MAGNIS
ENERGY TECHNOLOGIES

Financial Report Half-Year Ended

31 December 2018

Magnis Energy Technologies Ltd ACN 115 111 763

MAGNIS
ENERGY TECHNOLOGIES

Index

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public pronouncements made by MAGNIS ENERGY TECHNOLOGIES LIMITED during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange.

MAGNIS
ENERGY TECHNOLOGIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity of Magnis Energy Technologies Ltd ("**Magnis**" or the "**Company**", ASX Code: MNS) for the half-year ended 31 December 2018.

DIRECTORS

The following persons were Directors of the Company during or since the end of the financial half-year:

Frank Poullas	(Non Executive Chairman)
The Hon. Warwick Smith AO	(Non Executive Director, Appointed 7 September 2018)
Johann C Jooste-Jacobs	(Non Executive Director)
Marc Vogts	(Managing Director)
Professor M. Stanley Whittingham	(Non Executive Director)
Leslie Hosking	(Non Executive Director, Appointed 5 March 2019)
Peter Tsegas	(Non Executive Director)
Dr Ulrich Helmet Bez	(Non Executive Director, Resigned 28 February 2019)

COMPANY OVERVIEW

Magnis is an Australian based company with a strategy to develop into a significant contributor to the lithium-ion battery (LIB) sector. This is to be achieved via:

- applying technology to produce effective battery cells for the electric energy market; and
- the production and downstream processing of high-quality natural flake graphite used in anode composition of the battery.

The Company changed its name in early November 2018 from Magnis Resources, to reflect the value and exposure to this multi facet strategy.

The Company has commitment and part ownership of proposed LIB production in New York and Townsville (Australia). There has also been interest for potential LIB plants in Germany, although the involvement in that region remains at an early stage.

The production and processing of graphite is targeted through its 100% owned mining project known as the Nachu Graphite Project ("Nachu") located in south east Tanzania, circa 220km from the sea port town of Mtwara. The excellent purity levels shown at the metallurgical testing stages combined with the good proportion of super jumbo, jumbo and large flake natural graphite make the project unique and demands premium prices in the LIB market.

A Bankable Feasibility Study was conducted for Nachu, details of which were released to the ASX on 31 March 2016, with an initial 15 year Run of Mine (ROM) at 240,000tpa graphite concentrate.

Extensive testing for use in batteries, has occurred on the Nachu graphite with outstanding results being achieved, with potential end users interested in further examining the qualities and performance.

The Company is well supported by a highly experienced and credible Board of Directors and management team with strong capabilities and expertise in the LIB sector. The Board also have specific skills in project development, from the exploration phase through to mining and production.

REVIEW AND RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2018 was $2,771,021 (2017: 3,144,524) which was mainly due to expenditure involved in the land valuation and land compensation procedures and tenement and licensing retention costs for Nachu, consulting, research and development costs involved in LIB technology.

An operational overview is set out below.

Overview

The operational activities for the half year ended 31 December 2018 were focused on the advancement of the LIB gigafactories scheduled for production in both New York and Townsville, combined with the pre-development and operational work for the Nachu Graphite Project.

Nachu Graphite Project (Tanzania)

In recent times, there has been legislative and regulatory changes that were introduced in Tanzania for the Mining and Minerals sector. The true impact of these changes on the Nachu Project, owned 100% by Magnis' wholly owned subsidiary Uranex Tanzania Limited ("Uranex"), will be determined in full when developments are advanced enough to progress the decision making process to commence construction. Attaining suitable project funding is a key priority of the Board. Magnis' Tanzanian based executives continue to meet with government officials and the Ministry of Minerals in Tanzania to discuss the benefits and support of the integrated development of Nachu coupled with downstream operations of the Special Economic Zone (SEZ) to provide mutually beneficial outcomes for both the nation of Tanzania and the Company and its shareholders.

In a subsequent event to the reporting period, the Company announced to the ASX on 30 January 2019 that the Compensation Program resulting from the Land and Asset Valuation, was completed for all Project Affected Persons (PAP) within the Nachu Graphite Special Mining Licence (SML) in accordance with the laws and guidelines of Tanzania.

