

31 January 2023

ASX ANNOUNCEMENT

**DECEMBER QUARTERLY ACTIVITIES REPORT**

# Highly successful quarter positions Evion to be key graphite supplier to lithium battery industry

**Evion advances strategy to mine graphite, sell concentrate and supply battery anode material**

## **PROJECT HIGHLIGHTS**

- During the Quarter, the Company completed and published its Definitive Feasibility Study (“DFS”) for its wholly owned Maniry Project
- The DFS demonstrates compelling financial returns and found the graphite produced will be suitable for a range of value-added products, including the EV industry
- The DFS also supports Madagascar as an optimal location for graphite processing with recent reports indicating that Madagascar has the potential to be the largest producer of graphite outside China.
- Detailed Environmental & Social Impact Study (ESIA) program is underway with completion due in the short term – the ESIA will underpin final Mining Licence approvals.
- Development of Expandable Graphite JV in India gains momentum as tenders for long lead items are considered with commissioning planned for mid-2023

## **CORPORATE HIGHLIGHTS**

- Following approval at the Company’s AGM in November 2022, the Company changed its name to Evion Group NL (ASX:EVG).
- During December 2022, the Company signed a non-binding Offtake Agreement with Urbix Inc., (Urbix) to supply 15,000 metric tonnes per annum of product from its Maniry Plant immediately upon the commencement of production, scheduled for Q4 2024.
- The partnership with Urbix will expand to include a range of testing and other development initiatives. These, together with the supply agreement, perfectly position Evion to become a major contributor in the EV and alternative green energy sectors.

- Independent tests further established that Evion’s Maniry product is highly suitable for lithium-ion batteries. These results were subsequently used in the Battery Anode Material (BAM) Scoping Study to confirm the commercial viability of processing fines from Maniry at a processing facility in Europe.
- Subsequent to the Quarter ended, the Company delivered the BAM Scoping Study. The Scoping Study reveals a BAM plant in Europe validates Evion’s Maniry product is highly suitable for lithium-ion batteries and will generate robust returns. This study is a precursor to a Pre-feasibility Study.
- The Company held cash reserves of \$2.37m as at 31 December 2022 and is due a R&D tax credit of circa \$600,000 in the current quarter.

**Evion Group NL (ASX: EVG) (“Evion” or the “Company”)** is pleased to present shareholders an overview of key developments and milestones achieved for the period ending 31 December 2022 (“the Quarter”, “the Reporting Period”).

## PROJECT HIGHLIGHTS

### Definitive Feasibility Study (DFS) Update

On 3 November 2022, the Company announced the results of the completed DFS on its Maniry Project.

### DFS Key Financial Outcomes and Assumptions

Financial Metric	Unit	2022 DFS Result
Project Life	(Yrs)	21
CAPEX Stage 1 (1) (incl contingency)	(US\$ M, real)	79.2
CAPEX Stage 2 (incl contingency)	(US\$ M, real)	24.6
Average Sales Price (LOM) (2)	(US\$/t)	1,448
Average OPEX (LOM) - C1 (FOB)	(US\$/t)	658
Stage 1 Production of Concentrate	(t / pa)	39,000 average
Stage 2 Production of Concentrate (from yr4)	(t / pa)	56,400 average
IRR - before tax	(%, real)	32.65%
NPV - before tax	(US\$ M, real)	263
NPV - after tax	(US\$ M, real)	204.8
Payback Period	(Yrs)	3.8

(1) Forecast Capex has been classified as a Class 3 estimate with accuracy of ±15% as defined by AACE International

(2) Average LOM Pricing based on forecast data prescribed by Benchmark Minerals Intelligence, Wood McKenzie and UBS

The 2022 DFS results include larger CAPEX into Stage 1 which allows for a quicker and less disruptive construction and commissioning period for Stage 2 expansion. Additionally, substantial resource expansion during 2022 has contributed significantly to Maniry Project’s

increased life of mine, project returns and long-term project revenue. The Company intends to undertake additional exploration programs within the high-grade Razafy North West area to increase the resource even further with the intention of adding significantly to project economics.

### **Project Environmental, Social and Governance Update**

Evion has commenced its ESIA study which is required to complete the process of receiving final mining permits and approvals. The Company has engaged leading Consultants to assist in the management of this process and we expect this to be finished and ready for submission to the Malagasy Government, with our DFS, in the second quarter of this year.

