



ASX ANNOUNCEMENT

FOR IMMEDIATE RELEASE TO THE MARKET

Li-S Energy Limited – ASX Code: LIS

Friday 28 January 2022

Quarterly Activities and Cashflow Reports

Li-S Energy Limited (ASX: LIS) (“LIS” or “the Company”) is pleased to provide its December 2021 Quarter Activity and Cashflow Reports.

This announcement has been authorised by the Board.

For further information contact:

Dr. Lee Finniear
Chief Executive Officer
On 07 3054 4555

LI-S ENERGY LIMITED

ABN: 12 634 839 857

Level 27, 10 Eagle St, Brisbane QLD 4000
Website: www.lis.energy
Tel: +61 7 3054 4555 Email: info@lis.energy

ASX Announcement

Friday 28 January 2022

Li-S Energy Limited (ASX: LIS) (“Li-S Energy” or “the Company”) is pleased to report on its activities for the quarter ended 31 December 2021.

Highlights and material developments

- Collaboration agreements entered into with Boeing’s InSitu Pacific to power Uncrewed Aircraft Systems (UAS), and with Janus Electric to power their electric prime movers.
- Further testing on Li-S Energy single layer lithium sulphur pouch cells with BNNT showed a performance increase to more than 1,100 charge/discharge cycles while retaining greater than 60% of initial capacity.
- First batch of multi-layer lithium sulphur pouch cells were manufactured during the quarter and are currently under test.
- A range of additional cells were manufactured and are under test to prove the effectiveness of Li-Nanomesh in suppressing dendrite formation across a broad range of different operating scenarios, for potential use in the manufacture of extended life lithium metal (Li-metal) batteries
- The Company extended its intellectual property portfolio with a number of important “method of manufacture” developments in the use of nanomaterials which we are currently preparing for patent protection.
- The Company remains well funded with \$46.8m in cash at 31st December 2021.

Industry collaborations

Since the IPO in September 2021 management has identified and commenced discussions with a number of parties and in the reporting period has entered into collaboration agreements with Boeing’s InSitu Pacific and Janus Electric. We are also identifying strategic opportunities and engaging with product manufacturers, including automotive manufacturers, for the end-use of Li-S Energy batteries and for manufacturing licensing.

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The Boeing InSitu agreement is designed to prove that Li-S Energy batteries can deliver substantial performance benefits for lightweight UAS, exposing the Company to significant global defence and commercial opportunities.

The Janus Electric agreement is an opportunity to tap into the electric truck market - a battery market worth more than \$10 billion in Australia alone. The objective of the collaboration is to increase vehicle range, which is particularly important for commercial freight transport, and to reduce the total weight of each battery pack.

For more detail on these agreements refer to the following ASX Announcements:

- Janus Electric - released 22 November 2021
- CEO AGM Presentation – released 24 November 2021
- Boeing InSitu Pacific - released 2 December 2021
- Li-S Energy Newsletter – released 22 December 2021

Operations and R&D results update

The company continued its strong operational momentum in the quarter to 31 December 2021, including:

- Extended cycle testing on the single layer BNNT protected pouch cell reported in the Prospectus reaching more than 1,100 charge/discharge cycles at greater than 60% retained capacity.
- Production of the first batches of multi-layer lithium sulphur pouch cells commenced during the quarter, and these are now undergoing cycle life testing. In addition, the Company has been working with Deakin University to optimise the composition and structure of its battery cells to maximise performance, with more than 480 battery cells built and tested during 2021.
- Extended testing commenced on Li-S Energy's Li-Nanomesh in a range of configurations and charge/discharge scenarios. Based on the results to date the Company anticipates that Li-Nanomesh will offer effective dendrite suppression and extended cycle life in Li-metal battery cells.
- The Company is currently fitting out the new laboratories, test facilities and a small-scale pilot capability at Deakin University in Geelong. Orders were placed during the quarter for two automated cathode coaters, which we expect to arrive in March 2022. This will expand the R&D, cell optimisation and cell testing capability, while increasing the number and capacity of cells the Company can produce, including initial test cells for collaboration partners. We expect the facility to be operational by the end of March 2022.
- The Company secured a Global Talent Visa for our Chief Technology Officer, Dr Steve Rowlands, from the Department of Home Affairs, Immigration and Citizenship. Dr Rowlands will shortly be relocating permanently to Australia, with the Global Talent Visa providing the opportunity for him to take up Australian Residency.

- The Company commenced the recruitment for additional senior roles in marketing, operations and technology.
- The Company published its first newsletter, providing a timely update on R&D, facilities, staffing and operations. This was released to the ASX on 22 December 2021.

CEO Dr Lee Finniear commented:

“Our continued operational momentum in the last quarter has resulted in strong technical progress in our battery development and commercialisation path. We are particularly pleased with how our technology has been received by key industry players and are proud to have partnered with Boeing’s InSitu Pacific and Janus Electric in the last quarter to help power their future with our revolutionary batteries.