Uranex has recently received the Environmental Certificate approving and accepting the ESIA report and the measures within and in turn allowing the next phase of proceeding with the resettlement village including a local District building permit and finalisation of construction tender processes.

In recent weeks senior Magnis representatives have been in discussion with a global engineering group regarding Engineering, Procurement, Construction and Finance for Nachu. Discussions to date have been very encouraging with information remaining commercial in confidence.

New York, USA – Gigafactory

Significant progress has been made by Imperium3 New York, Incorporated (iM3NY) with respect to start-up activities for the New York Gigafactory project. Physical relocation including the disassembly, packaging and shipment of the acquired equipment from the previous battery manufacturing plant in North Carolina to the new iM3NY facility at the Huron Campus in Endicott, New York was recently completed.

The equipment and inventory remain in approximately 100,000sq feet of storage space while plans for the design and installation of production lines and facilities are developed over the next few months. Plans are geared subject to funding, towards the initial start of production during the latter stage of 2019 in a more robust 300,000sq feet facility that is located within the adjacent storage facility on the former IBM manufacturing campus at Endicott.

Work on design and process engineering has commenced along with site preparations following the successful move of the battery manufacturing plant. Equipment manufacturers, engineers and iM3NY have been working closely together to meet the future production time frames and local government with environmental approvals having commenced. The iMNY3 team are actively assessing potential financing arrangements and investment opportunities to allow production to commence this year.

As at 31 December 2018, the Company's investment holding has increased via its indirect and direct shareholding in iM3NY to 47%.

Figure 1: Cylindrical cells produced by Imperium3 NY

Figure 2: A C4V produced Third Generation Solid State Battery. C4V are our battery partner and Magnis has a 10% ownership in C4V

Townsville, Australia – Gigafactory

In August 2018, iM3 Townsville, the subsidiary of Imperium3 Pty Ltd, received government approvals for a $3.1M grant supporting the Feasibility Study (FS) into the establishment of a 15 GWh LIB manufacturing plant in Townsville, Queensland.

The Jobs and Regional Growth Fund Assistance Agreement for the FS was formally signed by iM3 Townsville directors and the State of Queensland, acting through the Department of State Development, Manufacturing, Infrastructure and Planning.

Initial work on the FS has focused on selection of equipment vendor partners and the development of the manufacturing facility design concept. In parallel, Townsville City Council has been compiling site information and discussions with major infrastructure providers and funders have commenced.

Planning meetings with the main study participants have been held to map out the FS process and to establish project systems and schedule future work programs.

The specifics of the Assistance Agreement is confidential between iM3 Townsville and the Queensland Government. It should be noted the Assistance Agreement has several obligations on iM3 Townsville that must be delivered, to meet the key terms of the Assistance Agreement.

The Assistance Agreement defines three distinct payment milestones associated with the staged delivery of components of the FS and supporting information with the aim to have the Feasibility work fully completed in 2019.

CORPORATE

CAPITAL FUNDS

On 4 September 2018, Magnis announced it had secured an $11,100,000 investment through the issue of 30,000,000 fully paid ordinary shares at $0.37 per share to AL Capital Holdings ['ALC']. The investment resulted in a 4.98% equity holding in Magnis and The Hon. Warwick Smith AO, joining the Board of Directors as representative of ALC.

On 12 September 2018, Magnis further announced that it had completed the strategic 10% investment in C4V. The parties amended their agreement that allowed a US$3 million cash payment to be settled by way of US$1 million cash and US$2 million via the issue of shares in Magnis. The number of ordinary shares issued to C4V was 7,507,508. The number of shares issued was determined by using a share price of $0.37 and an exchange rate of AU$1= US$0.72.

During the period 750,000 unlisted options were exercised by the Company on behalf of Non-Executive Director, Mr Peter Tsegas. The exercise of the Options were in lieu of cash payments owing to Mr Tsegas for services rendered under a Consultancy Agreement.

The Company at the time of writing this report, had 16,800,000 unlisted options outstanding with varying expiry dates ranging from 3 August 2019 to 26 October 2021 and these options have varying exercise prices ranging from $0.70 to $1.00.

The Company reported a cash balance of $6,217,146 as at 31 December 2018.

