MAGNIS ENERGY TECHNOLOGIES

ASX:MNS | FRA:U1P | OTCQX:MNSEF

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED | 31 DEC 2022

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 2022 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 'Parent Entity' or the 'Company', Australian Stock Exchange Listing/ASX Code: MNS) for the half-year ('HY') ended 31 December 2022.

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)
Ms. Mona E. Dajani	(Non-Executive Director)
Mr. Mugunthan Siva	(Non-Executive Director)
Ms. Claire Bibby	(Non-Executive Director)
Mr. Giles Gunesekera OAM	(Non-Executive Director)
Mr. Peter Tsegas	(Executive Director)

COMPANY OVERVIEW

Magnis Energy Technologies Ltd is a vertically integrated lithium-ion battery company with strategic assets and investments across key components of the lithium-ion battery 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') operates a lithium-ion battery plant in Endicott New York that plans to scale up to 38GWh of capacity. Magnis, along with its joint venture and Lithium-ion R&D technology partner Charge CCCV LLC ("C4V"), are the major shareholders in iM3NY. iM3NY has exclusivity to C4V's IP in the US and has commercialised their patented cathode technology to produce green credentialed lithium-ion battery cells for use in both electric vehicles and battery energy storage systems.

- **Battery Technology:** A non-controlling interest in and technology partnership with US based leading edge lithium-ion battery technology firm C4V that has patented technology significant to the electric energy market; iM3NY has exclusivity to this technology in the US . Apart from C4V's portfolio of Lithium-ion battery IP and innovation developed over the last decade, C4V also provides value chain solutions for Lithium-ion battery manufacturing projects around the world through cell design and engineering, cell fabrication process, qualification of raw materials supply chain and cell fabrication equipment supplier, blueprint of plants and engaging with EPC contractors.

- **Nachu Graphite Project :** 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 ore body 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 and smaller flake natural graphite which in the large and smaller flake sizes are a critical material in the lithium-ion battery market, with the largest size flake having more use in other commercial and industrial applications.

Anode Active Material (AAM) Production, Magnis plans to produce Anode Active Material through use of the natural graphite flakes from its Nachu Graphite Project in Tanzania utilising processes that don't require harmful chemicals and use low energy purification techniques. Using Nachu graphite feedstock, along with anode processing IP and know-how, Magnis in conjunction with C4V have produced high-quality, high-performance anode active materials through their anode materials development program in New York. This will be used to provide feedstock for the proposed AAM production facility announced during the half year.

Current Corporate Structure

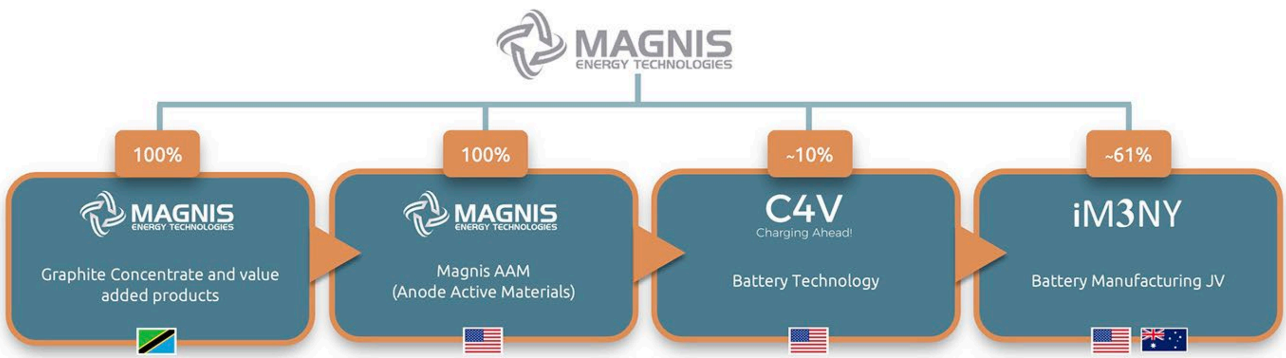

Figure 1: Magnis' Integrated Lithium-ion Battery Strategy

REVIEW AND RESULTS OF OPERATIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2022 was $32,138,252 (HY2021: $18,416,610) of which exploration and evaluation expenditure was $1,285,420 (HY2021: $590,995), administration expenses were $6,090,703 (HY2021: $6,977,301) and interest expenses were $6,886,409 (HY2021: $5,491,138).

An operational overview is set out below.

OPERATIONAL UPDATE

IMPERIUM3 NEW YORK LITHIUM-ION BATTERY PLANT

Commercial production commenced at iM3NY in August with an initial phase allocated for testing and quality assurance before production ramp up and delivering product to customers can begin.

Once cells pass the quality assurance stage, manufacturing levels are expected to increase to annual production levels of 1GWh by the end of 2023.

Achieving the commencement of production utilising the existing infrastructure of the former home of IBM in the space of 18 months has been a complex and difficult task.

Figure 1 iM3NY Battery Factory, Endicott NY

iM3NY along with EPC contractor Ramboll utilised a phased approach to the design and construction of the battery manufacturing facility. The facilities factory floor is approximately 22,000sqm which exceeds three professional football/soccer fields and optimises the existing fit out of IBM's Huron campus.

During October EPC contractor Ramboll achieved **substantial completion** for the iM3NY lithium-ion battery cell manufacturing plant.

Post the commencement of commercial production, an internal qualification process commenced to ensure cells are compliant with safety and environment guidelines as well as customer product specifications. This program was successful. Cells have now been sent out for independent certification by an external third party. Due to staffing constraints of the independent certifier, there have been delays experienced. Meanwhile, sample cells are being assessed separately by customers to ensure they meet their specifications.

