ASX:MNS | FRA:U1P | OTCQX:MNSEF

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED | 31 DEC 2021

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 2021 and any public pronouncements made by MAGNIS ENERGY TECHNOLOGIES LTD during the interim reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange.

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 ('HY') ended 31 December 2021.

DIRECTORS

The following persons were Directors of the Company during the financial half-year and up to the date of this report unless otherwise indicated:

Mr. Frank Poullas	(Executive Chairman)
Mr. Hoshi Daruwalla	(Non-Executive Director; appointed 31 December 2021)
Dist. Professor M. Stanley Whittingham	(Non-Executive Director; resigned 31 December 2021)
Mr. Peter Tsegas	(Non-Executive Director)
Ms. Mona E. Dajani	(Non-Executive Director)
Mr. Mugunthan Siva	(Non-Executive Director)
Ms. Zarmeen Pavri	(Non-Executive Director; resigned 24 December 2021)
Dr. Richard Petty	(Non-Executive Director; resigned 17 November 2021)

COMPANY OVERVIEW

Magnis Energy Technologies Ltd is a vertically integrated battery technology and materials company with strategic assets in key parts of the electrification supply chain. The company's vision is to enable, support and accelerate the green energy transition critical for the adoption of Electric Mobility and Renewable Energy Storage. This is to be achieved via:

- **Battery Manufacturing:** Magnis' US based subsidiary Imperium3 New York, Inc ('iM3NY') which operates a lithium-ion battery plant in Endicott New York. iM3NY plans to manufacture green credentialed lithium-ion battery cells starting in 2022. The Company also has ownership interests (~33%) as part of a consortium in a lithium-ion battery greenfield project in Townsville, Queensland

- **Battery Technology:** A non-controlling interest and technology partnership with US based leading edge lithium-ion battery technology firm Charge CCCV LLC ('C4V') that has patented technology significant to the electric energy market; iM3NY has exclusivity to this technology in the US

- **Anode Materials:** Magnis' Nachu Graphite project located in southeast Tanzania is around 220km by road from the port town of Mtwara. The Nachu Project demonstrates significant potential due to its large size, an orebody with very low variation in lithology and mineralisation and low-cost operational model. The project is unique as it demonstrates that high quality graphite concentrate can be achieved with simple, environmentally friendly processes and has a good proportion of super jumbo, jumbo and large flake natural graphite which is a critical material in the lithium-ion battery market.

REVIEW AND RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2021 was $18,416,610 (HY_2020: $2,805,253) of which exploration and evaluation expenditure was $590,995 (HY_2020: $504,076) and administration expenses were $6,977,301 (HY_2020: $978,746).

An operational overview is set out below.

OVERVIEW.

The operational activities for the half-year ended 31 December 2021 continued to focus on the advancement of the New York battery plant as it progresses towards fully automated production as well as development and operational work for the Nachu Graphite Project in Tanzania following the signing of a binding offtake agreement with Traxys Europe on 20th December 2021.

LINDI REGION, TANZANIA - NACHU GRAPHITE PROJECT

The Nachu Graphite Project is located near Ruangwa, in southeast of Tanzania and approximately 220km by road to the Tanzanian port of Mtwara.

The Nachu Graphite Project is shovel ready with a Special Mining Licence (SML) SML550/2015 on the project granted by the Ministry of Energy and Minerals (MEM) of Tanzania in September 2015. The SML was granted to Uranex Tanzania Limited (UTZ), a wholly owned subsidiary of Magnis. Special Economic Zone (SEZ) legislation was introduced in Tanzania in 2006. The legislation provides incentives for companies to create value and advance employment and development of in the country. The SEZ area covers 206 hectares. The Export Processing Zones Authority (EPZA) in 2017 granted Magnis a licence to operate within a Special Export Zone (SEZ) in Tanzania with a 10-year SEZ licence, which was renewed in May-2021.

Key benefits of the SEZ license:

- Will allow Magnis to apply advanced technologies to produce value enhanced graphite products.
- The legislation provides incentives for companies to create value addition and advance employment and development of the country.
- The exemption from payment of corporate tax for up to 10 years, the exemption of taxes and duties for machinery, equipment, and construction materials for the development of SEZ infrastructure and the exemption from payment of withholding tax on rent, dividends and interest for 10 years.

Key onsite activities in the period included:

- Developing new water bores within the Nachu SML area. Previously, available water bores were located off the SML, so the new bores help to secure supply and reduce costs for mining development activities. The flowrate tests conducted demonstrated steady water flows that the Company believes will be sufficient for construction activities.
- Selected clearing of for key infrastructure is continuing
- Continued progress on the establishment of the resettlement village with the Town Planning and Cadastral Survey Drawings being approved and Uranex received its Building Permit from Ruangwa District Council. This development is to build 59 eco-village houses for residents who live on the SML area.

The Community Support Program in the Ruangwa district is ongoing. Of particular note, construction materials were donated to the village of Mihewe for a medical clinic building. Other programs included maintenance of the proposed community garden site and reconstruction of the school building. The Company continues to focus its community support on sustainable programs which benefit nearby villages.

Post the reporting period, the Company has commenced an update to the 2016 Feasibility Study (Study Update). The project concept remains unchanged from the 2016 Feasibility Study. The Study Update will be based on a production rate similar to the 2016 Feasibility Study which was based on a project with an annual graphite production of 220,000 tonnes of high-grade graphite products per annum.

The Study Update will be conducted by Ausenco Services Pty Ltd (Ausenco). Ausenco is an industry leader in global engineering services providing consulting, project delivery and asset management solutions to the resources, energy, and infrastructure sectors. As part of their scope for the Study Update, Ausenco will use their extensive experience to redesign the process plant layout for better capital and operating cost efficiency.

NEW YORK, USA - GIGAFACTORY

Magnis' subsidiary, Imperium3 New York Incorporated ('iM3NY'), operates a gigawatt scale Lithium-ion battery project in Endicott, New York.

As at 31 December 2021, the Company's total direct and indirect see-through investment shareholding in iM3NY Inc via iM3NY LLC was 61.42% which consisted of common shares entitling voting and controlling rights and includes the Company's 9.65% direct shareholding in its LIB technology partner Charge CCCV LLC ('C4V'), which has a 33% interest in iM3NY. C4V is the technology and development partner for both iM3NY and iM3TSV.

Development of the New York Lithium-ion Battery Plant progressed on the Huron Campus in Endicott, New York. During the reporting period, the Company provided monthly updates on the plants' progress as it moves towards fully automated production. IM3NY's management consists of highly skilled personnel with experience in manufacturing of advanced technologies and products such as lithium-ion batteries and semiconductors and are leading the development of the plant. Engineering, procurement, and construction (EPC) of the plant is being conducted by Danish Engineering Group Ramboll. After receiving all New York State Government permits over the period, namely the Environmental Justice Plan, Air and Aquifer permits, iM3NY and Ramboll were able to construct vital plant infrastructure and install critical machinery for reaching the semi-automated production phase. Semi-automated production is an important phase for iM3NY where batches of cells are produced for both marketing and due diligence purposes. The Company reported that the plant had achieved semi-automated production by the close of the period and subsequently has achieved 57% of the plant build out.

