

ASX ANNOUNCEMENT

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Li-S Energy Limited – ASX Code: LIS

Tuesday 30 January 2024

Quarterly Activities and Cashflow Reports

Li-S Energy Limited (ASX: LIS) (“LIS” or “the Company”) is pleased to provide its December 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
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QUARTERLY ACTIVITIES REPORT

December 2023



Li-S Energy



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 December 2023, pursuant to Listing Rule 4.7C

CONTENTS

Phase 3 commissioning update with CEO video tour
Cell cycling facility extension
Cell test facility installation milestone update

CEO's REPORT

During the quarter, our team installed our Phase 3, 2MWh automated battery cell manufacturing facility in Geelong, Victoria.

The largest of its kind in Australia, in the largest dry room in Australia, it has been delivered on time and on budget.

Building an automated battery manufacturing plant is an extraordinarily complex, multi-disciplinary engineering and scientific endeavour, and I am pleased to report that commissioning is now well underway.

I invite you to view a short video of the automated cell assembly component of the plant on our website (<https://www.lis.energy/news-and-resources/>).

More detail on this critical project is given later in the report.

The Phase 3 facility is of high strategic importance to the Company as it will provide us with a pathway to:

- demonstrate how our battery cells can be manufactured at scale on fully automated production lines
- develop unique manufacturing IP
- potentially scale up to the manufacture of high quality, commercial sized cells to complete testing for the comprehensive, industry standard cell performance datasheets required by our partners.

Cell Test Facility

The Phase 3 cell test facility was also installed and commissioned during the quarter.

With this facility, we can complete UN38.3 battery safety and performance testing, deliver test data for cell performance data sheets, and conduct bespoke cell

performance testing to match partner specific device and mission parameters.

The facility also offers a potential opportunity to generate revenue through advanced cell testing services for other industry partners.

Cell Design

During the quarter our electrochemical development teams continued to drive cell design, optimisation and the processes to scale up the battery materials production targeting Phase 3.

Expanding Capability to Service Current and Future Partners

At the November AGM I highlighted 68 NDAs and other contractual agreements we have in place with current and potential partners around the world.

Phase 3 gives us the opportunity to achieve commercial scale, providing high-quality cells in volume, moving beyond scientific labs and into scaled manufacturing.

We look forward to accelerating these commercial opportunities in the eAviation, drone and defence markets.

Dr Lee Finniear

Chief Executive Officer



stock image

Highlights, material developments and changes

Q4 '23



CEO tour of Phase 3 facility
commissioning filmed



Cell fabrication line
commenced commissioning



Cell test facility installed and
commissioning completed



Continued to focus on generating
returns on cash to support our
core business objectives via the
use of term deposits and short
term investments



Phase 3 production line
equipment delivered



Significantly extended size of
cell cycling facility to expand
number of cells that can
undergo formation cycling and
lifecycle cell testing



The Company had
\$26.9 million in cash
at 31 December 2023



At our 2023 AGM,
announced plans for our
200MWh battery facility



Li-S Energy

PHASE 3 2MWH BATTERY PRODUCTION FACILITY INSTALLED

During the quarter we celebrated the installation of our 2MWh automated battery production facility in Geelong Victoria.

It has been an intense period for our scientific and engineering teams, and I am pleased to report that they have been making great progress with the commissioning process.

The Phase 3 production line has 19 manufacturing stages from cathode powder preparation and ball milling through to cell fabrication and formation cycling. Each stage involves one or more pieces of automated equipment that requires separate installation and commissioning before being integrated as a cohesive production line. Power, dry compressed air, specialist gases, advanced data connectivity and other services were pre-designed and built to permit rapid installation when the equipment arrived.

In addition to the installation itself, the team commenced equipment operation and maintenance training, the development of Safe Working Procedures, materials control & handling procedures, OH&S and chemical risk assessments, plus emergency management training.

Cell Fabrication Line

Our engineering team, plus specialist engineers from multiple equipment suppliers, received and installed the bespoke lithium foil anode cutting line and primary cell fabrication equipment into our 220 square metre dry room. With the equipment in place, the complex commissioning process commenced, and was progressing well by the end of the quarter.

Cathode Production Line

Separately, in the newly constructed clean room, our team installed and commissioned a new automated cathode cutting system, designed to prepare the completed cathodes prior to being transferred to the dry room as a key input for cell fabrication.

The cathode cutter complements new ball mills, slurry mixers and other cathode production equipment that was installed earlier in the year to meet Phase 3 requirements.

Cell Test Facility

The Phase 3 cell test facility, which was delivered in September, has now been installed and commissioned.

The facility is designed to test our cells to the UN38.3 standard, essential to prove safety during air, sea and land transportation, and to meet individual partner specific requirements for simulated mission performance testing. Specific cell test units include high altitude simulation (for air transport and aviation use testing), thermal, vibration, shock, external short circuit, impact, crush, nail penetration, overcharge & forced discharge, as well as an extensive range of cell cyclers to test cycle life under various operating protocols.



Watch a 3-minute guided tour of our Phase 3 facility with CEO Dr Lee Finniear

Phase 3: Cell Fabrication Line



As lithium metal reacts with water, the cell fabrication itself is performed inside a dry room which eliminates almost all moisture from the atmosphere. In the image foreground are the automated anode cutter and pouch cell stacking systems, used to precisely cut the delicate lithium foils into anodes, then stack the anode, cathode and separator into a multi-layer battery cell.



This image shows the robotic systems inside the automated lithium metal anode cutter. Here each anode is cut and formed before a vision system performs a thorough quality inspection and the anode is then passed to the cell stacking system.