Once the independent certification has been completed, commercial quantities will be shipped to customers. Revenue recognition will commence once customers have finalized their assessment processes and orders are formalised.

iM3NY EXPANSION STRATEGY UNDERWAY

HSBC has been appointed as financial adviser to iM3NY to assist with its funding strategy to meet the expansion plans to reach 38GWh in the coming years. The process to date has yielded interest from a number of parties, including OEM's and financial investors.

As at 31 December 2022, iM3NY employs 57 people. The total count is expected to grow to over 100 by Q3 2023 as production ramps ups to meet customer demand.

LINDI REGION, TANZANIA - NACHU GRAPHITE PROJECT

BFS UPDATE COMPLETED

Updates to the 2016 BFS confirmed the Nachu Project as a world class graphite project with strong technical and financial viability combined with impactful sustainability outcomes. A summary of the update is described below. Please refer to the ASX announcements “Nachu Graphite Project BFS Update” and “Supplementary Information to BFS Update” on September 27th and September 30th respectively.

- The update optimizes process plant design to produce a higher-grade product and protect flake size during processing
- The Project’s unique combination of larger flake sizes and high purity concentrate positions it as a leading future supplier
- Post-Tax Life of Mine (LOM) Project NPV_{10} of US\$1.2bn(A\$1.8bn) and Project IRR of 51% with a payback period of 19 months
- Nachu is the only graphite project to be awarded a Special Economic Zone licence in Tanzania to produce advanced graphite products, including very high purity Jumbo and Super Jumbo Flakes as well as downstream products for Lithium-ion batteries
- The Nachu Project is a coarse flake graphite operation, designed to treat 5 Mt/y run of mine (ROM) ore with an average steady state production feed grade of 5.2% total graphitic carbon (TGC).
- The graphite ore will be hauled from an open pit mine to the concentrator to produce a steady state average of 236,000 t/y of graphite flake concentrate at 98.5% (concentrate over 300 microns) and 99% (concentrate under 300 micron size) TGC grades.

Figure 2 Nachu Graphite Processing Plant – 3D Render

Key Highlights of the Nachu Graphite Project		
Project Metrics	**Units**	**Value**
Project NPV10 LOM (Post Tax)	US$	$1.2bn
Project IRR LOM (Post Tax)	%	51%
Payback Period[1]	Months	19
Operating Expenditure[2]	US$/t	$639
Initial Project Capital Cost[3]	US$	$324mn
Special Economic Zone Period[4]	Years	10
Concentrate Total Graphitic Carbon (TGC)[5]	%	98.5% - 99%
Concentrate Basket FOB Mtwara	US$/t	$1847
Process Plant Capacity	t/year	5,000,000
Steady State Graphite Production[6]	t/year	~236,000
Recovery Rate	%	89.6%
Ore Reserve	t	76M
Mineral Resources	t	174M
Mine Life	Years	15.5

Table 1: Key Highlights of the BFS update

1. Payback period is at the Project (unlevered) level and thus does not consider financing costs
2. Average Annual Operating Costs during steady state production from Year 2 to Year 12. Operating costs include all mining, processing, product Logistics FOB and Miscellaneous and General Admin. Excludes sustaining capital and industrial mineral royalties of 3%.
3. Additionally, there are contingency costs of US$39.6m and pre-production mining costs of US$33.7m
4. Exemption from corporate tax and royalties for 10-years. This was recently renewed in May 2021. International arbitration available if dispute resolution required and revenues from product sales will be paid into foreign accounts. Applies to Magnis Technologies Tanzania Limited (MTT) only, a subsidiary of Magnis Energy Technologies Ltd. MTT will operate the processing plant and produce and export advanced graphite products.
5. Jumbo and Super Jumbo Flakes at 98.5% and 99% for large flakes and below. Average TGC 98.8%
6. Steady state production from Year 2 to Year 12

KEY ADVISERS APPOINTED FOR THE NACHU GRAPHITE PROJECT

Key financial and legal advisers were appointed to assist with project financing required to fund construction of the Nachu Graphite Project. Independent corporate finance advisory firm HCF International advisers based in London, UK was selected based on their experience and expertise in the mining and metals sector, and a long history of securing funding for projects in Africa. Additionally, international law firm Milbank LLP was appointed as legal adviser given their experience advising a range of clients on some of Africa's most significant project finance transactions.

ECO-VILLAGE RESETTLEMENT PROGRAM

The company had identified 785 Project Affected People (PAP) who were assessed and compensated, of those only 59 families were living on the special mining licence area. 70 houses are being constructed, 59 for the identified PAPs and 11 for some PAPs that were identified as disadvantaged during the valuation process. The Eco-village is being built to house those families.

Figure 3 Eco-Village Houses

As previously advised, Magnis' wholly owned subsidiary Uranex Tanzania Limited ("Uranex") has contracted Italframe Limited, a Tanzanian Registered building contractor overseen by project consultants, Norplan Tanzania Ltd. to carry out the work on the village.

As of the end of December 2022, the construction of all housing units of the Eco – Resettlement Village was substantially completed. The ground surface has been levelled to allow for landscaping work. The next phase will be the construction of the internal roads and the installation of solar powered streetlights. The Uranex CSR Team is working on the necessary plans to cater to the households with livestock, as well as preparation of training programs which will assist the PAP's with their relocation.

MAGNIS ANODE ACTIVE MATERIALS PROJECT ADVANCES

Magnis' plans to establish an Anode Active Material (AAM) manufacturing plant utilising high quality and high purity natural graphite feedstock from its wholly owned Nachu graphite project in Tanzania. This progressed further with the following milestones achieved during the last quarter of the half year.

