MAGNIS
ENERGY TECHNOLOGIES

Financial Report for the Half-Year Ended

31 December 2020

Magnis Energy Technologies Ltd ACN 115 111 763

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 2020 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

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 2020.

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:

Frank Poullas	(Executive Chairman)
James Dack	(Executive Director)
Professor M. Stanley Whittingham	(Non-Executive Director)
The Hon. Troy Grant	(Non-Executive Director; resigned 23 February 2021)
Peter Tsegas	(Non-Executive Director)

COMPANY OVERVIEW

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

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

The Company has ownership interests in two proposed LIB production facilities in Endicott, New York, and Townsville, Queensland.

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

REVIEW AND REULTS OF OPERRTIONS

The net loss after tax of the consolidated entity for the half-year ended 31 December 2020 was $2,805,253 (HY 2019: $5,295,846) of which exploration and evaluation expenditure was $504,076 (HY 2019: $620,393) and administration expenses were $978,746 (HY 2019: $602,511).

An operational overview is set out below.

OVERVIEW

The operational activities for the half year ended 31 December 2020 continued to focus on the advancement of the LIB Gigafactories planned for production in both New York and Townsville, combined with the progressing the development and operational work for the Nachu Graphite Project.

NACHU GRAPHITE PROJECT (TANZANIA)

The Nachu Graphite Project is located near Ruangwa, in the south east of Tanzania and approximately 220km 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 Export Zone (SEZ) legislation was introduced in Tanzania in 2006. The legislation provides incentives for companies to create value addition and advance employment and development of the country. The SEZ area covers 206 hectares and has been excised from the original Nachu SML.

One of the key activities was developing new water bores within the Nachu Special Mining Lease area. Previously water was available at bores outside SML, so the new bores were drilled to add security to supply for any development activities. The flowrate tests conducted showed steady water flows that the company believes is sufficient for construction activities to commence at any time of the year. The flow rate tests were conducted before the start of the rainy season and the recharge of the aquifers, thus giving an indication of flowrates at the driest part of the year. Selected clearing of key infrastructure sites continues.

Progress was made during the period on the establishment of the resettlement village. The Town Planning and Cadastral Survey Drawings were approved and Uranex has received Building Permit from Ruangwa District Council for the development of 59 houses. Clearing of the land has commenced.

The Community Support Program in the Ruangwa district is ongoing. Of recent note, construction materials have been donated to the village of Mihewe for a medical clinic building project. Other programs included maintenance of the proposed community garden site which was cleared and cleaned. The company continues to focus its community support on programs which are of direct benefit to the various villages and have a clear sustainable nature.

NEW YORK, USA - GIGAFACTORY

Imperium3 New York Incorporated ("iM3NY"), have ownership for the New York Gigafactory project.

As at 31 December 2020, the Company's direct investment shareholding in iM3NY was 53.39% consisting of ordinary shares and redeemable preference shares of iM3NY. The Company's partner C4V has a direct shareholding in iM3NY of 45.17%, while Primet Precision Materials Inc and C&D Assembly Inc are the other shareholders in iM3NY, owning the remaining 1.44%.

The Company also has a 10% shareholding in C4V and therefore has a 57.90% direct and indirect shareholding in iM3NY while C4V's direct and indirect exposure reduces to 40.66%.

As at 31 December 2020, the proportion of ordinary shares held directly by Magnis represents 62.0% of the voting and controlling rights in iM3NY.

Development of the New York Lithium-ion Battery Plant has begun in Huron Campus in Endicott, New York. A team of highly skilled individuals with experience in manufacturing lithium-ion batteries and semiconductors have been hired to lead the development of the plant into production.

TOWNSVILLE, AUSTRALIA - GIGAFACTORY

In August 2018, Imperium3 Townsville Pty Ltd ("iM3TSV"), the wholly owned subsidiary of Imperium3 Pty Ltd, of which the Company owns one third, received government approvals for a $3.1 million grant supporting the Feasibility Study ("FS") into the establishment of a LIB manufacturing plant in Townsville, Queensland.

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

On 1 October 2019, Magnis announced that iM3TSV had submitted the FS to the Queensland Government, for the 18 GWh (increased from a planned 15GWh) lithium-ion battery cell manufacturing facility. The FS incorporated a staged approach whereby the facility would be built in three equal tranches of 6GWh.

The FS demonstrated sound financial viability on a project basis with an NPV of $2.55 billion and 21% IRR, with the project capital cost for all 3 stages estimated at $3 billion, providing 1150 direct jobs when operating at full capacity.

iM3TSV continues to work with stakeholders to progress the project however COVID-19 has impacted capital raising efforts in the international capital markets. iM3TSV has also been negotiating with potential offtake partners to test/use the batteries expected to be produced at the facility once established.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company is strategically managing the challenges posed by the on-going COVID-19 global pandemic. Those market conditions have since continued unabated as Australia has witnessed the on-going effects of COVID-19.