This image shows the automated battery tab welder. After the cell is stacked, the electrode tabs are each welded together to form the positive and negative electrodes for the cell. This complex process is performed completely automatically with robotic arms moving the cells through each of the 9 separate welding steps.

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 \$1,292,000. This was primarily driven by:

- Total staff costs of \$685,000, of which \$291,000 was reallocated to investing activities and capitalised against intellectual property and property, plant and equipment;
- Payments for administration and corporate costs of \$1,457,000, consisting of payments for management support services to a subsidiary of PPK Group Limited of \$210,000, and other administration and corporate costs of \$1,247,000;
- Partly offset by interest income of \$347,000 and a GST refund received of \$231,000.

The net cash outflows used in investing activities during the quarter were \$1,681,000, consisting primarily of:

- Payments for intellectual property of \$492,000, reflecting payments to Deakin University for development activities of \$380,000, as well as the capitalisation of employee costs against the development activities undertaken of \$112,000;
- Payments for property, plant and equipment of \$1,745,000, primarily related to equipment purchases and deposits for the phase 3 production facility;
- Payments for investments of \$1,200,000;
- Partly offset by government grants received in relation to payments for intellectual property and plant and equipment of \$1,756,000.

The net cash outflows from financing activities for the quarter were \$251,000, consisting of payments for shares acquired by the employee share trust of \$185,000 and repayments to its lease liabilities of \$66,000, 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 December 2023	% of actual funds expended against Cash Payments to 31 December 2023
Project Expenditure	29,113	85.63%	15,049	63.53%
Costs of the Offer	3,582	10.54%	2,236	9.44%
Other Working Capital	1,305	3.84%	6,403	27.03%
TOTAL	34,000	100.00%	23,688	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 2023

For the purposes of the above “use of funds” table, the Company has allocated significant administration and corporate costs to the ‘Other Working Capital’ category. Per section 5.11 of the Prospectus, the Company held additional funds from pre-IPO capital raisings for the purpose of funding working capital requirements. The ‘Other Working Capital’ cash payments to 31 December 2023 includes the secured loans advanced in the year ended 30 June 2023, along with cash outflows related to investments and purchase of shares by the employee share trust. The total cash at the date of IPO was \$50,563,000. Total cash as at 31 December 2023 was \$26,877,000.

The material variances above are a result of both the inclusion of all cash payments in the table versus the use of funds estimate, which excluded the pre-IPO capital raisings, along with the timing of the actual cash payments versus the use of funds period estimate utilised in the IPO prospectus, being the period to 30 June 2024. Furthermore, expenditure does not occur in a linear manner, with actual cash payments 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 \$684,000 to related parties of the Company during the quarter, consisting of:

- payments to Deakin University of \$380,000 relating to project activities undertaken in relation to the Recycling and Clean Energy Commercialisation Hub Research Framework Agreement, which forms part of the Federal Government's Trailblazer Universities Program;
- payments to Deakin University of \$91,000 relating to various lease agreements for production bays at Deakin's ManuFutures advanced manufacturing hub in Geelong, Victoria;
- payments to a subsidiary of PPK Group Limited of \$210,000 for management support services provided in accordance with the relevant agreement, and as disclosed in section 12.6 of the Prospectus; and
- payments to a subsidiary of PPK Group Limited of \$3,000 for purchase of nano materials and recovery of contracted labour costs.



Volocity passenger eVTOL multicopter prototype aircraft. Image courtesy of Volocopter Gmb and evtol.news

CORPORATE DIRECTORY

Li-S Energy Ltd ABN 12 634 839 857

A public company incorporated in Queensland and listed on the ASX (code LIS)

Chief Executive Officer	Dr Lee John Finniear
Chief Financial Officer	Ms Sarah Price
Board of Directors	Mr Benjamin Spincer Mr Robin Levison Ms Hedy Cray
Company Secretaries	Mr Will Shiel Mr Liam Fairhall
Registered Office	Level 13 120 Edward St Brisbane QLD 4000 p +61 7 3054 4555 e info@lis.energy w lis.energy
Stock Exchange Listing	ASX Code LIS
Auditor	Ernst & Young
Share Registry	Automic Share Registry Level 5, 126 Phillip Street Sydney NSW 2000 www.automicgroup.com.au
Media Enquiries	Ben Ready RGC Media + Mkting ben@rgcmm.com.au



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 2023

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) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(394)	(595)
(f) administration and corporate costs	(1,457)	(2,761)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	347	741
1.5 Interest and other costs of finance paid	(19)	(39)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – GST refunds	231	420
1.9 Net cash from / (used in) operating activities	(1,292)	(2,234)

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	(1,745)	(3,218)
	(d) investments	(1,200)	(1,200)
	(e) intellectual property	(492)	(582)
	(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 (proceeds from government grants)	1,756	1,756
2.6	Net cash from / (used in) investing activities	(1,681)	(3,244)

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	(66)	(131)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (purchase of shares in Li-S Energy Limited by the employee share trust)	(185)	(965)
3.10	Net cash from / (used in) financing activities	(251)	(1,096)

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	30,101	33,451
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,292)	(2,234)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,681)	(3,244)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(251)	(1,096)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	26,877	26,877

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	26,877	30,101
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)	26,877	30,101

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	304
6.2	Aggregate amount of payments to related parties and their associates included in item 2	380

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 <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>	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.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,292)
8.2	Cash and cash equivalents at quarter end (item 4.6)	26,877
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	26,877
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	20.8
	<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: 30 January 2024

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.