



**ASX ANNOUNCEMENT**

**FOR IMMEDIATE RELEASE TO THE MARKET**

**Li-S Energy Limited – ASX Code: LIS**

**Friday 29 July 2022**

**Quarterly Activities and Cashflow Reports**

Li-S Energy Limited (ASX: LIS) (“LIS” or “the Company”) is pleased to provide its June 2022 Quarterly Activities and Cashflow Reports.

This announcement has been authorised by the Board.

For further information contact:

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## **ASX Announcement**

**Friday 29 July 2022**

Li-S Energy Limited (ASX: LIS) (“Li-S Energy” or “the Company”) is pleased to provide the following activities report for the quarter ended 30 June 2022, pursuant to Listing Rule 4.7C.

### **Highlights, material developments and changes**

- Successfully completed numerous drone flights using Li-S Energy’s proprietary 10-layer lithium sulphur and lithium metal pouch cells.
- Built a series of 10-layer lithium sulphur and lithium metal cells utilising a lean electrolyte loading equivalent to that of commercial cells, and commenced cycle testing for comparative performance of cells utilising BNNT and Li-nanomesh
- Signed Heads of Lease Terms to lease a 1,000 sqm dedicated space at Deakin University’s ManuFutures 3 facility on the Waurn Ponds Campus. The facility is currently intended to be the home of Li-S Energy’s phase 2 and phase 3 production plants, with an anticipated capacity of more than 2 Megawatt hours of annualised production.
- Phase 2 pouch cell production equipment arrived at the end of the relevant quarter. This lab scale pilot equipment is onsite and it is currently anticipated that this equipment will be set up in the laboratories that form part of the new 1,000 sqm ManuFutures 3 facility.
- Li-S Energy is a cornerstone partner in the Recycling and Renewable Energy Commercialisation Hub (REACH) at Deakin University, announced as part of the Federal Government’s Trailblazer University program. Through the Hub, Li-S Energy will receive up to \$5m in co-investment over the next four years, further strengthening the commercialisation of its technology and supporting commissioning of our 2 Megawatt hour battery production facility in Geelong.

- Continued to proactively manage our IP and patent portfolio, with core IP proceeding through the phases of global protection and appropriate systems and processes in place to secure data and trade secrets.
- Joined the Future Battery Industry Cooperative Research Centre (FBICRC) as part of a multidisciplinary team of industry participants and university scientific personnel focused on advanced electrolytes known as the Future Electrolyte Systems Project.
- The Company remains well funded with \$43.9m in cash at 30<sup>th</sup> June 2022.

## Operations and R&D results update

- Produced and commenced testing of 10-layer lithium sulphur pouch cells, with BNNT in the cathode construction and Li-nanomesh protecting the lithium anode. The cells utilise “lean” electrolyte loading consistent with the volume of electrolyte typically used in commercial cells. Minimising the electrolyte loading is important to reduce the weight and increase the energy density of the cell.
- Produced and commenced testing of 10-layer lithium metal pouch cells using Li-nanomesh to mitigate dendrite formation on the lithium metal anode.
- Received delivery of the Phase 2 pouch cell production equipment in June 2022. The equipment, originally ordered in December 2021, includes cathode coaters, cathode material preparation machines, cell stacking, welding and pouch cell production equipment. Once installed and commissioned in the new ManuFutures 3 facility, this equipment will increase the number and capacity of cells the Company can produce, including initial test cells for partner collaborations.
- Further deepening its ties with Deakin’s BatTRHub team and two world-renowned experts in battery chemistry — Professor Maria Forsyth and Professor Patrick Howlett — Li-S Energy has joined the Future Battery Industry Cooperative Research Centre (FBICRC) to accelerate the development of advanced next generation polymer and solid-state electrolytes for lithium sulphur and lithium metal batteries.
- In June, Li-S Energy had representatives at both the International Meeting on Lithium Batteries (IMLB) in Sydney, Australia, and the Battery Show Europe in Stuttgart, Germany.
  - The IMLB is the largest meeting in the world dedicated to lithium batteries, and was held in Australia for the first time. With more than 800 delegates, the show allowed the team to get an update on advances in lithium battery electrochemistry from some of the leading scientific professionals from around the world.
  - The Battery Show Europe is the continent’s premier battery and hybrid technology conference. This year there were over 550 exhibitors and presentations from many of the world’s leading automakers including

BMW, Mercedes, Volkswagen, along with battery manufacturers such as BritishVolt, NorthVolt, ItalVolt, and many others. The Li-S Energy team met many key executives at the event, creating new opportunities for the Company as it expands its relationships across global OEMs in EV, drone and e-Aviation markets, as well as European battery manufacturers. It also enabled the Company to connect with a number of Europe's leading battery research institutions and equipment manufacturers the team expands its technology scaling, and designs its Phase 3 production capability.