CORPORATE

CAPITAL FUNDS

Magnis issued 42,058,577 fully paid ordinary shares on 11 September 2020 following a placement to professional, sophisticated, and institutional investors that raised A$7.65 million.

Following shareholder approval at the 2020 Annual General meeting ("2020 AGM"), a further 2,941,176 fully paid ordinary shares relating to the 4 September 2020 placement, were issued to Magnis' Executive Director, James Dack on 30 December 2020.

Funds raised by the September 2020 share placement were used to strengthen the balance sheet to allow Magnis to capitalise on current and future growth opportunities in the battery technology sector and to fund the ongoing investment in the future development of the Company's 100% owned Nachu Graphite Project.

On 8 September 2020, Magnis announced it had terminated the Negma Subscription Agreement following the September 2020 share placement.

On 22 December 2020, Magnis issued 20,000,000 fully paid ordinary shares in the Company to the Magnis Energy Technologies Ltd Employee Share Trust ("MEST") to be held for Mr Dack pursuant to his employment agreement and following shareholder approval of the issue at the 2020 AGM.

On 24 December 2020, Magnis issued a total of 12,500,000 performance shares to current directors, as set out below following shareholder approval for the grant at the 2020 AGM.

Frank Poullas (Executive Chairman)	2,500,000 performance shares
James Dack (Executive Director)	2,500,000 performance shares
Troy Grant (Non-executive Director)	2,500,000 performance shares
Peter Tsegas (Non-executive Director)	2,500,000 performance shares
Stanley Whittingham (Non-executive Director)	2,500,000 performance shares

The performance shares are divided into five tranches, with specific performance milestones and service conditions attached to each tranche. Conversion of each tranche is dependent on satisfaction of performance milestones and service conditions applicable to each tranche.

The performance milestones attached to each tranche of the performance shares for each director are set out below.

Tranche 1	500,000 performance shares which will convert into 500,000 fully paid ordinary shares upon the market capitalisation of the Company reaching $500 million
Tranche 2	500,000 performance shares which will convert into 500,000 fully paid ordinary shares upon the market capitalisation of the Company reaching $1 billion
Tranche 3	500,000 performance shares which will convert to 500,000 fully paid ordinary shares upon the market capitalisation of the Company reaching $1.5 billion
Tranche 4	500,000 performance shares which will convert to 500,000 fully paid ordinary shares upon the market capitalisation of the Company reaching $2 billion
Tranche 5	500,000 performance shares which will convert to 500,000 fully paid ordinary shares upon the market capitalisation of the Company reaching $2.5 billion

The conversion of each of tranche of performance shares will also be conditional on the relevant person being a director at the time the performance milestone attaching to the relevant tranche is satisfied.

No performance securities were converted or cancelled during the financial period to 31 December 2020.

As at 31 December 2020, the Company had:

- 8,000,000 unlisted options outstanding in the Magnis Option Share Trust, with varying expiry dates ranging from 30 January 2021 to 28 October 2023. The options also have varying exercise prices ranging from $0.40 to $0.70.
- 12,500,000 performance rights outstanding in the Magnis Executive Rights Trust,
- 20,000,000 fully paid ordinary shares held in the Magnis Employee Share Trust.
- 750,000 fully paid ordinary shares held in the Magnis Option Share Trust.
- a cash balance of $5,039,077 (30 June 2020: $719,615).

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 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. The goal continues to be "zero harm". Staff at Uranex Tanzania (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 a high standard of workplace safety with no work-related incidents during the period. Continuous improvement is always a focus in minimising the risk to employee safety as the Magnis Group moves through the stages of project development.

Magnis continues to have a well-respected presence and relationship with the communities in which they operate both with local governments and businesses. This presence benefits local communities through direct employment and indirect economic benefits through the local procurement of supplies where possible. This naturally aids the positive community relationship setting Magnis up for future success in project development and local benefits that go together with the ongoing and planned MCPP community support programs.

The focus and strategy that Magnis has in place with regards to the battery manufacturing business has broader environmental aims of overall reducing the net carbon emissions impact with the use of re-chargeable lithium-ion batteries for power usage and storage. A combined HSS committee is in the final process of being formed to focus on the areas related to projects that the Company have exposure in and will install Environmental, Social and Governance ("ESG") principles.

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.

F. Poullas

Frank Poullas
Executive Chairman
Sydney, New South Wales
12 March 2021

AUDITOR'S INDEPENDENCE DECLARATION

HALL CHADWICK
MELBOURNE AUDIT

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2011, I declare that, to the best of my knowledge and belief, for the half year ended 31 December 2020 there have been:

1. (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
2. (ii) No contraventions of any applicable code of professional conduct in relation to the review.