TOWNSVILLE, AUSTRALIA - GIGAFACTORY

Magnis has a 33% holding in Imperium3 Townsville Pty Ltd ('iM3TSV') and is part of a consortium looking to develop a lithium-ion battery project in Townsville Australia. The company received grant funding of $3.1 million from the Queensland State Government supporting the Feasibility Study ('FS') into the establishment of a LIB manufacturing plant in Townsville, Queensland.

iM3TSV directors and the State of Queensland, acting through the Department of State Development, Manufacturing, Infrastructure and Planning formally signed 'the Jobs and Regional Growth Fund Assistance Agreement' for the FS.

In March 2020, iM3TSV successfully completed the FS for the establishment and operation of an 18 GWh Lithium-ion battery manufacturing facility to be developed in three stages (of 6 GWh each) at Lansdown Eco-Industrial Precinct in Townsville. The scope of work included a comprehensive market study, detailed financial modelling, investigation of site constraints / opportunities, optimal processing options, plant design, equipment and infrastructure requirements and implementation plans.

The FS demonstrated sound financial viability on a project basis with an NPV10 of $2.55 billion and 21% IRR, with the project capital cost for all 3 stages estimated at $3 billion, providing over 1000 direct jobs when operating at full capacity. During the period, iM3TSV continues to work with stakeholders, especially the local and state government bodies to progress the project moving forward. Although the unprecedented COVID-19 has significantly impacted capital raising efforts in the international capital markets, iM3TSV is also considering various avenues for capital/fund-raising to support the initial construction and production of the facility.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, the Company's financial position improved significantly as a result of capital market activities as described in the Capital funds section below.

CORPORATE

CAPITAL FUNDS

On 3 August 2021, the Company announced having raised $20M through the issue of convertible notes to two (2) New York based financiers with a combined Face Value of $21M . Magnis issued 86,166,378 fully paid ordinary shares in relation to its $20M Convertible Note ('Facility'), that included:

- 14,000,000 (7M to each convertible note holder) as collateral shares, that are required to be repaid.
- 38,166,378 shares were subsequently issued to Lind Global Fund II LP **('LIND')**, and
- 29,000,000 shares were issued to SBC Global Investment Fund **('SBC')**.
- 5,000,000 shares were issued to finance advisor Evolution Capital Advisors ('Evolution') in kind instead of cash for their fees with regards to the above convertible note financing.

An interest expense of 5% (or $1M) was paid upfront, hence the $21M Face Value. During the period shares issued to LIND effectively extinguished their $10.5M portion of the convertible note, while shares issued to SBC effectively reduced their $10.5M portion of the convertible note to $3,250,000, which remains outstanding.

On 11 November 2021, Magnis issued 1,500,000 fully paid ordinary shares by converting performance rights that had been approved by members, to the qualifying directors under the Magnis Executive Rights Trust ('MERT') that became eligible when the condition of the Company's market capitalisation of A$500,000,000 was achieved. The relevant performance rights were held by Frank Poullas, Peter Tsegas, and former Non-Executive Director, the Distinguished. Professor M. Stanley Whittingham, who retired at period end. An equity adjustment for $8,010 was required to reflect this conversion.

Between 11 November 2021 and 8 December 2021 Magnis issued 39,455,471 fully paid ordinary shares resulting from holders converting their 50c strike price unlisted options, which resulted in the receipt of $19,727,735 in funds.

As at 31 December 2021, 81,973,101 unlisted options ('MNSAN') remain outstanding, with a 50c strike price and a 2-year expiry period from their 23 May 2021 issue date.

On 26 November 2021 Magnis announced the issue of 36,000,000 unlisted options to be granted to the below holders, after receiving shareholder approval at the AGM on 22 November 2021:

- 20,000,000 unlisted options ('MNSAQ') at $0.40 exercise price, expiring 3 years from grant date to investors as per the convertible note funding facility announced on 3 August 2021.
- 10,000,000 unlisted options ('MNSAP') at $0.50 exercise price and a three (3) year term were issued to Evolution, relating to the remuneration negotiated with the lead manager.
- 6,000,000 unlisted options ('MNSAO') at $0.70 exercise price to Non-Executive Directors, expiring 3 years from grant date, aimed to form part of their overall remuneration package for incentivising three recently appointed directors.

On 17 December 2021, Magnis announced the issue of 1,375,000 unlisted options to employees to be held in the Magnis Option Share Trust ('MOST') at $0.80 exercise price, with a 3-year expiry period from their 9 Dec 2021 issue date.

As at 31 December 2021, the Company had:

- 978,556,395 fully -paid ordinary shares on issue.
- 81,973,101 unlisted options ('MNSAN') remain issued with a strike price at $0.50, expiring 26 May 2023.
- 20,000,000 unlisted options ('MNSAQ') remain issued to funding providers with a strike price at $0.40, expiring 25 November 2024.
- 10,000,000 unlisted options ('MNSAP') remain issued to Capital Advisors with a strike price at $0.50, expiring 25 November 2024.
- 4,125,000 unlisted options outstanding in the Magnis Option Share Trust (MOST, formally called Uranex Option Share Trust), with varying expiry dates ranging from 30 October 2022 to 9 December 2024 and varying exercise prices ranging from $0.50 to $0.80.

  During the period 1,375,000 unlisted options were issued to employees at $0.80 exercise price, with a 3-year expiry period from their 9 December 2021 issue date. These unlisted options were mistakenly described as having an exercise price of $0.70 in the relevant Appendix 3G.
- 6,000,000 unlisted options ('MNSAO') outstanding held directly by Non-Executive Directors with a strike price at $0.70 and expiring 25 November 2024.
- Shares issued to LIND effectively extinguished their $10.5M portion of the convertible note while Shares issued to SBP effectively reduced their $10.5M portion of the convertible note to $3,250,000, which remains outstanding.
- 4,000,000 performance rights outstanding in the Magnis Executive Rights Trust (MERT).
- 20,000,000 fully paid ordinary shares held in the Magnis Employee Share Trust (MEST).
- 750,000 fully paid ordinary shares held in the Magnis Option Share Trust (MOST).
- A consolidated cash balance of $94,409,946 (30 June 2021: $72,894,945).

After 31 December 2021, the Company had four (4) material post-period events occur:

- 20,000,000 fully paid ordinary shares were cancelled on 4 January 2022 through the selective reduction procedure shareholders approved at the 2021 AGM;
- The Company issued a further 3,125,000 shares at $0.48 to SBC in relation to their $10.5M portion of the convertible note, leaving a remaining balance of $1,750,000 outstanding;
- The conversion of a further 4,077,367, $0.50 unlisted options into shares from the May 2021 investor options issue; and
- The Company received $2,800,000 from LIND for converting 7,000,000 collateral options into shares, priced at $0.40 after completion of their convertible note obligation.

HEALTH, SAFETY and SUSTAINABILITY ('HSS')

Magnis continues its commitment to upholding high standards in the areas of health, safety, environment, and community relationships. This commitment includes a dedication to the principles and practices of good corporate and environmental citizenship integrating all aspects of an activity to ensure the appropriate and balanced path is taken to satisfy regulatory requirements whilst in line with best practice and the highest standards.

The Magnis Community Partnership Program (MCPP) contributes various inputs, from time and planning skills to materials and equipment for community development programs in matters such as cultural awareness, education, agriculture, environment, sport, and health. The MCPP has in the past contributed learning materials to local schools within the Ruangwa District and is a varied initiative that covers ongoing programs such as maintenance of community areas, general support and involvement in community events or support and staff participation in community health awareness programs.