SUSTAINABILITY

Magnis continues to believe that the commitment to the principles and practices of good corporate and environmental citizenship goes beyond the requirements of relevant authorities.

The Company aims to deliver best practice in all areas of sustainable development throughout the life of our projects and activities, including good corporate citizenship, working closely with local communities, protection and minimisation of environmental impacts of exploration and future operations, striving to educate on health and safety management and the development and maintenance of a safety culture.

At Nachu, the Company continued to engage itself in various Corporate and Social Responsibility (CSR) programs including numerous events aimed at developing social relationships within the community and building a strong support between the corporate and local communities.

As part of a larger education CSR initiative, UTL surveyed, mapped, prepared and then presented maps to the Ruangwa District Authority so that the school system and distribution was clearly known to all parties in order to highlight and discuss education and proximity challenges. The maps highlight the location of all 83 primary schools and 16 secondary schools in the District will assist with planning and fund distribution by authorities. An assessment of schools in terms of materials and infrastructure continued during the period with the support of the District school officers. A follow up campaign is underway to distribute to schools, maps of Tanzania and 2,700 story books to provide some education support material for teachers and students.

Figure 3: Uhuru Primary School teachers and pupils receiving books and maps from Magnis subsidiary company, Uranex Tanzania Limited

UTL have previously provided sponsorships in district events in the Ruangwa region including running and provided resources for national festival events. This involvement and minor contributions continue and creates local participation within the community and a positive environment.

The focus and strategy that Magnis has in place with regards to the battery manufacturing business has broader environmental aims of overall reducing the net carbon emissions impact with the use of re-chargeable lithium-ion batteries for power usage and storage.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

This report is made in accordance with a resolution of Directors.

Frank Poullas
Chairman
Sydney, New South Wales
8 March 2019

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DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

As lead auditor for the review of Magnis Energy Technologies Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Magnis Energy Technologies Limited and the entities it controlled during the period.

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 8 March 2019

MAGNIS ENERGY TECHNOLOGIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	NOTE	31-Dec 2018	31-Dec 2017
		$	$
Income	4	60,147	42,331
Total Income		60,147	42,331
Total expenses	4	(2,831,168)	(3,186,855)
Loss before income tax		(2,771,021)	(3,144,524)
Income tax (expense) / benefit		-	-
NET LOSS FOR THE PERIOD		**(2,771,021)**	**(3,144,524)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		219,579	(95,697)
Other comprehensive income for the period net of tax		**219,579**	**(95,697)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(2,551,442)**	**(3,240,221)**
Basic (loss) per share (cents per share)		(0.46)	(1.14)
Diluted (loss) per share (cents per share)		(0.46)	(1.14)

The above Consolidated Statement of Profit of Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

MAGNIS ENERGY TECHNOLOGIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	NOTE	31-Dec 2018	30-Jun 2018
Current Assets		**$**	**$**
Cash and cash equivalents		6,217,146	1,523,886
Trade and other receivables	5	677,702	140,969
Total Current Assets		**6,894,848**	**1,664,855**
Non-Current Assets			
Other receivables	6	-	150,977
Financial assets at FVOCI	7	10,020,084	5,848,713
Investment accounted for using the equity method	8	5,004,229	4,020,647
Development assets	9	5,437,581	5,176,682
Property, plant and equipment		100,037	158,205
Total Non-Current Assets		20,561,931	15,355,224
TOTAL ASSETS		**27,456,779**	**17,020,079**
Current Liabilities			
Trade and other payables		523,149	1,025,764
Provisions		122,321	127,016
Total Current Liabilities		**645,470**	**1,152,780**
Non-Current Liabilities			
Provisions		32,324	33,755
Total Non-Current Liabilities		**32,324**	**33,755**
TOTAL LIABILITIES		**677,794**	**1,186,535**
NET ASSETS		**26,778,985**	**15,833,544**
Equity			
Contributed equity	10	124,177,419	110,637,523
Reserves		6,424,369	7,036,953
Accumulated losses		(103,822,803)	(101,840,932)
TOTAL EQUITY		**26,778,985**	**15,833,544**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