### **CEO Dr Lee Finniear commented:**

*"This quarter has certainly been one to remember for Li-S Energy and its scientific teams.*

*First and foremost, our research, development and battery testing programs are progressing well. Having scaled from single layer pouch cells in 2021, then to 4-layer in Q1 CY2022, these test results enabled us to further scale up, building 10-layer pouch cells for both lithium sulphur and lithium metal cell chemistries during the quarter.*

*A key highlight in this quarter was demonstrating the real-world capability of our 10-layer cells powering a small commercial drone. In addition to its scientific value, personally witnessing Li-S Energy cells performing in flight high above our research facilities was an exceptional experience, and extremely motivating for the entire R&D team.*

*Another milestone was signing the Heads of Lease Terms for our new Phase 3 production facility. With an anticipated annual production capacity of 2MWh when completed, this facility will enable us to scale cell production to thousands of cells for use trials by major global product OEMs.*

*Meanwhile our lab scale pilot equipment has arrived, including roll-to-roll automated cathode coaters and pouch cell production machinery. I anticipate that this will be commissioned in dedicated laboratories during the upcoming quarter, scaling up the size, quality and quantity of cells we can produce for testing and early customer trials.*

*Finally our visits to Europe and the UK during the quarter, including attendance at The Battery Show (Europe), underlined the incredible growth in demand for new battery technologies in this market. Across Europe and the UK we met with a number of major Product OEMs in EVs, drones and e-Aviation, as well as major European battery research institutions and large battery manufacturers that currently operate European gigafactories."*

## **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 \$344,000.

This was primarily driven by:

- payments for administration and corporate costs of \$883,000, consisting of professional and consulting fees of \$370,000, payments for management support services to a subsidiary of PPK Group Limited of \$150,000, and other administration and corporate costs of \$363,000.

This was partly offset by:

- a GST refund received of \$139,000; and
- cash inflows from staff costs of \$330,000, consisting of \$98,000 in outflows, offset by the reallocation of \$428,000 in staff costs to investing activities and capitalised against intellectual property and property, plant and equipment.

An adjustment was also made for research and development cost payments made in a previous quarter now capitalised as intellectual property during the current quarter.

The net cash outflows used in investing activities during the quarter were \$919,000, consisting primarily of:

- Payments for intellectual property of \$552,000, reflecting payments to Deakin University for development activities of \$253,000, and capitalisation of employee costs against the development activities of \$299,000; and
- Payments for property, plant and equipment of \$367,000, comprising plant and equipment purchases of \$238,000 (primarily related to phase 2 pouch cell production equipment), and capitalisation of employee costs against the facility design and fit-out costs of \$129,000.

The net cash outflows from financing activities for the quarter of \$27,000, 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 30 June 2022	% of actual funds expended against Cash Payments to 30 June 2022
Project Expenditure	29,113	85.63%	2,902	43.24%
Costs of the Offer	3,582	10.54%	2,236	33.32%
Other Working Capital	1,305	3.84%	1,572	23.44%
<b>TOTAL</b>	<b>34,000</b>	<b>100.00%</b>	<b>6,710</b>	<b>100.00%</b>

**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 30 June 2022

The material variances above are as a result of the Company listing at the end of the September quarter 2021, giving less than 9 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 \$2,236,000. 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.

## **Payments to associates or related parties**

In accordance with Listing Rule 4.7C.3, the Company advises that it paid \$432,000 to related parties of the Company during the quarter, consisting of:

- Payments to Deakin University of \$282,000, broken down between payments relating to project activities undertaken in relation to the Research Framework Agreement of \$253,000, and payments under the lease agreements for two production bays at Deakin’s ManuFutures advanced manufacturing hub in Waurin Ponds, Victoria of \$29,000.
- Payments to a subsidiary of PPK Group Limited of \$150,000 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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### **Media**

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## **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")**

30 June 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6	48
1.2 Payments for		
(a) research and development	23	(3)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	330	(135)
(f) administration and corporate costs	(883)	(5,964)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	42	42
1.5 Interest and other costs of finance paid	(1)	(8)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – GST refunds	139	645
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(344)</b>	<b>(5,375)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(367)	(1,036)
(d) investments	-	-
(e) intellectual property	(552)	(2,046)
(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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(919)</b>	<b>(3,082)</b>

<b>3. Cash flows from financing activities</b>		
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	-	(170)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(27)	(127)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(27)</b>	<b>33,703</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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<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	45,143	18,607
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(344)	(5,375)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(919)	(3,082)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(27)	33,703
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>43,853</b>	<b>43,853</b>

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	43,853	45,143
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>43,853</b>	<b>45,143</b>

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	179
6.2	Aggregate amount of payments to related parties and their associates included in item 2	253

*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

<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)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</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.		
N/A		

<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)	(344)
8.2 Cash and cash equivalents at quarter end (item 4.6)	43,853
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	43,853
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	127.6
<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: 29 July 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.