- Orders placed for key long lead time equipment with leading supplier Hosokawa Alpine Aktiengesellschaft for Magnis' Anode Active Material Demonstration Plant, which equipment will also be utilized in the full scale AAM Plant

- Continued work with its battery technology partner C4V to produce AAM samples utilising graphite concentrate from Nachu for testing and qualification by potential customers.
- Appointed Jones Lang Lasalle, Americas, Inc ("JLL") as commercial real estate adviser to identify and secure a real estate solution that best meets the Company's long-term operational plans for a full scale AAM plant. Several locations within the United States are currently being investigated.
- Discussions held with several global engineering groups to conduct the necessary technical feasibility and engineering studies required for the full-scale plant.

CORPORATE UPDATE

MAGNIS SHARES LISTED IN USA BEGIN REAL-TIME ELECTRONIC TRADING

Magnis US traded OTC shares (OTC: MNSEF) has been approved by the US' Depository Trust Company for real-time electronic trading and settlement in USD. This approval simplifies OTC Markets trading and reduces transactions costs for US investors.

DTC manages the electronic clearing and settlement of publicly traded companies and only securities that are eligible can be electronically cleared and settled through DTC. Trading through DTC allows for cost-effective clearing and guaranteed settlement, simplifying and accelerating the settlement process for investors and brokers, enabling MNSEF to be traded over a much wider selection of brokerage firms. Magnis' DTC eligibility represents the company's commitment to increasing visibility and accessibility for a wider range of investors in the United States.

TOWNSVILLE, AUSTRALIA: UPDATE

During the last quarter of the half year, Townsville Council revoked their original allocation of land in the Lansdown Development instead offering Imperium3 Townsville PL ("IM3TSV") the opportunity to reapply for an alternate site after it changed its focus for the Lansdown Development, focusing more on hydrogen. Magnis also moved to majority ownership of IM3TSV through the acquisition of an additional 33% of its parent Imperium3 PL for a nominal fee.

At this point in time, Magnis has decided not to pursue an alternate site at the Lansdown development, as there are no sites that meet its requirements. Magnis are instead considering other options for the location of its Australian gigafactory.

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 wide ranging 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 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.

This focus on safety also extended in the half year to the iM3NY gigafactory floor.

Figure 4 Magnis CEO David Taylor discussing safety with iM3NY team

iM3NY utilises environmentally sustainable power sources for the gigafactory and actively recycles waste. The development of the gigafactory in the old IBM premises is having the effect of revitalising the local community through the creation of jobs.

Magnis' head office has implemented safety discussions in its weekly executive management meetings and its board has implemented acknowledgement of country at the start of all its meetings, including committee meetings.

Through employee training and engagement 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.

CORPORATE SOCIAL RESPONSIBILITY IN TANZANIA

Magnis continues to place significant importance on Corporate Social Responsibility (CSR), notably in its Nachu graphite project in Tanzania. The Company has been engaged in social projects for 10 years with the local community. We discuss some of the CSR activities that took place during the quarter.

The completion of the Namikulo Maternity ward is progressing well. Paint has been applied, security bars are being produced and will be installed, along with electrical fixtures.

Uranex CSR Team visited the villages to interview locals and assess the impacts of the main CSR actions implemented to date. This exercise will enable the Uranex CSR Team to review its actions and identify new areas of intervention. Overall, the CSR actions in local schools were the most successful. Key findings were;

- They enabled a significant drop in parent contributions to the schools, relieving them of an additional financial burden
- The students' performances increased due to access to safe classrooms and to increased study time as they do not have to share classrooms anymore and they do not have to walk long distance
- The villages saw economic activity increase due to the additional influx of students and consequently the increase in the demand for goods by the schools

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

CORPORATE

CAPITAL FUNDS

On 25 July 2022, SBC Global Investment Fund **('SBC')** requested to convert a further $1,000,000 of their $10.5M convertible note at $0.26 to receive 3,846,154 fully paid ordinary shares. As at 31 December 2022, SBC had a balance of $750,000 outstanding from their $10.5M convertible note portion.

During August 2022, the Company received $840,000 and $300,000 from SBC for converting 4,000,000 of their 7,000,000 collateral options issued in August 2021, into fully paid ordinary shares at $0.28 and $0.30 respectively. As at 31 December 2022, SBC had a balance of 3,000,000 collateral options remaining that are required to be paid for or surrendered on or before 30 July 2023.

On 1 August 2022, Magnis Option Share Trust ('MOST') was granted 1,000,000 unlisted options for the CEO at $0.63 exercise price, and a 3-year expiry period, from its 31 July 2022 issue date. On 17th November 2022, 2,000,000 unlisted options at $0.70 exercise price with a 30 Oct 2022 expiry date lapsed within the MOST.

On 16 December 2022, MOST was granted 6,000,000 unlisted options for three recently elected non-executive directors at $0.80 exercise price, with a 3-year expiry period, from their December 2022 issue date. At the AGM the shareholders approved the previous issue to MOST of 1,375,000 options to staff with an $0.80 exercise price and a 3-year term and also approved at that time was the issue of 1,300,000 options with an exercise price of $0.60 to Traxys.

As at 31 December 2022, the Company had:

- 970,331,483 fully -paid ordinary shares on issue.
-

- 77,869,167 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.
- 13,125,000 unlisted options outstanding in the MOST, with varying expiry dates ranging from October 2023 to December 2025 and varying exercise prices ranging from $0.50 to $0.80.
- SBC effectively reduced their $10.5M portion of the convertible note to $750,000 (see above), which remains outstanding, in addition to 3,000,000 collateral shares which have to be paid for by 30 July 2023.
- 4,000,000 performance rights outstanding in the Magnis Executive Rights Trust (‘MERT’).
- 1,250,000 fully paid ordinary shares in the MOST
- A consolidated cash balance of $44,534,926 (30 June 2022: $100,238,244).