MAGNIS ENERGY TECHNOLOGIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated	
	31-Dec 2018	**31-Dec 2017**
Cash flows from operating activities	**$**	**$**
Interest received	20,417	15,448
Payment for exploration expenditure	(628,378)	(1,171,756)
Payments for development expenditure	(415,977)	-
Payments to suppliers and employees	(2,453,188)	(2,084,030)
Net cash outflow from operating activities	**(3,477,126)**	**(3,240,338)**
Cash flows from investing activities		
Payment for property, plant and equipment	(8,728)	(7,849)
Acquisition of interest in associate	(1,125,660)	-
Acquisition of interest in financial asset	(1,393,592)	-
Net cash outflow from investing activities	**(2,527,980)**	**(7,849)**
Cash flows from financing activities		
Proceeds from issue of shares	11,100,000	-
Proceeds from exercise of share options	300,000	1,051,247
Capital raising expenses	(702,795)	(7,284)
Net cash inflow from financing activities	**10,697,205**	**1,043,963**
Net cash inflows/ (outflow) for the reporting period	4,692,099	(2,204,224)
Cash and cash equivalents at the beginning of the period	**1,523,886**	**7,554,985**
Effect of exchange rates on cash holdings in foreign currencies	1,161	(3,870)
Cash and cash equivalents at the end of the period	**6,217,146**	**5,346,891**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

MAGNIS ENERGY TECHNOLOGIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Issued Capital	Options	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$
At 1 July 2018	**110,637,523**	**-**	**2,171,507**	**4,865,446**	**(101,840,932)**	**-**	**15,833,544**
Loss for the period	-	-	-	-	(2,771,021)	-	(2,771,021)
Other comprehensive income (loss)	-	-	-	219,579	-	-	219,579
Total comprehensive income for the half-year	**-**	**-**	**-**	**219,579**	**(2,771,021)**	**-**	**(2,551,442)**
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	13,474,983	-	-	-	-	-	13,474,983
Share based payments	-	-	21,900	-	-	-	21,900
Forfeiture of share-based payments	-	-	(789,150)	-	789,150	-	-
Reallocation	64,913	-	(64,913)	-	-	-	-
At 31 December 2018	**124,177,419**	**-**	**1,339,344**	**5,085,025**	**(103,822,803)**	**-**	**26,778,985**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

MAGNIS ENERGY TECHNOLOGIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Issued Capital	Options	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$
At 1 July 2017	**101,278,402**	**-**	**3,274,078**	**4,723,684**	**(97,502,472)**	**(72)**	**11,773,619**
Loss for the period	-	-	-	-	(3,144,524)	-	(3,144,524)
Other comprehensive income (loss)	-	-	-	(95,697)	-	-	(95,697)
Total comprehensive income for the half-year	**-**	**-**	**-**	**(95,697)**	**(3,144,524)**	**-**	**(3,240,221)**
Transactions with owners in their capacity as owners							
Contributions of equity, net of transaction costs	1,043,960	-	-	-	-	-	3,268,674
Share based payments	-	-	236,575	-	-	-	236,575
Equity transfer on acquiring of share capital in controlled entity	-	-	-	-	(72)	72	-
Reallocation	329,400	-	(446,175)	-	116,775	-	-
At 31 December 2017	**102,651,762**	**-**	**3,064,478**	**4,627,987**	**(100,530,293)**	**-**	**9,813,934**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

MAGNIS
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

Magnis Energy Technologies Limited (the "Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The half-year report for the six months ended 31 December 2018 of the Company was authorised for issue in accordance with a Directors' resolution dated 8 March 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

The half-year financial report does not include all the notes of the type normally included in an annual financial report and therefore does not provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full year financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and considered with any public announcements made by Magnis Energy Technologies Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Significant judgements

The group measures the cost of equity-settled transactions with consultants, employees and directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using a binomial option pricing model.

(i) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the mandatory adoption of new and revised Standards and Interpretations issued by the AASB. The adoption of the new and revised Standards and Interpretations had no material impact on these financial statements or on the financial position and performance of the group.

3. GOING CONCERN

The Group has a multi strategy business of lithium-ion battery technology manufacture in multiple continents combined with pre-mine development of its Nachu Graphite project in Tanzania. The Group is committed to development expenditure in respect of its Nachu tenements.