This formal process to gain environmental and social approval for the project will include a continuation of the engagement with local stakeholders and all levels of Government. The Company has a strong and productive relationship with the local community with a number of locals now engaged with and supporting Evion in its development. The construction of a new 3 room school has also been completed.



*Figure 1: Completed school for the Maniry community*

### **Development of Joint Venture in India - Panthera Graphite**

Extensive planning continues with our JV Partners in India with development plans reaching conclusion with building of the plant to commence in the short term.

Additionally, the JV's management have engaged with local suppliers through a detailed tender process to manage the ordering of long lead items and this process is progressing well.

A contingent of management from our JV Partners are due to visit Perth in the short term for a series of meetings with the Evion Executive team due to travel to India over the next few months to overview development.

A separate and detailed market release in relation to our Expandable Graphite JV development will be made in the near future.

## **CORPORATE HIGHLIGHTS**

### **Offtake Agreement with Urbix**

During the Quarter, Evion announced that it had signed a non-binding Offtake Agreement (“the Agreement”) with Urbix – a company in the USA which is positioned to become one of the world’s largest producers of advanced, green anode material for the rapidly expanding EV battery market.

Highlights of this announcement included: -

- Evion will supply 15,000 metric tonnes per annum of product from its Maniry Plant in Madagascar to Urbix’s early-stage production of advanced Coated Spheroidized Purified Graphite for the EV battery industry.
- Ongoing joint development discussion between the parties creates opportunity to increase supply volumes substantially in the years to come as Urbix ramps up its production.
- The Agreement is a step towards the certainty of supply agreements for all Evion’s planned initial production of 39,000 metric tonnes per annum before the next stage of expansion.
- Both parties have intent to conclude a Binding Agreement in the near term and to expand extensively their partnership via further range of testing and other development activities.

***Subsequent to the Quarter ended***, Urbix announced it had signed a Development agreement to supply battery anode material to one of the world largest battery manufacturers, SK On. This agreement potentially provides an enormous opportunity for Evion as we seek to confirm the terms of binding offtake agreements during 2023.

<https://energynorthern.com/2023/01/19/urbix-and-sk-on-sign-joint-development-agreement-for-the-manufacture-of-high-performance-anode-material/>

### **Test Works Indicate High Suitability for Lithium Batteries**

During the Quarter, the Company delivered test results which confirmed that Maniry graphite is perfectly suited for use in a battery-grade product, with outstanding purity results of up to 99.99% fixed carbon achieved. The results demonstrate that Maniry graphite can be processed into the required form using an environmentally-friendly process which also requires lesser energy than conventional processes (*see ASX market release dated 22 December 2022*).

These test work results follow the announcement of a non-binding offtake agreement with Urbix, under which Evion will supply 15,000 metric tonnes per annum to feed Urbix’s early-stage

production of anode material for the EV industry. Evion will use these results in the Scoping Study to build a plant to supply processed graphite from Maniry Project into battery anode materials.

### Downstream Processing - Battery Anode Material (BAM) Production Centre

During the Quarter, the Company continued its activities relating to the BAM Study, which assesses the viability of building a manufacturing plant that will produce the spheronised and purified graphite as required for lithium batteries in Europe. The BAM Study reviewed five different process routes and two throughput rates.

The preliminary technical and economic study of the potential viability of the BAM project was completed and it reveals an initial favourable result with strong returns and the caustic baking flowsheet remains the current preferred purification route.

	Product Output	
	30,000tpa	15,000tpa
<b>Pre-Tax NPV8% (US\$M) (2)</b>	\$392m	\$152m
<b>Pre-Tax IRR (%)</b>	39.50%	28.40%
<b>Initial CAPEX (US\$M) (1)</b>	\$117m	\$74.m
<b>Total Pre-Tax Cashflow (US\$M)</b>	\$2,808m	\$1,404m
<b>Payback (years)</b>	3.51	4.67

Figure 2 - BAM Study results 17 January 2023

(1) Includes 30% contingency

(2) The NPV value does not include the positive impact of grants and other subsidies that may be apparent in the short term and positively impact these results