After 31 December 2022, the Company had a number of material post-period events occur:
Magnis signed an offtake agreement with the leading world manufacturer of EV’s and battery storage solutions for the supply of Anode Active Material which will underpin the North American Anode production business unit utilising the natural flake graphite from the Nachu Project. Associated with this was the execution of the contract with Hosokawa Alpine for equipment for use in the demonstration plant and the engagement of Ramboll to complete engineering feasibility for the demonstration plant and the short listing of potential sites by JLL for the main production plant. The equity arrangement with Tanzanian Government for the Mining and processing of the natural graphite, which is in part required by law has been negotiated and is to be documented resulting in a minority interest being granted to the Government, whilst not finalised at the date of this report is expected to be finalised in the near future.

Magnis incorporated Magnis AAM LLC to be the entity to progress its Anode Active Materials Project

The infrastructure works at the Eco-resettlement village have progressed.

SBC exercised its right under the Convertible Note facility entered into in August 2021 to extend the completion date from January 2023 to 30 July 2023.

The Company entered a trading halt on 15 March 2023 in order to secure commitments from exempt investors for a material capital raising.

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 14.

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
16 March 2023

HALL CHADWICK
MELBOURNE AUDIT

MAGNIS ENERGY TECHNOLOGIES LTD
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 LTD 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 Ltd and controlled entities. As the lead audit partner for the review of the financial report of Magnis Energy Technologies Ltd and controlled entities for the half - year ended 31 December 2022, 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: 16 March 2023
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 2022

	NOTE	31-Dec 2022	RESTATED 31-Dec 2021
		$	$
Total income	4, 16	**71,098**	**259,044**
Total expenses	4	**(32,209,350)**	**(18,675,654)**
Loss before income tax		**(32,138,252)**	**(18,416,610)**
Income tax (expense) / benefit		-	-
NET LOSS FOR THE PERIOD	16	**(32,138,252)**	**(18,416,610)**
NET LOSS FOR THE PERIOD attributable to:			
Owners of parent entity		(22,372,799)	(12,582,868)
Non-controlling Interest		(9,765,453)	(5,833,742)
NET LOSS FOR THE PERIOD		**(32,138,252)**	**(18,416,610)**
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		998,353	2,514,155
Other comprehensive income / (loss) for the period net of tax		**998,353**	**2,514,155**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(31,139,899)**	**(15,902,455)**
Other comprehensive income / (loss) attributable to:			
Owners of parent entity		(21,238,647)	(15,997,832)
Non-controlling Interest		(9,901,252)	95,377
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(31,139,899)**	**(15,902,455)**
Basic (loss) per share (cents per share)		(3.31)	(1.88)
Diluted (loss) per share (cents per share)		(3.31)	(1.88)

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 2022

	NOTE	31-Dec 2022	30-Jun 2022
Current Assets		$	$
Cash and cash equivalents	5	44,534,926	100,238,244
Trade and other receivables	6	5,449,491	10,234,710
Other assets	7(a)	16,775,621	3,631,733
Total Current Assets	16	**66,760,038**	**114,104,687**
Non-Current Assets			
Other assets - iM3NY	7(b)	3,109,099	13,655,704
Financial assets at FVOCI	8, 19	15,096,142	15,096,142
Right-of-use assets	9	30,677,103	30,149,281
Other investments		-	-
Development assets	10	7,730,133	6,170,865
Plant & equipment - iM3NY		91,592,447	49,414,529
Plant and equipment		95,743	44,343
Total Non-Current Assets	16	**148,300,667**	**114,530,864**
TOTAL ASSETS		**215,060,705**	**228,635,551**
Current Liabilities			
Trade and other payables	11	16,777,104	3,646,194
Lease liabilities	12	1,121,683	386,200
Provisions		269,756	176,430
Borrowings – Conv. Note Facility	13	750,000	1,750,000
Total Current Liabilities		**18,918,543**	**5,958,824**
Non-Current Liabilities			
Lease liabilities	12	31,519,676	31,010,410
Provisions		-	-
Borrowings	13	148,705,006	145,111,133
Total Non-Current Liabilities		**178,224,682**	**176,121,543**
TOTAL LIABILITIES	16	**197,143,225**	**182,080,367**
NET ASSETS		**17,917,480**	**46,555,184**
Equity			
Contributed equity	14	236,245,997	234,105,997
Reserves		19,220,760	17,847,208
Accumulated Profits/(Losses)		(230,884,879)	(206,510,298)
Parent Interest – Capital and Reserves		**25,083,460**	**45,442,907**
Issued Capital - Non-controlling Interest		2,599,473	21,990,193
Accumulated Profits/(Losses) - Non-controlling		(9,765,453)	(20,877,916)
Non-controlling Interests		**(7,165,980)**	**1,112,277**
TOTAL EQUITY		**17,917,480**	**46,555,184**

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 2022

	Note	Consolidated 31-Dec 2022	Consolidated 31-Dec 2021
Cash flows from operating activities		**$**	**$**
Payments to suppliers and employees		(7,523,341)	(8,066,936)
Payment for exploration expenditure		(1,389,198)	(731,497)
Payments for development expenditure		(1,525,324)	(8,254)
Payments to production		(3,652,740)	-
Interest and other costs of finance paid		(6,870,109)	(5,742,521)
Interest received		46,515	10,269
Net cash outflow used in operating activities	18(a)	**(20,914,197)**	**(14,538,939)**
Cash flows from investing activities			
Acquisition of property, plant, and equipment		(42,395,368)	(8,945,502)
Acquisition of interest in associate		-	(17,605,634)
Acquisition of interest in financial asset		(4,999)	-
Proceeds from sale of property, plant, and equipment		1,946	231,401
Payment of loan to related parties		243,368	4,763
Net cash inflow/(outflow) from/used in investing activities		**(42,155,053)**	**(26,314,972)**
Cash flows from financing activities			
Proceeds from issue of shares (including convertible notes)		2,140,000	17,750,000
Proceeds from issue of shares – iM3NY		-	17,772,021
Proceeds from issue of shares – iM3 PL		30	-
Proceeds from Convertible Note Facility		(1,000,000)	3,250,000
Proceeds from exercise of options		-	19,727,735
Capital raising expenses		-	(5,000)
Proceeds from borrowings		1,593,873	13,878
Repayment of borrowings		-	1,513,234
Transaction costs related to loans and borrowings		2,929,219	-
Net cash inflow from financing activities		**5,663,122**	**60,021,868**
Net cash inflows/ (outflow) for the reporting period		**(57,406,128)**	**19,167,957**
Effect of exchange rates on cash holdings in foreign currencies		1,702,810	2,347,044
Cash and cash equivalents at the beginning of the period		100,238,244	72,894,945
Cash and cash equivalents at the end of the period	18(b)	**44,534,926**	**94,409,946**