For the half-year ended 31 December 2018 the Group reported a net loss of $2,771,021 (2017: $3,144,524) and net cash inflows of $4,692,099 (2017: $2,204,224 net outflow). As at 31 December 2018, the Group had net assets of $26,778,985 (30 June 2018: $15,833,544) including cash reserves of $6,217,146 (30 June 2018: $1,523,886).

The balance of these cash reserves as at 31 December 2018 is only just sufficient to meet the Group's planned expenditure budget including LIB Investment, evaluation and development activities for the 12 months to 31 December 2019. The Group's expenditure forecast over the next 12 months totals $5,572,166. In order to fully implement its multi strategy, the Group will require additional funds.

3. GOING CONCERN (CONTINUED)

The above matters give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the above, the financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

To continue as a going concern the Group requires additional funding to be secured from sources including but not limited to:

- A further equity capital raising;
- The potential farm out of participating interests in the Group's tenements; and/or
- The generation of sufficient funds from operating activities including the successful development of the existing tenements.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding, the Company's and the Group's ability to effectively manage their expenditures and cash flows from operations, the opportunity to farm out participating interests in existing permits and surrender non-prospective tenements, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is significant uncertainty whether the Company and the Group will continue to operate as a going concern. If the Company and the Group are unable to continue as a going concern they may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Company and the Group not continue as a going concern.

4. INCOME AND EXPENSES FROM ACTIVITIES

	31-Dec 2018	31-Dec 2017
	$	$
Income		
Interest received	37,841	17,270
Foreign exchange gain	22,306	20,076
Other revenue	-	4,985
Total income	**60,147**	**42,331**
Expenses		
Administration	509,276	581,768
Legal and consulting	738,030	546,522
Depreciation	70,265	56,318
Director fees	281,455	304,351
Employee benefits expense	576,282	507,365
Employee option contribution	11,400	220,450
Share based payment to non-employees	10,500	16,125
Share of net loss of associate accounted for using the equity method	142,078	-
Exploration and evaluation	491,882	953,956
Total expenses	**2,831,168**	**3,186,855**

5. TRADE AND OTHER RECEIVABLES

	31-Dec 2018	30-Jun 2018
	$	$
Accrued interest	18,870	1,445
Goods and services tax recoverable	24,740	24,921
Short-term loan	203,232	-
Prepayments and other receivables	430,860	114,603
	677,702	**140,969**

6. NON CURRENT ASSET – RECEIVABLES

	31-Dec 2018	30-Jun 2018
	$	$
Security Deposit	-	150,977
	-	**150,977**

7. FINANCIAL ASSETS AT FVOCI

	31-Dec 2018	30-Jun 2018
	$	$
Equity investment in Charge CCCV LLC	10,020,084	5,848,713
	10,020,084	**5,848,713**

On 12 September 2018, Magnis announced that it had completed the strategic 10% investment in leading US based, lithium-ion battery technology group, Charge CCCV LLC ['C4V'].

The parties amended their agreement that allowed a US$3 million cash payment to be settled by way of US$1 million cash and US$2 million via the issue of shares in Magnis. The number of ordinary shares issued to C4V was 7,507,508. The number of shares issued was determined by using a share price of $0.37 and an exchange rate of AU$1= US$0.72.

Magnis has secured an exclusive agreement over selective patents of C4V, which will assist in driving the Company's growth in the lithium-ion battery sector.

Movement in Financial Assets at FVOCI carrying value

	31-Dec 2018	30-Jun 2018
	$	$
Carrying amount at start of period	5,848,713	-
New investment during the period	4,353,371	5,848,713
Carrying value of financial assets at FVOCI	**10,020,084**	**5,848,713**

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	31-Dec 2018	30-Jun 2018
	$	$
Equity investment in iM3NY	5,004,229	4,020,647
	5,004,229	**4,020,647**

Magnis holds a 47% direct and indirect interest in a New York lithium-ion battery production plant, Imperium3 New York Inc [iM3NY]. The plant has a planned first year production of 1GWH increasing to 15GWH per annum.