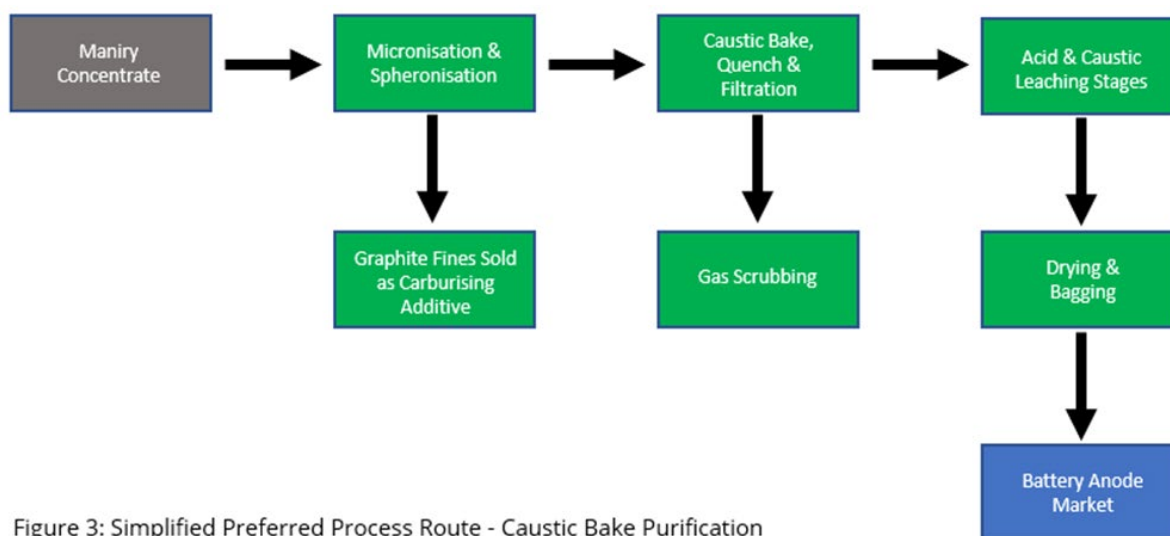


Figure 3: Simplified Preferred Process Route - Caustic Bake Purification

**At the time of this market release, Evion Managing Director Tom Revy said:**

*“Underpinned by our Maniry Graphite Project, this battery anode material plant has the potential to uniquely position Evion to capitalise on the strong growth in demand for non-Chinese supplies of uncoated-SPG from the European lithium-ion battery market.*

*By developing a vertically-integrated graphite business, Evion is positioning itself to take full advantage of the highly favourable supply-demand fundamentals emerging for our products as a result of the energy transition.*

*Evion continues to grow its development pipeline, which includes expandable graphite, uncoated spheronised purified graphite and the Maniry Graphite Project, in a controlled and strategic manner to provide shareholders more direct exposure to the fast-growing global graphite supply chain.*

*The Board believes that the quality portfolio of integrated projects it now holds, not only positions the Company to deliver against our vision but also represents significant potential value for our shareholders moving forward.”.*

Following the completion of this Scoping Study, discussions and meetings with strategic stakeholders about finance/grants, offtake agreements and location options within Germany have taken place. The Company will continue to progress with:

- comprehensive test work undertaken on Maniry concentrate in order to better define the process flow sheet, optimise reagent schemes and understand the characterisation of waste stream
- site selection studies for the finalisation of location for the processing facility in Germany
- further infrastructure options investigation based on site requirements
- generation of specification/datasheet for product produced from the purification flowsheet
- commencing marketing activities.

**COVID-19 Response**

The health and well-being of Evion employees remains of the utmost importance to the Company. Accordingly, COVID-19 procedures for travel to and from site in Madagascar and for site-based activities have been implemented to maintain social distancing. All strict COVID protocols, which were put in place during the previous quarter, continue to be maintained and have allowed the Company to progress its planned activities as scheduled.

**Key Short Term Activities and Goals**

Evion Executives continue to drive forward a number of transformational activities and we look forward to updating the market in the short term in relation to the following:-

- ✓ Progress to conclusion of our ESIA and final approval applications for Mining Licenses
- ✓ Provide details to the market concerning our proposed Binding Offtakes and Funding plans – designed to underpin the short term development of Maniry
- ✓ Details regarding our ongoing discussions with Battery Anode manufacturers and downstream processing groups that are aligned with Evion’s short term plans

- ✓ Further updates on our JV Company in India with details relating to the development of our Expandable Graphite Plant
- ✓ Appointment of additional key management personnel to further support the growth and development of the Company's various projects.