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 2022

	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 2022	14	**234,105,997**	**5,076,057**	**2,910,493**	**9,860,658**	**(206,510,298)**	**1,112,277**	**46,555,184**
Loss for the previous period		-	-	-	-	(2,001,882)	2,001,882	-
Loss for the period		-	-	-	-	(22,372,799)	(9,765,453)	**(32,138,252)**
Other comprehensive income / (loss)		-	-	-	998,953	-	-	**998,953**
Total comprehensive income / (loss) for the half-year		**-**	**-**	**-**	**998,353**	**(24,374,681)**	**(7,763,571)**	**(31,139,899)**
Transactions with owners in their capacity as owners								
Contributions of equity, net of trans. costs	14	2,140,000	-	-	-	-	-	**2,140,000**
Contributions of equity, net of trans. costs-iM3NY	14	501,582	-	-	-	-	-	**501,582**
Contributions of equity, net of trans. costs-iM3 PL	14	-	-	-	-	-	-	-
Equity transfer on acquiring of share capital in CE		-	-	-	-	-	-	-
Share based payment to P&L	4, 17(a)	-	-	(128,800)	-	-	-	**(128,800)**
Share-based payment (Forfeited)\to CE	14	-	-	504,000	-	100	-	**504,100**
Non-Controlled Interest		-	-	-	-	-	(514,686)	**(514,686)**
Rounding		-	-	(1)	-	-	-	**(1)**
As at 31 December 2022	14	**236,747,579**	**5,076,057**	**3,285,692**	**10,859,011**	**(230,884,879)**	**(7,165,980)**	**17,917,480**

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 2021 (RESTATED)	14	**169,188,699**	**5,076,057**	**46,313**	**7,242,681**	**(137,450,231)**	**15,220,160**	**59,323,679**
Loss for the previous period		-	-	-	-	-	-	-
Loss for the period		-	-	-	-	(12,582,868)	(5,833,742)	**(18,416,610)**
Other comprehensive income / (loss)		-	-	-	2,514,155	-	-	**2,514,155**
Total comprehensive income / (loss) for the half-year		**-**	**-**	**-**	**2,514,155**	**(12,582,868)**	**(5,833,742)**	**(15,902,455)**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs	14	35,581,745	-	-	-	-	-	**35,581,746**
Contributions of equity, net of transaction costs-iM3NY	14	28,606,074	-	-	-	-	-	**28,606,074**
Equity transfer on acquiring of share capital in CE		-	-	-	-	-	-	-
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						(30,137,279)	8,996,762	**(21,140,517)**
Rounding				(1)		-	-	**(1)**
As at 31 December 2021 (RESTATED)	14	**233,376,518**	**5,076,057**	**2,913,539**	**9,756,836**	**(180,170,278)**	**18,383,180**	**89,335,852**

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 2022

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 2022 of the Company was authorised for issue in accordance with a resolution of the Board of the Company dated 16 March 2023.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial report for the half-year ended 31 December 2022 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 2022 and considered with any public announcements made by Magnis Energy Technologies Ltd during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The consolidated financial report for the half-year ended 31 December 2022 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 2022.

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 (HY) ended 31 December 2022 the Group reported a net loss of $32,138,252 (HY2021: $18,416,610) and net operating cash outflows of $20,914,197 (HY2021: $14,538,939). The net operating cash outflows have been funded by existing cash reserves and cash inflows from equity raisings, convertible note conversions and exercise of unlisted options totalling $1,140,000 .

As at 31 December 2022 the Group had net current assets of $47,841,495 (30 June 2022: $108,148,863) including consolidated cash reserves of $44,534,926 (30 June 2022: $100,238,244). For a breakup of consolidated liquidity, refer to Note 5.

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.

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 16 March 2023.

4. INCOME AND EXPENSES FROM ACTIVITIES

		31-Dec 2022	31-Dec 2021
Income		**$**	**$**
Interest received		47,712	11,609
Foreign exchange gain		21,440	16,033
Profit on sale of fixed assets		1,946	231,401
Other revenue		-	1
Government Grants and Assistance (Note: 19)		-	-
Total income		**71,098**	**259,044**
Expenses			
Administration		6,090,703	6,977,301
Service supply agreement with Charge CCCV LLC ('C4V'), (Note: 15)		442,302	411,524
Depreciation		743,511	106,986
Director fees		312,345	303,759
Employee benefits expense		2,582,263	2,643,158
Interest expense		6,886,409	5,491,138
Borrowing Costs & Loan Amortization		7,777,517	-
Legal and consulting		1,858,091	1,174,556
Cost of Production expenditure		3,652,740	-
Green Anode (AAM) expenditure		202,849	-
Share based payment to employees,	Note: 17(a)	-	976,300
Share based payment to non-employees,	Note: 17(a)	375,200	(63)
Share of net loss of associate accounted for using the equity method		-	-
Exploration and evaluation		1,285,420	590,995
Total expenses		**32,209,350**	**18,675,654**