Movement in equity accounted carrying values

	31-Dec 2018	30-Jun 2018
	$	$
Carrying amount at start of period	4,020,647	-
New investment during the period	1,125,660	4,073,102
Share of losses after income tax	(142,078)	(52,455)
Equity accounted carrying amount	**5,004,229**	**4,020,647**

9. DEVELOPMENT

	31-Dec 2018	30-Jun 2018
	$	$
Development	5,437,581	5,176,682
	5,437,581	**5,176,682**

Development represents the accumulation of all the compensation and resettlement expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which construction or development has commenced. Compensation and resettlement expenditures are capitalised as development costs.

Development costs in which the Group has an interest are amortised over the life of the area of interest to which the costs relates on a units of production basis over the estimated proved and probable ore reserves and a proportion of other measured and indicated mineral resources where there is a high degree of confidence that they can be extracted economically. Changes in the life of the area of interest and/or ore reserves and other mineral resources are accounted for prospectively.

10. CONTRIBUTED EQUITY

	31-Dec 2018	30-Jun 2018
	$	$
Ordinary shares fully paid	124,177,419	110,637,523
	124,177,419	**110,637,523**

During the period the Company raised funds from equity as follows:

- $11,100,000 (2017: nil) from a share placement of 30,000,000 fully paid ordinary shares.
- $300,000 (31 Dec 2017: $1,043,960) from the exercise of options and subsequent issue of 750,000 fully paid ordinary shares.
- A further 7,507,508 fully paid ordinary shares were issued to Charge CCCV LLC ('C4V') at $0.37 per share as part consideration for Magnis' 10% investment in C4V.
- Transactions costs for the period amounted to $702,795.

11. COMMITMENTS AND CONTINGENCIES

There has been no significant change to contingent liabilities and commitment since 30 June 2018.

12. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (chief operating decision maker) in assessing performance and in determining the allocation of resources.

The Group participates in global consortiums, including ownership, to operate lithium-ion battery gigafactories in Australia and the USA. As a member of these consortiums, Magnis' role will be to provide anode materials and associated technologies to assist in the production process.

This activity is supplemented by the involvement in the development and ultimate mining of natural flake graphite for use in various industries, including in particular, batteries for storing electrical energy.

Due to the infancy of its interests in the lithium-ion battery sector, the Group has determined its reportable segments for the financial period to be;

- Lithium-ion battery investments
- Graphite exploration and development

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the 30 June 2018 financial report. It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocation within segments which management believe would be inconsistent.

12. SEGMENT INFORMATION (CONTINUED)

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2018 and 31 December 2017, and assets and liabilities for reportable segments at 31 December 2018 and 30 June 2018.

	Half-year 31-Dec 2018 Loss Before Tax	Half-year 31-Dec 2018 Segment Revenue	Half-year 31-Dec 2017 Loss Before Tax	Half-year 31-Dec 2017 Segment Revenue
	$			$
Segment results and revenues				
Segments				
Lithium-ion battery investments	(142,078)	-	-	-
Graphite exploration and development	(2,628,943)	60,147	(3,144,524)	42,331
Inter segment elimination	-	-	-	-
Consolidated	**(2,771,021)**	**60,147**	**(3,144,524)**	**42,331**

	31-Dec 2018 Segment Assets	31-Dec 2018 Segment Liabilities	30- Jun 2018 Segment Assets	30-Jun 2018 Segment Liabilities
Segment assets and liabilities				
Segments				
Lithium-ion battery investments	15,227,544	-	9,869,360	-
Graphite exploration and development	12,229,235	677,794	7,150,719	1,186,535
Inter segment elimination	-	-	-	-
Consolidated	**27,456,779**	**677,794**	**17,020,079**	**1,186,535**

13. SHARE-BASED PAYMENTS

a) Recognised share-based payment expenses

The expense recognised for employee and contractor services received during the period is shown below:

	Half-year 31-Dec-18	Half-year 31 Dec-17
	$	$
Expense arising from equity-settled share-based payment transactions	21,900	236,575
Total expense arising from share-based payment transactions	**21,900**	**236,575**

b) Summaries of options and rights granted

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the half-year.