Magnis actively promotes employee participation in continuous improvement processes within the broader area of Occupational Health and Safety. Staff at Uranex Tanzania Ltd (wholly owned subsidiary of Magnis) are involved in emergency response plans, workplace risk assessments and contributions to monthly safety topics. Magnis ensures staff have access to general medical and health services for regular evaluations and provides staff training in safety, safety leadership and reporting.

Through employee training and engagement in this area, Magnis has retained a high standard of workplace safety where no work-related incidents have occurred in the period. Continuous improvement is embraced culturally to focus on minimising and mitigating the risk to employees and the environment as the Magnis Group moves through each stage of each project.

Magnis continues to have a well-respected presence and relationship with the communities in which it operates including with local governments and businesses. The Company intends for its operations and investments to benefit the local communities through direct employment and via indirect economic benefits such as the local procurement of supplies wherever feasibly possible.

Magnis' battery manufacturing projects have broader environmental goals of reducing net carbon emissions by producing re-chargeable lithium-ion batteries for use in electric vehicles and energy storage systems.

As part of the last corporate governance review, the Board established the Health, Safety and Sustainability Committee (replacing the previous Sustainability Committee). The Primary functions of this HSS Committee are to:

- Review and oversee the development and implementation of policies and procedures that will allow Magnis to operate its business in a safe, sustainable, and ethical manner; and

- Assist the Board in monitoring the decisions and actions of management in achieving the goal of making Magnis to be safe, ethical, sustainable, and responsible organisation.

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 the Board of Magnis Energy Technologies Ltd.

Mr. Frank Poullas
Executive Chairman
Sydney, New South Wales
14 March 2022

MAGNIS ENERGY TECHNOLOGIES LIMITED
AND CONTROLLED ENTITIES
ABN 26 115 111 763

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED AND CONTROLLED ENTITIES

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Magnis Energy Technologies Limited and controlled entities. As the lead audit partner for the audit of the financial report of Magnis Energy Technologies Limited and controlled entities for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Anh (Steven) Nguyen
Director
Date: 15th March 2022
Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	NOTE	31-Dec 2021	31-Dec 2020
		$	$
Income	4, 16	259,044	422,389
Total income		**259,044**	**422,389**
Total expenses	4	**(18,675,654)**	**(3,227,642)**
Loss before income tax		**(18,416,610)**	**(2,805,253)**
Income tax (expense) / benefit		-	-
NET LOSS FOR THE PERIOD	16	**(18,416,610)**	**(2,805,253)**
NET LOSS FOR THE PERIOD attributable to:			
Owners of parent entity		(12,997,549)	(2,610,611)
Non-controlling Interest		(5,419,061)	(194,642)
NET LOSS FOR THE PERIOD		**(18,416,610)**	**(2,805,253)**
Other comprehensive income or (loss)			
Items that will not be reclassified subsequently to profit or (loss):			
Change in fair value of financial assets at FVOCI	8	-	-
Items that may be reclassified subsequently to profit or (loss):			
Foreign currency translation		3,137,659	1,087,037
Other comprehensive income / (loss) for the period net of tax		**3,137,659**	**1,087,037**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(15,278,951)**	**(1,718,216)**
Other comprehensive income / (loss) attributable to:			
Owners of parent entity		(15,374,328)	(1,692,402)
Non-controlling Interest		95,377	(25,814)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(15,278,951)**	**(1,718,216)**
Basic (loss) per share (cents per share)		(1.88)	(0.38)
Diluted (loss) per share (cents per share)		(1.88)	(0.38)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	NOTE	31-Dec 2021	30-Jun 2021
Current Assets		**$**	**$**
Cash and cash equivalents	5	94,409,946	72,894,945
Trade and other receivables	6	988,503	786,648
Other assets	7	257,464	597,466
Total Current Assets	16	**95,655,913**	**74,279,059**
Non-Current Assets			
Financial assets at FVOCI	8, 19	15,096,142	15,096,142
Right-of-use assets	9	47,391,877	266,305
Development assets	10	5,150,407	4,982,338
iM3NY P&E		33,070,305	23,290,573
Plant and equipment		22,300	14,839
Other assets – iM3NY	7	16,241,460	18,754,352
Total Non-Current Assets	16	**116,972,491**	**62,404,549**
TOTAL ASSETS		**212,628,404**	**136,683,608**
Current Liabilities			
Trade and other payables	11	3,358,171	3,672,965
Lease liabilities	12	580,920	214,076
Borrowings – Conv. Note Facility	13	3,250,000	-
Provisions		82,500	48,345
Total Current Liabilities		**7,271,591**	**3,935,386**
Non-Current Liabilities			
Lease liabilities	12	47,122,195	73,230
Borrowings	13	68,898,766	65,175,758
Provisions		-	-
Total Non-Current Liabilities		**116,020,961**	**65,248,988**
TOTAL LIABILITIES	16	**123,292,552**	**69,184,374**
NET ASSETS		**89,335,852**	**67,499,234**
Equity			
Contributed equity	14	233,376,518	179,841,178
Reserves		18,391,215	12,386,330
Accumulated Profits/(Losses)		(181,229,742)	(138,095,014)
Parent Interest – Capital and Reserves		**70,537,991**	**54,132,494**
Issued Capital - Non-controlling Interest		24,216,922	18,290,236
Accumulated Profits/(Losses) - Non-controlling		(5,419,061)	(4,923,496)
Non-controlling Interests		**18,797,861**	**13,366,740**
TOTAL EQUITY		**89,335,852**	**67,499,234**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Consolidated 31-Dec 2021	31-Dec 2020
Cash flows from operating activities		**$**	**$**
Payments to suppliers and employees		(8,066,936)	(2,559,441)
Payment for exploration expenditure		(731,497)	(583,271)
Payments for development expenditure		(8,254)	(8,350)
Interest and other costs of finance paid		(5,742,521)	-
Interest received		10,269	10,790
Government Grants and Assistance received		-	101,300
Research and development grant received		-	-
Net cash outflow used in operating activities		**(14,538,939)**	**(3,038,972)**
Cash flows from investing activities			
Acquisition of property, plant, and equipment		(8,945,502)	(6,210)
Acquisition of interest in associate		(17,605,634)	-
Acquisition of interest in financial asset		-	(11,866)
Proceeds from sale of property, plant and equipment		231,401	250,723
Payment of loan to related parties		4,763	(7,029)
Net cash inflow/(outflow) from/used in investing activities		**(26,314,972)**	**225,618**
Cash flows from financing activities			
Proceeds from issue of shares (including convertible notes)	14	17,750,000	7,098,445
Proceeds from issue of shares – iM3NY		17,772,021	-
Proceeds remaining from Convertible Note Facility	13	3,250,000	-
Proceeds from exercise of options	14	19,727,735	-
Capital raising expenses	14	(5,000)	63,509
Proceeds from borrowings		13,878	-
Repayment of borrowings		1,513,234	-
Net cash inflow from financing activities		**60,021,868**	**7,161,954**
Net cash inflows/ (outflow) for the reporting period		**19,167,957**	**4,348,600**
Effect of exchange rates on cash holdings in foreign currencies		2,347,044	(29,138)
Cash and cash equivalents at the beginning of the period		72,894,945	719,615
Cash and cash equivalents at the end of the period		**94,409,946**	**5,039,077**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Contributed equity (CE)	FVOCI Reserve	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling Interest	Total Equity
		$	$	$	$	$	$	$
As at 1 July 2021	14	**179,841,178**	**5,076,057**	**46,313**	**7,263,960**	**(143,018,510)**	**18,290,236**	**67,499,234**
Loss for the previous period		-	-	-	-	18,137,339	(30,768,254)	**(12,630,915)**
Loss for the period		-	-	-	-	(12,997,549)	(5,419,061)	**(18,416,610)**
Other comprehensive income / (loss)		-	-	-	3,137,659	-	-	**3,137,659**
Total comprehensive income / (loss) for the half-year		**-**	**-**	**-**	**3,137,659**	**5,139,790**	**(36,187,315)**	**(27,909,866)**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs	14	35,581,745	-	-	-	-	5,926,686	**41,508,431**
Contributions of equity, net of transaction costs-iM3NY	14	17,953,595	-	-	-	-	-	**17,953,595**
Equity transfer on acquiring of share capital in controlled entity		-	-	-	-	(12,582,868)	-	**(12,582,868)**
Share based payment to P&L	4, 17(a)	-	-	976,237	-	-	-	**976,237**
Share-based payment (Forfeited)\to CE	14	-	-	1,890,990	-	100	-	**1,891,090**
Non-Controlled Interest						(36,187,315)	36,187,315	**-**
Rounding				(1)		-	-	**(1)**
As at 31 December 2021	14	**233,376,518**	**5,076,057**	**2,913,539**	**10,401,619**	**(186,648,803)**	**24,216,922**	**89,335,852**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Contributed equity (CE) $	FVOCI Reserve $	Share Based Payment Reserves $	Foreign Currency Translation Reserve $	Accumulated Losses $	Non-controlling Interest $	Total Equity $
As at 1 July 2020		**128,625,905**	**(2,524,523)**	**63,200**	**5,982,799**	**(113,333,319)**	**5,809,563**	**24,623,625**
Loss for the previous period		-	-	-	-	(202,830)	(1,605,358)	**(1,808,188)**
Loss for the period		-	-	-	-	(2,610,611)	(194,642)	**(2,805,253)**
Other comprehensive income / (loss)		-	-	-	1,087,037	-	-	**1,087,037**
Total comprehensive income / (loss) for the half-year		**-**	**-**	**-**	**1,087,037**	**(2,813,441)**	**(1,800,000)**	**(3,526,404)**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs		7,161,954	-	-	-	-	(661,837)	**6,500,117**
Share based payment to P&L	4, 17(a)	-	-	380,780	-	-	-	**380,780**
Share-based payment (Forfeited)\to CE		-	-	(54,350)	-	100	-	**(54,250)**
Non-Controlled Interest						(1,800,000)	1,800,000	**-**
As at 31 December 2020		**135,787,859**	**(2,524,523)**	**389,630**	**7,069,836**	**(117,946,660)**	**5,147,726**	**27,923,868**