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
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Associate Director: Anh (Steven) Nguyen

Date: 12 Mar. 21

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	NOTE	31-Dec 2020	31-Dec 2019
		$	**$**
Income	4, 14	422,389	236,288
Total income		**422,389**	**236,288**
Total expenses	4	**(3,227,642)**	**(5,532,134)**
Loss before income tax	14	**(2,805,253)**	**(5,295,846)**
Income tax (expense) / benefit		-	-
NET LOSS FOR THE PERIOD	14	**(2,805,253)**	**(5,295,846)**
NET LOSS FOR THE PERIOD attributable to:			
Owners of parent entity		(2,610,611)	(5,295,846)
Non-controlling Interest		(194,642)	-
NET LOSS FOR THE PERIOD		**(2,805,253)**	**(5,295,846)**
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	7, 14	-	(2,524,523)
Items that may be reclassified subsequently to profit or (loss):			
Foreign currency translation		1,087,037	(29,656)
Other comprehensive income / (loss) for the period net of tax		**1,087,037**	**(2,554,179)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,718,216)**	**(7,850,025)**
Other comprehensive income / (loss) attributable to:			
Owners of parent entity		(1,692,402)	**(7,850,025)**
Non-controlling Interest		(25,814)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(1,718,216)**	**(7,850,025)**
Basic (loss) per share (cents per share)		(0.38)	(0.86)
Diluted (loss) per share (cents per share)		(0.38)	(0.86)

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 2020

	NOTE	31-Dec 2020	30-Jun 2020
Current Assets		$	$
Cash and cash equivalents		5,039,077	719,615
Trade and other receivables	5	442,754	527,143
Loan receivables	6	876,239	280,941
Total Current Assets	14	**6,358,070**	**1,527,699**
Non-Current Assets			
Financial assets at FVOCI	7	7,495,561	7,495,562
Right-of-use assets	8	365,337	476,363
Development assets	9	4,975,572	5,577,131
iM3NY P&E		10,680,366	11,971,650
Plant and equipment		300,419	16,091
Total Non-Current Assets	14	**23,817,255**	**25,536,797**
TOTAL ASSETS		**30,175,325**	**27,064,496**
Current Liabilities			
Trade and other payables	10	1,844,151	1,794,608
Lease liabilities	11	199,652	197,950
Provisions		21,792	112,290
Total Current Liabilities		**2,065,595**	**2,104,848**
Non-Current Liabilities			
Lease liabilities	11	185,862	292,700
Provisions		-	43,323
Total Non-Current Liabilities		**185,862**	**336,023**
TOTAL LIABILITIES	14	**2,251,457**	**2,440,871**
NET ASSETS		**27,923,868**	**24,623,625**
Equity			
Contributed equity	12	135,787,859	128,625,905
Reserves		4,934,943	3,521,476
Accumulated Profits/(Losses)		(117,752,018)	(112,938,231)
Parent Interest – Capital and Reserves		**22,970,784**	**19,209,150**
Issued Capital - Non-controlling Interest		5,147,726	5,809,563
Accumulated Profits/(Losses) - Non-controlling Interest		(194,642)	(395,088)
Non-controlling Interests		**4,953,084**	**5,414,475**
TOTAL EQUITY		**27,923,868**	**24,623,625**

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 2020

	Consolidated	
	31-Dec 2020	**31-Dec 2019**
Cash flows from operating activities	**$**	**$**
Payments to suppliers and employees	(2,559,441)	(2,045,235)
Payment for exploration expenditure	(583,271)	(720,653)
Payments for development expenditure	(8,350)	(8,821)
Interest received	10,790	4,239
Government Grants and Assistance received	101,300	-
Research and development grant received	-	116,385
Net cash outflow used in operating activities	**(3,038,972)**	**(2,654,085)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,210)	(926)
Acquisition of interest in associate		(118,068)
Acquisition of interest in financial asset	(11,866)	-
Proceeds from sale of property, plant and equipment	250,723	-
Payment of loan to related parties	(7,029)	250,598
Net cash inflow/(outflow) from/used in investing activities	**225,618**	**131,604**
Cash flows from financing activities		
Proceeds from issue of shares	7,098,445	1,400,000
Repayment of lease liabilities	-	(44,504)
Capital raising expenses	63,509	(229,161)
Net cash inflow from financing activities	**7,161,954**	**1,126,335**
Net cash inflows/ (outflow) for the reporting period	**4,348,600**	**(1,396,146)**
Effect of exchange rates on cash holdings in foreign currencies	(29,138)	(512)
Cash and cash equivalents at the beginning of the period	719,615	1,829,817
Cash and cash equivalents at the end of the period	**5,039,077**	**433,159**