	Half-year 31-Dec-18 Number	Half-year 31-Dec-18 WAEP
	$	$
Outstanding at the beginning of the half-year	17,550,000	0.68
Granted during the period	6,000,000	0.70
Exercised during the period	(750,000)	0.40
Expired during the period	(6,000,000)	0.65
Outstanding at the end of the half-year	**16,800,000**	**0.72**
Exercisable at the end of the half-year	**16,800,000**	**0.72**

14. TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

Transactions with Directors' related entities:

Identity of Related Party	Nature of Relationship	Type of Transaction	Terms & Conditions of Transaction	31 Dec 2018 $	30 Jun 2018 $
Strong Solutions Pty Limited	Frank Poullas is a related party of Strong Solutions Pty Limited and a director of Magnis Energy Technologies Limited	Consulting fees and PP&E purchases	Normal commercial terms	160,235	300,064
Peter Tsegas	Peter Tsegas is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	300,000	-
Dr Ulrich Bez HonDTech	Dr Ulrich Bez is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	7,700	25,300
M Stanley Whittingham	M Stanley Whittingham is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	16,563	16,210

15. FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities are the equivalent of the net carrying amount as the financial assets and liabilities are short term instruments. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts of cash, trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The Company classified the fair value of its other financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments;

The three levels of the fair value hierarchy are:

15. FAIR VALUE MEASUREMENT (CONTINUED)

- Level 1- Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2- Values based on inputs, including quoted prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3- Values based on prices or valuation techniques that are not based on observable market data.

	Level in Fair Value hierarchy	31-Dec 2018	30-Jun 2018
Financial assets measured at fair value		**$**	**$**
Financial assets at FVOCI	3	10,020,084	5,848,713
Investment accounted for using the equity method	3	5,004,229	4,020,647
		15,024,313	**9,869,360**

Valuation Techniques- Level 3

Financial assets at FVOCI

Financial assets at FVOCI comprise the Group's investment in private US based, lithium-ion battery technology group, Charge CCCV LLC ('C4V') which is accounted for as a financial asset measured at fair value through other comprehensive income. The investment is not quoted in an active market and accordingly the fair value of this investment is included within Level 3 of the hierarchy.

The Group has utilised the discounted cash flow (DCF) method to calculate the fair value of the investee company. This involves the projection of a series of cash flows and to this an appropriate market derived discount rate is applied to establish the present value of the income stream

Investment accounted for using the equity method

Investment accounted for using the equity method comprises the Group's investment in a private New York lithium-ion battery production plant, Imperium3 New York Inc ('iM3NY'). The investment which is accounted for using the equity method is measured at cost and the carrying value of the investment is subsequently adjusted for the Group's interest in the associates profit or loss. The investment is not quoted in an active market and accordingly the fair value of this investment is included within Level 3 of the hierarchy.

The Group has used the discounted cash flow (DCF) method to calculate the fair value of the investee company. This involves the projection of a series of cash flows and to this an appropriate market derived discount rate is applied to establish the present value of the income stream.

15. FAIR VALUE MEASUREMENT (CONTINUED)

Quantitative information on significant unobservable inputs- Level 3

Description	Valuation technique	Unobservable inputs	31 Dec 2018 range	30 June 2018 range
Financial assets at FVOCI	DCF	Earnings growth factor	5%	5%
		Risk adjusted discount rate	9.89%	12.80%
Investment accounted for using the equity method	DCF	Earnings growth factor	-	-
		Risk adjusted discount rate	10%	11%

16. SUBSEQUENT EVENTS

On 30 January 2019 the Company announced on the ASX that the Compensation Program resulting from the Land and Asset Valuation, was completed for all Project Affected Persons (PAP) within the Nachu Graphite Special Mining Licence (SML) in accordance with the laws and guidelines of Tanzania.

No other matter or circumstance has arisen since 31 December 2018, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent periods.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Magnis Energy Technologies Limited, I state that:

In the opinion of the Directors:

a. The financial statements and notes of Magnis Energy Technologies Limited for the half-year ended 31 December 2018 are in accordance with the Corporation Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the financial half-year ended on that date;

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Frank Poullas
Chairman
Sydney, New South Wales
8 March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Magnis Energy Technologies Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Magnis Energy Technologies Limited and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 3 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134

Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 8 March 2019