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

NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

Magnis Energy Technologies Ltd (the 'Company') is a for profit company limited by shares, incorporated in Australia and whose shares are publicly traded on the Australian Securities Exchange.

The half-year (HY) report for the six months ended 31 December 2021 of the Company was authorised for issue in accordance with a resolution of the Board of the Company dated 14 March 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial report for the half-year ended 31 December 2021 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 2021 and considered with any public announcements made by Magnis Energy Technologies Ltd during the half-year ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The consolidated financial report for the half-year ended 31 December 2021 is presented in Australian dollars (unless otherwise indicated).

(i) New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous half-year financial reporting and the Group has not adopted new or amended Australian Accounting Standards and AASB Interpretations as of 1 July 2021

3. GOING CONCERN

The Group has a multi strategy business focusing on projects across the lithium-ion battery value chain such as manufacturing, technology, and materials.

For the half-year ended 31 December 2021 the Group reported a net loss of $18,416,610 (HY_2020: $2,805,253) and net operating cash outflows of $14,538,939 (HY_2020: $3,038,972). The net operating cash outflows have been funded by cash inflows from equity raisings, convertible note conversions and exercise of unlisted options totalling $55,249,756 (HY_2020: $7,098,445).

As at 31 December 2021 the Group had net current assets of $88,384,322 (30 June 2021 $70,343,673) including consolidated cash reserves of $94,409,946 (30 June 2021 $72,894,945). For a breakup of consolidated liquidity, refer to Note 5.

The balance of these cash reserves as at 31 December 2021 is sufficient to meet the Group's planned expenditure budget for the next 12 months to 31 December 2022, including updating of BFS, operational and LIB investment, evaluation, and development activities. The Company's forecast expenditure over the next 12 months is estimated to be approx. $9.6m.

Having carefully assessed the uncertainties relating to carrying on normal business activities and the Group's ability to effectively manage its expenditures, cash flows from operations as well as having the flexibility to defer its capital investment decisions to preserve funding levels if needed, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future.

As such, the half-year financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities, further share placements and the realisation of assets and settlement of liabilities in the ordinary course of business. If the assumptions underpinning the basis of preparation do not occur as anticipated, there is material uncertainty that may cast significant doubt over whether the Group will continue to operate as a going concern. If the Group is unable to continue as a going concern it 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 half-year financial statements.

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

The half-year financial statements were authorised for issue by the directors on 14 March 2022.

4. INCOME AND EXPENSES FROM ACTIVITIES

		31-Dec 2021	31-Dec 2020
Income		**$**	**$**
Interest received		11,609	50,081
Research and development grant		-	-
Foreign exchange gain		16,033	20,285
Profit on sale of fixed assets		231,401	250,723
Other revenue		1	-
Government Grants and Assistance (Note: 19)		-	101,300
Total income		**259,044**	**422,389**
Expenses			
Administration		6,977,301	978,746
Service supply agreement with Charge CCCV LLC ('C4V'), (Note: 15)		411,524	411,731
Expected credit loss on C4V loan		-	(541,352)
Depreciation		106,986	107,972
Director fees		303,759	201,652
Employee benefits expense		2,643,158	558,174
Interest expense		5,491,138	-
Legal and consulting		1,174,556	625,863
Share based payment to employees,	Note: 17(a)	976,300	5,962
Share based payment to non-employees,	Note: 17(a)	(63)	374,818
Share of net loss of associate accounted for using the equity method		-	-
Exploration and evaluation		590,995	504,076
Total expenses		**18,675,654**	**3,227,642**

5. CASH AND CASH EQUIVALENTS

	31-Dec 2021	30-Jun 2021
	$	$
Cash on hand	1,688	2,651
Cash at bank	22,072,327	3,572,435
Cash at bank – iM3NY	72,335,931	69,319,859
	94,409,946	**72,894,945**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

6. TRADE AND OTHER RECEIVABLES

	31-Dec 2021	30-Jun 2021
	$	$
Accrued interest	545	240
Goods and services tax recoverable	97,486	239,341
Prepayments and other receivables	739,495	396,090
Less: allowance for expected credit loss	-	-
NAB Security Term Deposit	150,977	150,977
	988,503	**766,648**

7. OTHER ASSETS

	31-Dec 2021	30-Jun 2021
	$	$
Current		
Accrued interest	21,405	20,370
Short-term loan - Charge CCCV LLC & iM3NY Inc.	-	14,524
Less: allowance for expected credit loss	-	-
Short-term loan – Imperium3 Townsville	35,221	35,221
Other assets – iM3NY	200,838	527,351
	257,464	**597,466**
Non- Current		
Capitalised Loan Costs - iM3NY Inc.	19,716,887	19,739,609
Amortisation of Capitalised Loan Costs - iM3NY Inc.	(3,475,427)	(985,257)
	16,241,460	**18,754,352**

Other Assets – Current

Short-term loan between Charge CCCV LLC & iM3NY Inc and Allowance for expected credit losses

Loan receivables are recognised and measured at amortised cost, less any allowance for expected credit losses. The remaining amount due as at 30 June 2021 relates to an iM3NY Inc receivable that's due from Charge CCCV LLC.