5. CASH AND CASH EQUIVALENTS

	31-Dec 2022	30-Jun 2022
	$	$
Cash on hand	1,687	814
Cash at bank	12,757,022	20,074,650
Cash at bank – iM3NY	31,776,217	80,162,780
	44,534,926	**100,238,244**

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 2022	30-Jun 2022
	$	$
Accrued interest	-	377
Goods and services tax recoverable	592,736	421,907
Prepayments and other receivables	-	(9,725,569)
Prepayments and other receivables – iM3NY	4,705,720	19,387,018
Less: allowance for expected credit loss	-	-
NAB Security Term Deposit	150,977	150,977
	5,449,433	**10,234,710**

7(a). OTHER ASSETS

	31-Dec 2022	30-Jun 2022
	$	$
Current		
Accrued interest	24,069	22,495
Short-term loan - Charge CCCV LLC & iM3NY Inc.	-	-
Less: allowance for expected credit loss	-	-
Short-term loan – Imperium3 Townsville	-	35,221
Inventory-iM3NY	4,012,656	817,561
Capitalised Loan Costs - iM3NY	665,337	1,690,631
Advances/Deposits-Purchases	12,073,559	1,065,825
	16,775,621	**3,631,733**

Accounting policies:

Short-term loan between Charge CCCV LLC & iM3NY

Loan receivables are recognised and measured at amortised cost, less any allowance for expected credit losses.

Allowance for expected credit losses

The consolidated entity has recognised a loss of $Nil (30 June 2022: $Nil) in respect of the expected credit losses related to trade and other receivables for the period to 31 December 2022.

Movement in the Other Assets are as follows:

	31-Dec 2022	30-Jun 2022
	$	$
Opening balance	**3,631,733**	**597,466**
Additional Other Assets recognised	13,143,888	3,034,267
Additional Loan Costs recognised	-	-
Less: allowance for amortisation of Loan costs	-	-
Currency translation	-	-
Closing balance	**16,775,621**	**3,631,733**

7(b). OTHER ASSETS – iM3NY

	31-Dec 2022	30-Jun 2022
	$	$
Non-Current		
Capitalised Loan Costs - iM3NY Inc.	3,109,099	4,025,873
Amortisation of Capitalised Loan Costs - iM3NY Inc.	-	(279,574)
Advance/deposits purchases - iM3NY	-	9,909,405
	3,109,099	**13,655,704**

Accounting policies:

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

These are capitalised expenses incurred in securing and refinancing loaned funds for iM3NY Inc. and includes such items as legal fees, agency fees, borrowing costs and other loan related costs that will be amortised in accordance to their respective nature.

The consolidated entity has recognised $3,109,099 (30 June 2022: $13,655,704) in respect of capitalised loan costs, net of amortization, and loan costs w\off related to refinancing for new debt funds.

Movement in capitalised loan costs and amortisation are as follows:

	31-Dec 2022	30-Jun 2022
	$	$
Opening balance	**13,655,704**	**12,316,982**
Additional loans capitalised	-	9,909,405
Amortisation - Loan Costs	-	705,683
Loans retired during the year	(10,826,179)	-
Loans written off during the year due to refinancing	-	(10,068,969)
Currency translation	279,574	792,003
Closing balance	**3,109,099**	**13,655,704**

8. FINANCIAL ASSETS AT FVOCI

	31-Dec 2022	30-Jun 2022
	$	$
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 agreement over selected C4V technology licences and intellectual property, which will expand the Company's technologies in the rapidly growing lithium-ion battery sector associated to its natural flake graphite. On 28 April 2021 and as clarified in announcement on 9 Sept 2021, Riverstone Credit Partners received a 3.50% stake in C4V which effectively diluted the Company's ownership in C4V to 9.65%.

As at 31 December 2022, Magnis continues to hold a 9.65% stake in C4V (30 June 2022: 9.65%).

Movement in Financial Assets at FVOCI carrying value:

	31-Dec 2022	30-Jun 2022
	$	$
Carrying amount at start of period	**15,096,142**	**15,096,142**
New investment during the period	-	-
Change in fair value	-	-
Rounding	-	-
Carrying value of financial assets at FVOCI	**15,096,142**	**15,096,142**

9. RIGHT OF USE ASSET

	31-Dec 2022	30-Jun 2022
	$	$
Carrying value at start of period	**30,149,281**	**266,305**
Additions	916,405	29,091,679
Depreciation expense	(729,596)	(718,628)
Currency Translation	341,013	1,509,925
Carrying value at end of period	**30,677,103**	**30,149,281**

10. DEVELOPMENT

	31-Dec 2022	30-Jun 2022
	$	$
Development – Nachu Graphite Project ('NGP')	**7,730,133**	**6,170,865**

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 2022, no impairment charge was deemed necessary.

Movement in NGP Development Assets

	31-Dec 2022	30-Jun 2022
	$	$
Carrying amount at start of period	**6,170,865**	**4,982,338**
Development costs capitalised during the period	1,557,471	715,088
Currency translation difference	1,797	473,439
Carrying value of development assets	**7,730,133**	**6,170,865**

11. TRADE AND OTHER PAYABLES

	31-Dec 2022	30-Jun 2022
	$	$
Trade payables	16,062,676	3,260,299
Other payables and accruals	714,429	385,895
	16,777,105	**3,646,194**

12. LEASE LIABILITIES

	31-Dec 2022	30-Jun 2022
	$	$
Current		
Lease Liabilities	1,121,683	386,200
	1,121,683	**386,200**
Non- Current		
Lease Liabilities	31,519,676	31,010,410
	31,519,676	**31,010,410**

13. BORROWINGS

	31-Dec 2022	30-Jun 2022
	$	$
Current		
Convertible Note Facility	750,000	1,750,000
	750,000	**1,750,000**
Non- Current		
Senior Secured Loan - iM3NY Inc.	146,705,006	145,111,133
	146,705,006	**145,111,133**

Convertible Note Facility
At period end, SBP effectively reduced their $10.5M portion of the convertible note to $750,000 which remains outstanding.

