extremely pleased to appoint Dr Paul Bayley as our R&D Manager quartering February 2023. With more than 6 years experience leading key battery development projects at Apple Inc in the USA, combined with a significant body of lithium metal and lithium ion cell research, his appointment complements and deepens our team's overall expertise and management capability.

During the quarter I visited UK, Europe, USA and Asia to meet existing partners, build new prospective partner relationships, and enhance the planning of our global commercialisation strategy. During the visits I met with major Gigafactory operators, product OEMs, and industrialisation hubs and we continue to move forward with more detailed discussions with key industry players."

Summary of expenditure

Please refer to Appendix 4C below for the detailed quarterly cash flow report, including a summary of the Company's expenditure on the above activities.

Net cash outflows used in operating activities during the quarter were \$422,000. This was primarily driven by:

- Total staff costs of \$329,000, of which \$173,000 were reallocated to investing activities and capitalised against intellectual property and property, plant and equipment;
- Payments for administration and corporate costs of \$770,000, consisting of payments for management support services to a subsidiary of PPK Group Limited of \$180,000, and other administration and corporate costs of \$590,000; and
- Partly offset by interest income of \$349,000 and a GST refund received of \$176,000.

The net cash outflows used in investing activities during the quarter were \$1,289,000, consisting primarily of:

- Payments for intellectual property of \$968,000, reflecting payments to Deakin University for development activities of \$742,000, payments to other partners for development work of \$151,000, as well as the capitalisation of employee costs against the development activities undertaken of \$75,000; and
- Payments for property, plant and equipment of \$321,000, primarily related to equipment purchases for the phase 3 production facility.

The net cash outflows from financing activities for the quarter of \$53,000, consisted of repayments to its lease liability, accounted for in accordance with AASB 16 *Leases*.

Use of funds

Pursuant to Listing Rule 4.7C.2, the Company provides in Table 1 below, a comparison of its actual expenditure on the individual items in the "use of funds" statement since the date of admission to the official list against the estimated expenditure on those items in the "use of funds" statement in the IPO prospectus and an explanation of any material variances.

\$'000	Use of funds estimate (per Prospectus)	% of Funds	Cash payments to 31 March 2023	% of actual funds expended against Cash Payments to 31 March 2023
Project Expenditure	29,113	85.63%	7,363	51.69%
Costs of the Offer	3,582	10.54%	2,236	15.70%
Other Working Capital	1,305	3.84%	4,644	32.61%
TOTAL	34,000	100.00%	14,243	100.00%

 Table 1 – Comparison of "use of funds" statement per prospectus to cash payments since the date of admission to the official list of the ASX to 31 March 2023

For the purposes of the above "use of funds" table, the Company has included some administration and corporate costs to the 'Other Working Capital' category. Per the Prospectus, these costs were budgeted for as Project Expenditure.

The material variances above are a result of the Company listing at the end of the September quarter 2021, giving 18 months of comparative cash payments versus a 2-year use of funds period estimate. Furthermore, expenditure does not occur in a linear manner, with actual spend evolving as the Company progresses towards the completion of the construction and fitout of the phase 3 facility.

Payments to associates or related parties

In accordance with Listing Rule 4.7C.3, the Company advises that it paid \$1,009,000 to related parties of the Company during the quarter, consisting of:

- Payments to Deakin University of \$829,000, broken down between payments relating to project activities undertaken in relation to the Research Framework Agreement of \$742,000, and payments under the lease agreements for production bays at Deakin's ManuFutures advanced manufacturing hub in Geelong, Victoria of \$87,000.
- Payments to a subsidiary of PPK Group Limited of \$180,000 for management support services provided in accordance with the relevant agreement, and as disclosed in section 12.6 of the Prospectus.

ENDS

This announcement has been authorised for release by the Board.

For more information contact:

Investors

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About Li-S Energy

With climate change driving the move to renewable energy and electric vehicles the demand for batteries is forecast to increase 10x by 2030. To drive this growth, there needs to be a better battery and Li-S Energy is pioneering that change.

Their new lithium sulfur and lithium metal technology will power the world's future by delivering lighter batteries with more than twice the energy density and — with no heavy metals — offer a cleaner and greener alternative. Their unique technology is ideal for low-weight applications such as eAviation, defence and heavy EVs and is set to revolutionise the industry.

For more information visit <u>www.lis.energy</u>.



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
Li-S Energy Limited	
ABN	Quarter ended ("current quarter")
12 634 839 857	31 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	-	-
	 (b) product manufacturing and operating costs 	-	-
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(156)	(402)
	(f) administration and corporate costs	(770)	(3,207)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	349	888
1.5	Interest and other costs of finance paid	(21)	(40)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other – GST refunds	176	507
1.9	Net cash from / (used in) operating activities	(422)	(2,254)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(321)	(1,501)
	(d) investments	-	-
	(e) intellectual property	(968)	(2,265)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:	-	-
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(1,400)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,289)	(5,166)

3.	Cash flows from financing activities	
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-
3.2	Proceeds from issue of convertible debt securities	-
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	(53)
3.7	Transaction costs related to loans and borrowings	-
3.8	Dividends paid	-
3.9	Other (provide details if material)	-
3.10	Net cash from / (used in) financing activities	(53)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$^2000
		\$A'000

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	38,085	43,853
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(422)	(2,254)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,289)	(5,166)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(53)	(112)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	36,321	36,321

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	36,321	38,085
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)	36,321	38,085

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	267	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	742	
	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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
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.		
N/A			

8.	Estim	ated cash available for future operating activities	\$A'000	
8.1	Net ca	sh from / (used in) operating activities (item 1.9)	(422)	
8.2	Cash a	and cash equivalents at quarter end (item 4.6)	36,321	
8.3	Unuse	d finance facilities available at quarter end (item 7.5)	-	
8.4	Total a	available funding (item 8.2 + item 8.3)	36,321	
8.5	Estima item 8	ated quarters of funding available (item 8.4 divided by .1)	86.1	
Note: if the entity has reported positive net operating cash flows in item 1.9, answer item figure for the estimated quarters of funding available must be included in item 8.5.			m 8.5 as "N/A". Otherwise, a	
8.6	If item	8.5 is less than 2 quarters, please provide answers to the follow	wing questions:	
	8.6.1 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?			
	Answe	er: N/A		
	8.6.2	Has the entity taken any steps, or does it propose to take any cash to fund its operations and, if so, what are those steps ar believe that they will be successful?		
Answer: N/A				
	8.6.3 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			
	Note: w	here item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 abo	we must be answered.	

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: 26 April 2023

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 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 standard applies 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 – eg 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.