The consolidated entity has recognised a loss of $Nil (30 June 2021: Nil) in profit or loss in respect of the expected credit losses related to trade and other receivables for the half-year ended 31 December 2021.

Other Assets – Non-current

Capitalised Loan Costs and Allowance for Amortisation of Capitalised Loan Costs - iM3NY Inc

These are capitalised expenses incurred in securing loan finance for iM3NY Inc. and includes such items as legal fees, agency fees, engineering fees, costs to obtain finance, new equity issuance and other costs that will be amortised in accordance to their respective nature.

8. FINANCIAL ASSETS AT FVOCI

	31-Dec 2021	30-Jun 2021
	$	$
Equity investment in Charge CCCV LLC	**15,096,142**	**15,096,142**

On 29 March 2018, Magnis announced a strategic investment to acquire a 10.0% interest in leading US based, lithium-ion battery technology group, Charge CCCV LLC ('C4V') and secured an exclusive agreement over selective patents, which will assist in driving the Company's growth in the lithium-ion battery sector.

Magnis has appointed one representative to the Board of Directors of C4V and has also secured a first right of refusal for any future capital raising initiatives that C4V undertake.

Further to the agreement, Magnis also has an exclusive agreement for 5 years over selected C4V technology licences and intellectual property, which will expand the Company's material technologies in the rapidly growing lithium-ion battery sector.

On 28 April 2021 and as clarified in announcement on 9 Sept 2021, Riverstone Credit Partners acquired a 3.50% stake in C4V which effectively diluted the Company's ownership in C4V to 9.65%.

As at 31 December 2021, Magnis continues to hold a 9.65% stake in C4V (30 June 2021: 9.65%).

Movement in Financial Assets at FVOCI carrying value:

	31-Dec 2021	30-Jun 2021
	$	$
Carrying amount at start of period	**15,096,142**	**7,495,562**
New investment during the period	-	-
Change in fair value	-	7,600,580
Rounding	-	-
Carrying value of financial assets at FVOCI	**15,096,142**	**15,096,142**

9. RIGHT OF USE ASSET

	31-Dec 2021	30-Jun 2021
	$	$
Right-of-use assets at start of period	**266,305**	**476,363**
Additions	47,225,183	-
Currency Translation	1,759	(8,026)
Depreciation expense	(101,370)	(202,032)
Carrying value of Right-of-use assets	**47,391,877**	**266,305**

10. DEVELOPMENT

	31-Dec 2021	30-Jun 2021
	$	$
Development – Nachu Graphite Project ('NGP')	**5,150,407**	**4,982,338**

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 relate 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, ore reserves, and other mineral resources are accounted for prospectively.

Impairment

At each reporting date, the Group reviews the carrying value of its development assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. As at 31 December 2021, no impairment charge was deemed necessary.

Movement in NGP Development Assets

	31-Dec 2021	30-Jun 2021
	$	$
Carrying amount at start of period	**4,982,338**	**5,577,131**
Development costs capitalised during the period	-	-
Currency translation difference	168,069	(594,793)
Carrying value of development assets	**5,150,407**	**4,982,338**

11. TRADE AND OTHER PAYABLES

	31-Dec 2021	30-Jun 2021
	$	$
Trade payables	3,209,102	3,445,569
Other payables and accruals	149,069	227,396
	3,358,171	**3,672,965**

12. LEASE LIABILITIES

	31-Dec 2021	30-Jun 2021
	$	$
Current		
Lease Liabilities	580,920	214,076
	580,920	**214,076**
Non- Current		
Lease Liabilities	47,122,195	73,230
	47,122,195	**73,230**

13. BORROWINGS

	31-Dec 2021	30-Jun 2021
	$	$
Current		
Convertible Note Facility	**3,250,000**	**-**
	3,250,000	**-**
Non- Current		
Senior Secured Loan - iM3NY Inc.	**68,898,766**	**65,175,758**
	68,898,766	**65,175,758**

Convertible Note Facility

At period end, shares issued to LIND effectively extinguished their $10.5M portion of the convertible note while Shares issued to SBP effectively reduced their $10.5M portion of the convertible note to $3,250,000 which remains outstanding.

Senior Secured Loan

On 19 April 2021, Magnis announced that its majority owned subsidiary Imperium3 New York Inc. ('iM3NY') had received a mixture of debt and equity funding, which included a US$50Million senior secured term loan from Riverstone Credit Partners L.P. ('Riverstone') that is to be used to fast-track production at the iM3NY lithium-ion battery manufacturing plant located in Endicott, New York. Broad terms of the Senior Secured Loan include: Amount: US$50Million, Term: 4 Years and Interest Rate: 12.5% p.a.

14. CONTRIBUTED EQUITY

	31-Dec 2021	30-Jun 2021
	$	$
Ordinary shares fully paid	**233,376,518**	**179,841,178**

Movement in fully paid shares

	31-Dec 2021	31-Dec 2021	30-Jun 2021
	Number of shares	$	$
Balance at start of period:	**851,434,546**	**179,841,178**	**128,625,905**
Shares restructure – iM3NY Inc.	-	17,953,595	12,108,319
Shares issued	86,166,378	18,950,000	41,649,995
Exercise of unlisted options	39,455,471	19,727,735	-
Conversion of unlisted rights	1,500,000	8,010	-
Transaction costs - SBP	-	(1,890,990)	-
Transaction costs - Shares	-	(1,213,010)	(2,543,041)
Balance at end of period:	**978,556,395**	**233,376,518**	**179,841,178**

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

- Between 3 August 2021 and 13 December 2021 Magnis issued 86,166,378 fully paid ordinary shares in relation to its AUD 20,000,000 Convertible Note ('Facility'), of which 5,000,000 was allocated to finance advisor Evolution Capital Advisors ('Evolution'), 45,166,378 to LIND Global Fund II LP and 36,000,000 to SBC Global Investment Fund.
- On 11 November 2021, Magnis issued 1,500,000 fully paid ordinary shares by converting performance rights that had been approved by members, to the qualifying directors under the Magnis Executive Rights Trust ('MERT') that became eligible when the condition of the Company's market capitalisation of A$500,000,000 was achieved. The relevant performance rights were held by Frank Poullas, Peter Tsegas, and former director, the Distinguished. Professor M. Stanley Whittingham, who retired at period end. An equity adjustment for $8,010 was required to reflect this conversion.
- Between 11 November 2021 and 8 December 2021 Magnis issued 39,455,471 fully paid ordinary shares resulting from holders converting their 50c strike price unlisted options, which resulted in the receipt of $19,727,735 in funds. As at 31 December 2021, 81,973,101 unlisted options ('MNSAN') remain outstanding, with a 50c strike price and a 2-year expiry period from their 23 May 2021 issue date.
- Capital raising transactions costs for the period amounted to $3,104,000 (30 June 2020: $2,543,041), representing legal costs of $5,000, a 6% funding fee of $1.2M on $20M Facility paid to Evolution with 5M shares, and a SBP recognition of $1,899,000 under AASB2 for 10M unlisted options issued to Evolution financiers as part of the terms of the Facility.