Commercialising extended cycle life lithium sulphur batteries using BNNT and Li-Nanomesh is our primary focus. Achieving 1,100 cycles in single layer pouch cell testing offers significant potential for high energy, extended life lithium sulphur batteries to play a major role in the future of electrification and clean energy.

The additional major opportunity with Li-Nanomesh is the potential for it to extend the life of Li-metal batteries. In simple terms, Li-metal batteries are very similar to lithium-ion (Li-ion) batteries, but with the graphite anode replaced with an ultra-thin lithium metal foil. Li-Metal batteries have a higher energy density than lithium ion, however to date they have suffered low cycle life due to dendrite formation. Initial test results show that Li-Nanomesh can effectively suppress dendrite formation on lithium metal anodes.

The commercial advantage for the Company is time-to-market. Since Li-metal uses a conventional Li-ion cathode, existing giga-factories could be more easily adapted, potentially enabling additional, earlier IP licensing and nanomaterial supply agreements to be reached.

Financial update

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 \$2,697,980. This was primarily driven by outflows related to costs of the IPO of \$2,080,107, which are made up of lead manager’s fees of \$1,653,873, ASX listing fees of \$176,366, and other professional fees of \$249,868. The Company also made payments to a subsidiary of PPK Group Limited of \$150,000 for management services provided.

The net cash outflows used in investing activities during the quarter were \$837,037 consisting primarily of \$683,047 in payments to Deakin University for research and development activities completed under the Research Framework Agreement entered into on 8 July 2021, and \$145,738 for plant and equipment as part of the fit out of the new laboratory and test areas.

The net cash outflows from financing activities for the quarter were \$181,675, consisting primarily of payments in relation to costs of the offer recognised directly against proceeds from the issue of shares under the IPO of \$155,456.

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 December 2021	% of actual funds expended against Use of Funds estimate
Project Expenditure	29,112,623	85.63%	847,064	22.79%
Costs of the Offer	3,581,968	10.54%	2,235,563	60.15%
Other Working Capital	1,305,409	3.84%	634,064	17.06%
TOTAL	34,000,000	100.00%	3,716,691	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 December 2021

The material variances above are as a result of the Company listing at the end of the September quarter 2021, giving less than 4 months of comparative cash payments versus a 2 year use of funds period estimate. Expenditure also does not occur in a linear manner. The actual cash costs of the offer since the date of admission total \$2,235,562. This is below the estimate in the IPO prospectus, as the Company incurred cash expenses before the date of admission to the official list, that have not been included in the above “use of funds” statement comparison. Li-S Energy is still on track to meet the business objectives that sit behind the “use of funds” statement as described in the prospectus.

In accordance with Listing Rule 4.7C.3, the Company advises that it paid \$861,490 to related parties of the Company during the quarter. The Company paid Deakin University \$683,047, relating to project activities undertaken in relation to the Research Framework Agreement, and \$28,443 in rental payments for two production bays at Deakin’s ManuFutures advanced manufacturing hub in Waurn Ponds, Victoria. The Company also paid a subsidiary of PPK Group Limited \$150,000 for management 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:

Investors:

Dr Lee Finniear, CEO

+61 7 3054 4555

<https://www.lis.energy/site/about/About-Li-S-Energy>

Media:

Mel Hamilton, M&C Partners

+61 417 750 274

Melissa.hamilton@mcpartners.com.au

About Li-S Energy

Li-S Energy was created as the result of a joint venture between Li-S Energy's founding Shareholders, PPK Group Limited, BNNTTL and Deakin University. Li-S Energy is developing a battery technology based on more advanced lithium-sulphur chemistry, whereby BNNTs and other nanomaterials are incorporated into battery components. The aim of this combination is to improve battery energy capacity and cycle stability when compared to current lithium-ion batteries and lithium-sulphur batteries, respectively.

Appendix 4C

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

Name of entity

Li-S Energy Limited

ABN

12 634 839 857

Quarter ended ("current quarter")

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	28	28
1.2 Payments for		
(a) research and development	(10)	(83)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(223)	(277)
(f) administration and corporate costs	(2,628)	(4,553)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(2)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – GST refunds	137	358
1.9 Net cash from / (used in) operating activities	(2,698)	(4,531)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	(146)	(302)
(d) investments	-	-
(e) intellectual property	(691)	(691)
(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	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(837)	(993)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	34,000
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	(155)	(170)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(26)	(66)
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	(182)	33,765

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	50,564	18,607
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,698)	(4,531)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(837)	(993)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(182)	33,765
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	46,847	46,847

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	46,847	50,564
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)	46,847	50,564

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	178
6.2	Aggregate amount of payments to related parties and their associates included in item 2	683

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.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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)	-	-
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. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,698)
8.2 Cash and cash equivalents at quarter end (item 4.6)	46,847
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	46,847
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	17.4
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following 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?	
Answer: N/A	
8.6.2 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	
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	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 28 January 2022

Authorised by: The Board
(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 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.