### **Payments to related parties of the entity and their associates**

Payments made during the Quarter and included in items 6.1 and 6.2 of the Appendix 5B – Mining exploration entity quarterly cash flow report comprise:

- 6.1 Aggregate amount of payments to the related parties and their associates included in cash flow from operating activities – \$210,000. This includes payments of directors and management remuneration for services to the economic entity – \$210,000.
- 6.2 Aggregate amount of payments to related parties and their associated included in cash flow for investing activities – nil

This announcement has been authorised by the Board of Evion Group NL.

### **Contacts**

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**For more information – <https://eviongroup.com>**

## **Forward Looking Statements**

Some of the statements appearing in this announcement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Evion Group operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement.

No forward-looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside the Company's control.

The Company does not undertake any obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of the Company's Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this announcement reflect views held only as at the date of this announcement.

This announcement is not an offer, invitation or recommendation to subscribe for, or purchase securities by the Company. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision.



## SCHEDULE OF MINING TENEMENTS

<b>Details of Mining Tenements at Quarter ended 30 September 2022</b>			
<b>(ASX Listing Rule 5.3.3)</b>			
<b>Australia</b>			
<b>Tenement ID</b>	<b>Location</b>	<b>State</b>	<b>Interest</b>
E70/4824	Yanmah, Donnelly	WA	100%
E70/4825	Manjimup, Donnelly	WA	100%
<b>International</b>			
<b>Tenement ID</b>	<b>Location</b>	<b>Country</b>	<b>Interest</b>
PR25605	Maniry	Madagascar	100%
PR25606	Maniry	Madagascar	100%
PR3432	Maniry	Madagascar	100%
PR39750	Maniry	Madagascar	100%
PR39751	Maniry	Madagascar	100%
PE5394	Maniry	Madagascar	100%
PE5391	Ianapera	Madagascar	100%
PE5392	Ianapera	Madagascar	100%
PE5393	Ianapera	Madagascar	100%
PE25093	Ianapera	Madagascar	100%
PE25094	Ianapera	Madagascar	100%

- PE n° 25093 and PE n° 25094, previously under Amodiation Contract with SQNY INTERNATIONAL SARL, Amodiation terminated in 2017 ;
- PR n° 25605 and PR n° 25606, previously under Amodiation Contract with ERG -, Amodiation terminated in 2018
- PE n° 5394, under Amodiation Contract with JUPITER MINES ET MINERALS SARL for mining Labradorite only.

## Appendix 5B

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

Name of entity

Evion Group NL

ABN

66 610 168 191

Quarter ended ("current quarter")

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(89)	(246)
(b) development	(687)	(1,330)
(c) production	-	-
(d) staff costs	(303)	(667)
(e) administration and corporate costs	(357)	(607)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (cost recovered/royalties)	78	88
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,351)</b>	<b>(2,752)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2)	(3)
(d) exploration & evaluation	-	-
(e) investments	(328)	(706)
(f) other non-current assets	-	-

## 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
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment		
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(330)</b>	<b>(709)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (receipts from partly paid shares fully paid)	0	16
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>0</b>	<b>16</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,057	5,809
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,351)	(2,752)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(330)	(709)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	16

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(10)	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,366</b>	<b>2,366</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,366	4,057
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,366</b>	<b>4,057</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	210
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>The payments to directors or their associates in 6.1 and 6.2 include gross salaries, superannuation, director fees and consulting fees.</i>		

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>-</b>	<b>-</b>
<b>7.5 Unused financing facilities available at quarter end</b>	<b></b>	
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.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,351)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,351)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,366
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,366
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>1.75</b>
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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: Operating cash flows are likely to be lower for the first quarter of 2023 as spending relating to the Company's DFS has now largely completed. Additionally, the Company is in the process of finalising its claim for an R&D refund, as part of the Company's 2022 tax return, and this claim is likely to be made within the next 4 weeks with a refund expected of approximately \$600,000.	
8.8.2 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: As outlined above, the Company expects to receive an R&D expenditure refund of approximately \$600,000. Additionally, the Company has engaged its advisors regarding any potential fund raising and the Company believes its actions to undertake future fund raising activities will be successful.	

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

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

Answer: Yes, the Company believes that its existing cash reserves and future access to funds will be sufficient to meet its short and long term objectives.

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above 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: 31 January 2023

Authorised by: David Round – Co Secretary

## 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 – 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.