15. COMMITMENTS AND CONTINGENCIES

As at 31 December 2021, the Group has commitments of:

- A commitment to make monthly payments of US$50,000 for 3 years from 1 July 2020, under an amended service agreement with Charge CCCV LLC for maintaining exclusivity over certain patents and intellectual property for the processing of lithium-ion battery anode ready materials.
- The Group has certain Exploration commitments totalling US$61,895 annually to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest. Note 1 outlines the Group's future funding options to meet its commitments.
- The Group has guarantees for property leases and banking facilities of $150,977 (30 June 2021 $150,977)
- There are no contingent liabilities or assets as at 31 December 2021.

16. SEGMENT INFORMATION

(a) 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 continued its participation in global consortiums, including ownership, to operate lithium-ion battery giga factories in Australia and the USA. As a consortium member Magnis' role continues to 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 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 half-year financial period 31 December 2021 as follows:

- Lithium-ion battery investments
- Graphite exploration and development

(b) 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 consolidated Financial Statements for the year ended 30 June 2021.

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 believes would be inconsistent.

The following table presents reportable segments for:

- revenue and profit information for the half-years ended 31 December 2021 and 31 December 2020, and
- assets and liabilities as at 31 December 2021 and 30 June 2021.

	Lithium-ion Battery Investment USA	Lithium-ion Battery Investment Australia	Graphite Exploration and Development Tanzania	Consolidated
31 December 2021	**$**	**$**	**$**	**$**
Segment financial information				
Segment income	-	21,405	237,639	**259,044**
Segment loss before tax	(7,468,123)	-	(10,948,487)	**(18,416,610)**
31 December 2021				
Segment current assets	72,840,266	56,626	22,759,021	**95,655,913**
Segment non-current assets	111,633,089	-	5,339,402	**116,972,491**
Segment liabilities	(119,415,052)	-	(3,877,500)	**(123,292,552)**

	Lithium-ion Battery Investment USA	Lithium-ion Battery Investment Australia	Graphite Exploration and Development Tanzania	Consolidated
31 December 2020	**$**	**$**	**$**	**$**
Segment financial information				
Segment income	36,240	19,352	366,797	**422,389**
Segment loss before tax	(222,956)	-	(2,582,297)	**(2,805,253)**
30 June 2021				
Segment current assets	69,337,823	55,591	4,885,645	**74,279,059**
Segment non-current assets	53,025,591	-	9,378,958	**62,404,549**
Segment liabilities	(68,471,980)	-	(712,394)	**(69,184,374)**

17. SHARE BASED PAYMENTS

(a) Recognised share-based payment expenses

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

	31-Dec-2021	31-Dec-2020
	$	$
Expense arising from the issue of options (employees)	976,300	5,962
Expense arising from the issue of options (non-employees)	(63)	374,818
Total expense arising from equity-settled payment transactions	**976,237**	**380,780**

(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.

	31-Dec-2021 Number	31-Dec-2021 WAEP
	$	$
Outstanding at the beginning of the half-year	**8,000,000**	**0.54**
Granted during the period	17,375,000	0.59
Exercised during the period	-	-
Expired during the period	(5,250,000)	(0.47)
Outstanding at the end of the half-year	**20,125,000**	**0.60**
Exercisable at the end of the half-year	**20,125,000**	**0.60**

The range of exercise prices for options outstanding at the end of the half-year was between $0.50 and $0.80 (HY_2020: $0.40 and $0.75).

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.

18. 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-2021 $	30-June-2021 $
Strong Solutions Pty Ltd	Frank Poullas is a related party of Strong Solutions and a director of Magnis Energy Technologies Ltd	Consulting fees and IT Services	Normal commercial terms	115,500 73,701	208,000 92,970
Peter Tsegas	Peter Tsegas is a Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	(13,893)	273,389
Prof. M Stanley Whittingham (Resigned 31 Dec. 2021)	Prof. M. Stanley Whittingham is a Non-executive Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	-	-
Hon. Troy Grant (Resigned 23 Feb. 2021)	Hon. Troy Grant was a Non-executive Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	-	50,000
				175,308	**624,359**

19. FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities are the equivalent to the net carrying amount. 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 Group classified the fair value of its other financial instruments according to the following fair value hierarchy based on the number of observable inputs used to value the instruments.

The three levels of the fair value hierarchy are:

- 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	Consolidated	
		31-Dec-2021	**30-June-2021**
Financial assets measured at fair value		**$**	**$**
Financial assets at FVOCI	**3**	15,096,142	15,096,142
Investment accounted for using the equity method	**3**	**15,096,142**	**15,096,142**

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.

C4V has expertise and patented technology in lithium-ion battery composition and manufacture. C4V has executed binding agreements to receive royalty income from the exclusive use of both its patented anode chemistry and its cobalt and nickel free cathode chemistry. C4V also retains the right to receive a once off reservation fee upon the granting of exclusive use of its patented IP at each of the approved iM3 battery plants. The royalty income is dependent upon the successful development of the Group's Nachu Graphite Project which involves the mining and processing of natural flake graphite.

As at 31 December 2021, C4V has a 31.20% (30 June 2021: 32.61%) indirect strategic investment in a New York lithium-ion battery production plant, Imperium3 New York Inc ('iM3NY'), via a direct investment in iM3NY LLC., which owns iM3NY. iM3NY in turn owns battery plant assets located in a lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York. C4V also has an interest in iM3TSV a proposed lithium-ion battery production plant in Townsville, see below for further details about both these projects and their valuations.

Valuation Techniques - Level 3

The Group has utilised a combination of the discounted cash flow ('DCF') method together with the fair value of C4V's strategic investment in iM3NY to calculate the enterprise value of C4V. The DCF 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.

The fair value of C4V's investment in iM3NY has been determined by first obtaining an independent valuation of the plant equipment purchased in 2018. The valuation of plant equipment was undertaken in August 2019 by engineering firm O'Brien & Gere assessed all the items purchased. At that time the external valuer attributed the status and condition at a valuation of US$71.34Million. In October 2019, the Group had an independent valuation undertaken by global engineering, architecture and consultancy company Ramboll Energy which confirmed that the iM3NY plant and equipment was valued at US$71,340,620.

On 19 April 2021 Magnis announced that the iM3NY project is fully funded to 1.8GWh of annual production. Riverstone Credit Partners, L.P. confirmed after carrying out its due diligence that iM3NY has US$230.0Million ($308.0Million) of manufacturing assets in place, of which C4V has a see-through direct and indirect strategic interest via iM3NY LLC that is equivalent to US$71.8Million ($96.1Million).

The Group decides its valuation policies and procedures in line with its business objectives and with reference to the Group's assessment of its investment in individual projects. Position papers are prepared to apprise the audit and risk committee of the valuation techniques adopted. The Group normally reviews the valuation of its financial assets at FVOCI at least once every six months, in line with the group's half-yearly reporting requirements. Changes in level 3 fair values are analysed at the end of each reporting period during this review.

Quantitative information on significant unobservable inputs- Level 3

The following table summarises the quantitative information about the significant unobservable inputs used in the fair value measurement of the Group's investment in C4V.