As at 31 December 2022, SBC had a balance of 3,000,000 collateral options remaining that are required to be paid for or surrendered within 24 months of their issue date, namely 30 July 2023.

Senior Secured Loan
Magnis majority owned subsidiary Imperium3 New York Inc(iM3NY) has a US$100 million loan facility (“loan facility”), The key terms of the loan facility are: **Lender:** ACP POST OAK CREDIT I LLC through Atlas Credit Partners (“ACP”) in collaboration with Aon, **Amount:** US$100 Million, **Term:** 3 Years, **Guarantor:** Charge CCCV LLC (C4V), **Security:** a lien over the assets of iM3NY and the intellectual property of C4V (a minority shareholder in iM3NY) provided to iM3NY, and **Interest cost:** Secured Overnight Financing Rate (SOFR - that has a floor of 1%) + a 6% margin and Credit Insurance Wrap Premium, which in Year 1 is 8.25%, Year 2 is 4.6% or 2.5% (if milestone achieved) and in Year 3 is 4.35% or 2.25% (if further milestone achieved).

14. CONTRIBUTED EQUITY

	31-Dec 2022	30-Jun 2022
	$	$
Ordinary shares fully paid	**236,747,579**	**234,105,997**

Movement in fully paid shares

	31-Dec 2022	31-Dec 2022	30-Jun 2022
	Number of shares	$	$
Balance at start of period:	**966,485,329**	**234,105,997**	**169,188,699**
Shares – iM3NY Inc.	-	501,582	22,680,095
Shares – iM3 PL	-	-	-
Shares issued	3,846,154	2,140,000	23,561,500
Exercise of unlisted options	-	-	21,779,703
Conversion of unlisted rights	-	-	-
Transaction costs - SBP	-	-	(3,104,000)
Transaction costs - Shares	-	-	-
Balance at end of period:	**970,331,483**	**236,747,579**	**234,105,997**

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

- During August 2022, the Company received $840,000 and $300,000 from SBC Global Investment Fund (SBC) for converting a total of 4,000,000 of their 7,000,000 collateral options issued in August 2021, into fully paid ordinary shares at $0.28 and $0.30 respectively. As at 31 December 2022, SBC have a balance of 3,000,000 collateral options remaining that are required to be paid for or surrendered within 18 months of their issue date, namely 30 July 2023.
- iM3NY issued eligible iM3NY LLC KMP Employees incentive units in accordance with their policy.
- Capital raising transactions costs for the period amounted to $Nil (30 June 2022: $3,104,000).

15. COMMITMENTS AND CONTINGENCIES

As at 31 December 2022, 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 2022 $150,977)

- There are no contingent liabilities or assets as at 31 December 2022.

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 2022 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 2022.

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 2022 and 31 December 2021, and
- assets and liabilities as at 31 December 2022 and 30 June 2022.

	Lithium-ion Battery Investment USA	Lithium-ion Battery Investment Australia	Graphite Exploration and Development Tanzania	Consolidated
Segment financial information	**$**	**$**	**$**	**$**
31 December 2022				
Segment income	1,946	24,069	45,083	**71,098**
Segment loss before tax	(25,664,210)	(79,016)	(6,395,026)	**(32,138,252)**
31 December 2022				
Segment current assets	52,090,728	39,162	14,630,148	**66,760,038**
Segment non-current assets	139,609,505	-	8,691,162	**148,300,667**
Segment liabilities	(194,461,534)	(118,950)	(2,562,741)	**(197,143,225)**

Segment financial information	Lithium-ion Battery Investment USA $	Lithium-ion Battery Investment Australia $	Graphite Exploration and Development Tanzania $	Consolidated $
31 December 2021				
Segment income	-	21,405	237,639	**259,044**
Segment loss before tax	(12,887,184)	-	(5,529,426)	**(18,416,610)**
30 June 2022				
Segment current assets	93,214,411	58,092	20,832,184	**114,104,687**
Segment non-current assets	108,249,217	-	6,281,647	**114,530,864**
Segment liabilities	(179,555,851)	-	(2,524,516)	**(182,080,367)**

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-2022 $	31-Dec-2021 $
Expense arising from the issue of options (employees)	-	976,300
Expense arising from the issue of options (non-employees)	375,200	(63)
Total expense arising from equity-settled payment transactions	**375,200**	**976,237**

(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-2022 Number	31-Dec-2022 WAEP $
Outstanding at the beginning of the half-year	**20,125,000**	**0.60**
Granted during the period	7,000,000	0.78
Exercised during the period	-	-
Expired during the period	(4,000,000)	(0.70)
Outstanding at the end of the half-year	**23,125,000**	**0.64**
Exercisable at the end of the half-year	**23,125,000**	**0.64**

The range of exercise prices for options outstanding at the end of the half-year was between $0.50 and $0.80 (HY2021: $0.50 and $0.80).

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-2022 $	30-June-2022 $
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	111,100 108,955	215,600 133,900
Peter Tsegas	Peter Tsegas is a Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	-	1,914
Global Impact Initiative Pty Ltd.	Giles Gunesekera is a related party of Global Impact Initiative Pty Ltd and a Non-executive Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	-	11,550
Ameri Anode Inc.	Hoshi Daruwalla is a related party of Ameri Anode Inc. and a Non-executive Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	(2,101)	-
Yatha Enterprises, LLC.	Hoshi Daruwalla is a related party of Yatha Enterprises, LLC and a Non-executive Director of Magnis Energy Technologies Ltd.	Consulting Fees	Normal commercial terms	54,679	34,476
Pillsbury Winthrop Shaw Pittman LLP.	Mona Dajani is a s a related party of Pillsbury Winthrop Shaw Pittman LLP and a Non-executive Director of Magnis Energy Technologies.	Consulting Fees	Normal commercial terms	16,799	-
				289,432	**397,440**

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-2022	30-June-2022
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 2022, C4V has a direct holding of 31.0% (2022:31.00%) in iM3NY LLC, being the holding company of Imperium3 New York Inc. ('iM3NY Inc'), which owns battery plant assets located in a planned lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York. As such, C4V has a 31.20% (2022: 31.19%) total indirect strategic interest in the New York lithium-ion battery production plant via iM3NY LLC.