Unobservable inputs	Valuation Method	Nachu Graphite Project	Imperium3 Townsville	Imperium3 New York	Relationship of Unobservable input to fair value
Project Status	DCF	Bankable Feasibility Study	Preliminary Feasibility Study	n/a	The more advanced the project the higher the fair value
Timeline to production	DCF	2 years post finance	2 years post finance	n/a	The longer the time to production the lower the fair value
Project life	DCF	20 years	20 years	n/a	The longer the lifespan the higher the fair value
Risk adjusted discount rate	DCF	20%	45%	n/a	The higher the discount rate the lower the fair value
Capital required	DCF	$361.5Million (US$270.0Million)	$3.0Billion	n/a	The higher the capital required the lower the fair value
Expected annual volumes	DCF	240,000 tonne p.a.	18GWh	n/a	The higher the annual volumes the higher the fair value

Unobservable inputs	Valuation Method	Nachu Graphite Project	Imperium3 Townsville	Imperium3 New York	Relationship of Unobservable input to fair value
Valuation of battery manufacturing equipment	FV	n/a	n/a	$308.0Million (US$230.0 Million)	The lower the recoverable amount of the equipment the lower the fair value

Project and Investment Risk

The fair value of the Group's investment in C4V is measured against the enterprise value of C4V which is calculated using fair value incorporating present value techniques. The present value calculations use cash flows that are estimates rather than known amounts. There is inherent uncertainty in this valuation technique. In addition, C4V also holds patents, and their management of those patents, ongoing and active research that results in new patents or their economic success is uncertain. In addition, claims against these patents and the cost of defending claims is likewise uncertain but does represent a real risk. As a result, the fair value is exposed to various forms of risk. The fair value as at reporting date is measured using several significant unobservable inputs. Risks specific to these unobservable inputs are detailed below and have been factored into the individual projects through the risk adjusted discount rate applied. The Group has performed detailed risk analysis using international frameworks on each of the individual projects during feasibility study. In performing this analysis, the Group is committed to supporting the Audit and Risk Committee to develop risk management and mitigation strategies for implementation so it can reduce its exposure.

Project status

The status of the projects has been determined as being preliminary. The projects are also characterised as being greenfield projects which relates to the lack of existing facility to verify outcomes.

There is a risk that the projects will not be advanced due to the significant capital required to commence construction. There is also a risk that legislative approvals required to commence construction may be delayed or not granted. Project status is aligned to the timeline to production. Any slippage in timeline milestone will reduce the fair value. Detailed implementation plans have been established for each of the individual projects. The implementation plan identifies areas that are critical to the successful advancement of the projects. Strategies to mitigate and manage risk associated with project success have been documented in detail for implementation. This includes pre-finance testing and market development work. Establishment of strategic partnerships with credible industry professionals such as engineering, procurement and construction contractors, original equipment manufacturers, and financing professionals is also considered critical in reducing the risk of greenfield operations.

Timeline to production

Scheduling for the projects has not factored significant delays or cost overruns. Factors which could create significant delays include adverse weather conditions, construction risks particularly in-ground risks, the securing of water supply for construction and requisite approvals for infrastructure upgrades. There is a risk that such delays or cost overruns will impact the payback capability of the project and reduce the overall cashflows. An increase to the timeline to production will result in a lower fair value. Much of this has been avoided by iM3NY which has already commenced production, although not full automated production.

Capital required

The estimated total construction costs of the 18Gwh factory in Townsville is $3Bn. Project development has been phased into 3 stages of 6GWh to reduce the upfront capital requirement. Stage One construction costs are estimated to be $1.12Bn. Without a demonstrated ability in capital raising of this quantum, there is a risk that the capital required won't be secured or will be significantly delayed.

There is also risk that battery cell offtake agreements will not be secured for each of the three stages or that the price will be less than estimated. This could impact the project's ability to repay project finance and result in a lower fair value. To mitigate these risks, iM3TSV will appoint a financing professional in the capacity of advisor to jointly develop the Project funding strategy as part of this feasibility study. In the role of financial advisor, the financing professional will bring extensive experience on seeking funding for large projects in the renewables sector including working alongside government bodies, to advise projects in North Queensland.

iM3TSV will also implement a testing and market development program involving battery production testing in a commercial setting at equipment vendor facilities. Generated product will be provided for customer evaluation and qualification towards procuring offtake contracts. This program will take place prior to securing the construction costs for Stage One. Securing offtake following confirmation of product specification will assist is securing project funding. The total construction of the Nachu Graphite Project is estimated to cost $359.7M (US$270M), however a smaller planned mine would reduce these projections. This is also considered a significant amount of capital which can attract sovereign risk when developing a graphite mine in Tanzania.

There is a risk that the capital required is not secured or that the funding will be on less favourable terms. The Group has identified target funding partners with experience in Tanzania, who have in-depth appreciation and understanding of developing a large-scale resource project in a jurisdiction with high sovereign risk.

Expected annual production

Project development of iM3TSV has been phased into three stages of 6GWh each. The benefit of a staged approach is to reduce the upfront capital requirement but also to allow for the project expansion to occur in line with market development. However, there is a risk that capital for the second or third stage may not be secured or that changes in global competition and technological advancement over construction as well as the first stage may impact the viability of expansion. There is also a risk that the project will achieve lower battery cell production yields than forecast.

To mitigate these risks an extensive product development and testing program will be undertaken by iM3TSV prior to securing Stage One funding. Such testing programs once fully implemented can be utilised to train employees prior to construction and commissioning to ensure an inexperienced workforce does not ramp up staff beyond stage 1.

The Nachu Graphite Project has been reported as the largest mineral resource of large flake graphite in the world. There is a risk, at a production rate of 240,000tpa, that supply may outstrip demand resulting in an unsustainable production rate. The project is also subject to significant sovereign risk arising from changes in legislation, government, environmental permits, employment, disease, and community relations, all of which could impact the annual production. A reduction in the expected annual production would reduce the fair value.

The Nachu Graphite Project is however capable of being phased into two stages of production. The staged approach allows the project risks and the Group's response to be tested at a reduced scale for a reduction in required capital outlay.

Royalties & Reservation Fee

C4V has executed binding agreements to receive royalty income from the exclusive use of both its patented anode chemistry and its cobalt and nickel free cathode chemistry. C4V also retains the right to receive a once off reservation fee upon the granting of exclusive use of its patented IP at each of the approved iM3 battery plants. The royalty income is dependent upon the successful development of three key projects which involves either mining and processing of natural flake graphite or the production of lithium-ion batteries. There is a risk that C4V will not receive the estimated reservation fee or royalty income if the Group is unsuccessful in securing the required capital to commence construction of the individual projects.

There is also a risk that the annual royalty income derived from the individual projects will be less than estimated due to delays in production timelines or reduction in the expected annual production. Any reduction in annual royalty income or reservation fee income will lower the fair value.

The contracts between C4V and Magnis and iM3 contain commercially sensitive information and as such cannot be disclosed in the financial report as it would likely be prejudicial to Magnis. The contracted royalty and reservation fees have been used by the Group in determining the fair value of C4V.

Recoverable amount - C4V's investment in iM3NY

Realising the recoverable amount of C4V's investment in iM3NY is dependent on proceeds of sale equalling the estimated US$230.0Million ($308.0Million) of manufacturing assets in place, of which C4V has a see-through direct and indirect strategic interest via iM3NY LLC equivalent to US$71.8Million ($96.1Million). There is a risk that there may be significant advancements in state-of-the-art equipment render current equipment obsolete, or buyers are then increasingly difficult to identify. The valuation of the battery manufacturing equipment does not factor in the cost of relocating the equipment from iM3NY to the buyer(s). If iM3NY was unsuccessful in assigning these costs to the buyer, the fair value would be reduced.

Interest rate risk

The main interest rate risk arises from expected long-term borrowings to fund the construction costs. Borrowings obtained at variable rates give rise to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. There is also a risk that the greenfield status of the project could attract interest rates with embedded risk premiums.

iM3TSV has endeavoured to mitigate these risks by targeting an advantageous mix of achievable funding sources and 'sticky' partners to reduce the amount of funding exposed to interest rate risk. This includes sourcing equity partners and government grants to reduce the quantum of project financing required.

The Group is targeting potential funding partners for the Nachu Graphite Project who have an in-depth knowledge and experience in Tanzania to reduce the probability of significant risk premiums being added to interest rates. Targeting funding via engineering, construction, and procurement contractors who have a vested interest in the success of the project is one strategy that the Group believes will mitigate the risk of attracting finance with substantial risk premium embedded in the interest rate.

Currency rate risk

The individual projects undertake certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. A significant portion of the Stage One construction costs for iM3TSV relate to equipment purchases payable in United States

Dollars. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's daily currency.

Adverse foreign currency fluctuation can add significant additional costs to the estimated construction costs of the project.

The NGP is exposed to currency fluctuations between the United States Dollar (USD, US$) and the Tanzanian Shillings ('TzS'). Where possible, the Group mitigates this risk by executing supply agreements in USD, however local content requirements limit the extent to which this strategy can be implemented.

In order to protect against exchange rate movements, the Audit and Risk Committee may consider entering into simple forward foreign exchange contracts.

Risk adjusted discount rate

The above risks have been factored into the risk adjusted discount rate. Any favourable mitigation of the risks outlined above would result in a decrease in the discount rate and an increase in the fair value.

Investment accounted for using the equity method – Magnis direct investment in iM3NY

Investment accounted for using the equity method comprises the Group's investment in its majority owned 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.

Valuation Techniques- Level 3

iM3NY owns battery plant assets located in a planned lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York.

As at the end of the half-year reporting period, the Company has a 61.42% (30 June 2020: 59.88%) see-through direct and indirect strategic investment via iM3NY LLC in iM3NY. However, due to iM3NY restructuring their entity and creating iM3NY LLC from post April 2021, resulting from the binding Riverstone Credit Partners, L.P. agreement, new investors were introduced, and employee incentive scheme was provisioned as part of the syndicated funding package.

The effect of the restructuring has resulted in consortium investors who previously held shares directly in iM3NY, to now become investors with an indirect exposure to iM3NY via their direct holding in iM3NY LLC.

Further, the provisioning for employee incentive units in iM3NY LLC will continue to cause some dilution as employees become eligible and their share allocation becomes fully vested.

The table below provides the see-through direct and indirect strategic ownership of all iM3NY LLC investors in iM3NY as at 31 Dec 2021 and 30 June 2021:

	Direct and Indirect	
	31-Dec-2021	30-June-2021
	%	%
Magnis ***(includes 9.65% of C4V, 30 June 2021: 9.65%)***	**61.42**	**59.88**
C4V	31.20	32.61
Primet	0.51	0.53
C&D	0.64	0.67
Atlas	0.48	0.50
iM3NY LLC	**94.25**	**94.19**
Riverstone Group *(includes 3.5% of C4V, 30 June 2021: 3.5%)*	5.11	5.17
Prisma Pelican Fund	0.32	0.32
HSBC Bank	0.32	0.32
Riverstone, HSBC + Prisma	**5.75**	**5.81**
iM3NY Inc.	**100.00**	**100.00**

The Group has determined the fair value of its strategic investment in iM3NY by first obtaining a third-party valuation of the recoverable amount of the battery plant equipment purchased in 2018.

The valuation of plant equipment was undertaken in August 2019 by engineering firm O'Brien & Gere who assessed all the items purchased. At that time the external valuer attributed the current status and condition at a valuation of US$71.34Million.

In October 2019, the Group had an independent valuation undertaken by global engineering, architecture and consultancy company Ramboll Energy which confirmed that the iM3NY plant and equipment was valued at US$71,340,620.

On 19 April 2021 Magnis announced that the iM3NY project is fully funded to 1.8GWh of annual production. Riverstone Credit Partners, L.P. confirmed after carrying out its due diligence that iM3NY has US$230.0Million ($308.0Million) of manufacturing assets in place, of which Magnis has a see-through direct and indirect strategic interest equivalent to US$141.3Million ($189.2Million).

20. SUBSEQUENT EVENTS

On 4 January 2022, Magnis announced that it cancelled 20,000,000 fully paid ordinary ('FPO') shares held in the Magnis Energy Technologies Ltd Employee Share Trust ('MEST') pursuant to a capital reduction as approved by shareholders at the 2021 AGM.

The company further announced the lapsing of 1,000,000 unlisted options in held in the Magnis Energy Technologies Ltd Option Share Trust ('MOST') and 2,000,000 unlisted performance rights held in the Magnis Energy Technologies Ltd Executive Rights Trust ('MERT'), resulting from the retirement of Non-Executive Director, Dist. Professor M. Stanley Whittingham at period end.

On 20 January 2022, Magnis announced that it issued 3,125,000 fully paid ordinary shares in relation to its Convertible Note ('Facility') to SBC Global Investment Fund at $0.48 as requested under the terms of the Facility.

On 28 January 2022, Magnis announced the immediate appointments of two Independent Non-Executive Directors, Mr. Giles Gunesekera and Ms. Claire Bibby as well as General Counsel and Company Secretary Mr. Duncan Glasgow, who officially commenced on 10 February 2022 to take over responsibilities from Interim General Counsel and Company Secretary Mr. Julian Rockett.

On 31 January 2002 the Company announced its December 2021 Quarterly Activities/Appendix 5B Cash Flow Report

On 4 March 2022 the Company announced effective from 21 March 2022, Magnis (ASX Code: MNS) will be included in the ASX All Ordinaries Index (Index: XAO).

21. GOVERNMENT GRANTS AND ASSISTANCE

No Government grants and assistance were received by the Company during the half-year period to 31 December 2021 (30 June 2021: $120,500 was received, representing $70,500 in **JobKeeper payments** and $50,000 in **Cashflow boost grants**).

DIRECTORS' DECLARATION

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

in the opinion of the Directors:

a. the financial statements and notes of Magnis Energy Technologies Ltd for the half-year ended 31 December 2021 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 2021 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.

Mr. Frank Poullas
Executive Chairman
Sydney, New South Wales
14 March 2022

HALL CHADWICK
MELBOURNE AUDIT

MAGNIS ENERGY TECHNOLOGIES LIMITED
ABN 26 115 111 763

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 accompanying half-year financial report of Magnis Energy Technologies Ltd and Controlled Entities (the Group), which comprises the condensed statement of financial position as at 31 December 2021, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies 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 Magnis Energy Technologies Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We are independent of the Group in accordance with the auditor independence requirement of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including independence standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of the Group.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the half-year financial report, which indicates that the group has incurred a net loss of $18,416,610 during the half-year ended 31 December 2021 and as of that date; has a negative operating cash flow of $14,538,939. These conditions along with the other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast a significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report. Our conclusion is not modified in this respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and its performance for the half-year ended as at that date; and complying with *Accounting Standard AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000

Director: Anh (Steven) Nguyen

Date: 15th March 2022