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$230Million ($343.0Million) of manufacturing assets in place, of which C4V has a total indirect strategic interest via iM3NY LLC that is equivalent to US$71.8Million ($107.0Million). When the Riverstone Facility was paid out in April 2022, through the financing in collaboration with Atlas and Aon the value of the manufacturing assets in place had increased sufficient for those entities to agree to a funding package valued at US$100M

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 and 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

Unobservable inputs	Valuation Method	Nachu Graphite Project	Imperium3 Townsville	Imperium3 New York	Relationship of Unobservable input to fair value
Risk adjusted discount rate	DCF	20%	45%	n/a	The higher the discount rate the lower the fair value
Capital required	DCF	$402.7 Million (US$270.0 Million)	$3.0 Billion	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
Valuation of battery manufacturing equipment	FV	n/a	n/a	$343.0 Million (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 a number of 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 implement so it can reduce its exposure.

Production impacts

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. A negative incident to production will result in a lower fair value.

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.

Capital required

As the Townsville gigafactory is not proceeding at this time due to the decision of Council through it changing its focus for the Lansdown Precinct there will be no capital requirement in the foreseeable future

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 ($343.0Million) of manufacturing assets in place, of which C4V has a direct interest in iM3NY LLC and through that an indirect interest equivalent to US$71.8Million ($107.2Million). 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.

Expected annual production

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 236,000tpa, 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 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.

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. The Group 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. 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 Inc’).

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

As at 31 December 2022, the Company has a direct holding of 62.0% of its Common Stock units (2022:62.00%) in iM3NY LLC (LLC), being the holding company of Imperium3 New York Inc. ('iM3NY Inc'), which owns battery plant assets located in a lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York. As such, the Company has a 61.42% (2022: 61.42%) total indirect interest in the New York lithium-ion battery production plant via LLC.

The table below provides the total direct and indirect strategic interests of all investors in LLC and iM3NY Inc, as at 31 December 2022 and 30 June 2022:

	Direct Share Ownership in iM3NY LLC 31-Dec-2022	Direct Share Ownership in iM3NY Inc 31-Dec-2022	Indirect Ownership in iM3NY Inc 31-Dec-2022	Direct Share Ownership in iM3NY LLC 30-Jun-2022	Direct Share Ownership in iM3NY Inc 30-Jun-2022	Indirect Ownership in iM3NY Inc 30-Jun-2022
Magnis	62.00%	n\a	61.42%	62.00%	n\a	61.42%
C4V	31.00%	n\a	31.20%	31.00%	n\a	31.20%
Primet	5.00%	n\a	0.50%	5.00%	n\a	0.50%
C&D	2.00%	n\a	0.64%	2.00%	n\a	0.64%
Atlas	n\a	n\a	0.48%	n\a	n\a	0.48%
Total iM3NY LLC	**100.00%**	**95.50%**	**n\a**	**100.00%**	**95.50%**	**n\a**
Riverstone Group	n\a	3.86%	5.12%	n\a	3.86%	5.12%
Prisma Pelican Fund	n\a	0.32%	0.32%	n\a	0.32%	0.32%
HSBC Bank	n\a	0.32%	0.32%	n\a	0.32%	0.32%
Total Riverstone, HSBC + Prisma	n\a	**4.50%**	**n\a**	n\a	**4.50%**	**n\a**
Total iM3NY Inc.	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**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$230Million ($343.0Million) of manufacturing assets in place, of which Magnis has a total indirect interest equivalent to US$141.3Million ($210.7Million).

20. GOVERNMENT GRANTS AND ASSISTANCE

No Government grants and assistance was received during the half-year to 31 December 2022 (30 June 2022: $NIL).

21. SUBSEQUENT EVENTS

Magnis signed an offtake agreement with the leading world manufacturer of EV's and battery storage solutions for the supply of Anode Active Material which will underpin the North American Anode production business unit utilising the natural flake graphite from the Nachu Project. Associated with this was the execution of the contract with Hosokawa Alpine for equipment for use in the demonstration plant and the engagement of Ramboll to complete engineering feasibility for the demonstration plant and the short listing of potential sites by JLL for the main production plant.

The equity arrangement in Tanzania with Tanzanian Government for the Mining and processing of the natural graphite, which is in part required by law has been negotiated and is to be documented resulting in a minority interest being granted to the Government, whilst not finalised at the date of this report is expected to be finalised in the near future.

Magnis incorporated Magnis AAM LLC to be the entity to progress its Anode Active Materials Project

The infrastructure works at the Eco-resettlement village have progressed.

SBC exercised its right under the Convertible Note facility entered into in August 2021 to extend the completion date from January 2023 to 30 July 2023.

The Company entered a trading halt on 15 March 2023 in order to secure commitments from exempt investors for a material capital raising.

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 2022 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 2022 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
16 March 2023

MAGNIS ENERGY TECHNOLOGIES LTD
ABN 26 115 111 763

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MAGNIS ENERGY TECHNOLOGIES LTD

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 2022, 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 Ltd 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 2022 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 $32,138,252 during the half-year ended 31 December 2022 and as of that date; has a negative operating cash flow of $20,914,197. 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.

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 2022 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: 16 March 2023