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 2020

	Note	Contributed equity	FVOCI Reserve	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling Interest	Total Equity
		$	$	$	$	$	$	$
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		-	-	-	-	(200,830)	(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 payments		-	-	380,780	-	-	-	**380,780**
Forfeiture of share-based payments		-	-	(54,350)	-	100	-	**(54,250)**
Non-Controlled Interest						(1,800,000)	1,800,000	**-**
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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	Contributed equity	FVOCI Reserve	Share Based Payment Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Non-controlling Interest	Total Equity
		$	$	$	$	$	$	$
At 1 July 2019		**124,177,419**	**-**	**1,290,644**	**5,106,277**	**(106,552,635)**	**-**	**24,021,705**
Loss for the period		-	-	-	-	(5,295,846)	-	**(5,295,846)**
Other comprehensive income / (loss)		-	(2,524,523)	-	(29,656)	-	-	**(2,554,179)**
Total comprehensive income / (loss) for the half-year		**-**	**(2,524,523)**	**-**	**(29,656)**	**(5,295,846)**	**-**	**(7,850,025)**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction costs		1,170,838	-	-	-	-	-	**1,170,838**
Share based payments		200,000	-	1,548	-	-	-	**201,548**
Forfeiture of share-based payments		-	-	(1,138,420)	-	1,138,420	-	**-**
Non-Controlled Interest		-	-	-	-	-	-	**-**
At 31 December 2019		**125,548,257**	**(2,524,523)**	**153,772**	**5,076,621**	**(110,710,061)**	**-**	**17,544,066**

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 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The half-year report for the six months ended 31 December 2020 of the Company was authorised for issue in accordance with a resolution of the Board of the Company dated 12 March 2020.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial report for the half-year ended 31 December 2020 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 2020 and considered with any public announcements made by Magnis Energy Technologies Ltd during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The consolidated financial report for the half-year ended 31 December 2020 is presented in Australian dollars (unless otherwise indicated).

(i) Significant changes from Annual report

Government grants

During the half-year, the Group became eligible for certain government support in response to the coronavirus pandemic, as explained in note 19. The Group’s accounting policy for government grants is explained below.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, wage subsidies received under JobKeeper scheme are presented as other income: Government Grants and Assistance in profit or loss.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised on the profit or loss in the period in which they become receivable.

3. GOING CONCERN

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

For the half-year ended 31 December 2020 the Group reported a net loss of $2,805,253 (HY 2019: $5,295,846) and net cash inflows of $4,348,600 (HY 2019: $1,396,146 net outflows).

As at 31 December 2020, the Group had total assets of $30,175,325 (30 June 2020: $27,064,496) including cash reserves of $5,039,077 (30 June 2020: $719,615).

The balance of these cash reserves as at 31 December 2020 is sufficient to meet the Group's planned expenditure budget including LIB Investment, evaluation and development activities for the 12 months to 31 December 2021. The Group's expenditure forecast over the next 12 months totals $2,571,337.

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.

Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

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

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

4. INCOME AND EXPENSES FROM ACTIVITIES

	31-Dec 2020	31-Dec 2019
Income	**$**	**$**
Interest received	50,081	68,901
Research and development grant	-	116,385
Foreign exchange gain	20,286	22,612
Profit on sale of fixed assets	250,723	-
Other revenue	-	28,390
Government Grants and Assistance (Note: 19)	101,300	-
Total income	**422,389**	**236,288**
Expenses		
Administration	978,746	602,511
Service supply agreement CCCV LLC (“C4V”), (Note: 6, 13)	411,731	1,069,481
Expected credit loss on C4V loan	(541,352)	1,467,924
Depreciation	107,972	68,526
Director fees	201,652	272,464
Employee benefits expense	558,174	585,984
Legal and consulting	625,863	429,212
Employee option contribution	5,962	748
Share based payment to non-employees	374,818	200,800
Share of net loss of associate accounted for using the equity method	-	214,091
Exploration and evaluation	504,076	620,393
Total expenses	**3,227,642**	**5,532,134**

5. TRADE AND OTHER RECEIVABLES

	31-Dec 2020	30-Jun 2020
	$	**$**
Accrued interest	2,048	910
Goods and services tax recoverable	20,356	26,158
Prepayments and other receivables	269,373	399,061
Less: allowance for expected credit loss	-	(49,963)
NAB Security Term Deposit	150,977	150,977
	442,754	**527,143**

6. LOAN RECEIVABLES

	31-Dec 2020	30-Jun 2020
	$	$
Accrued interest	55,592	167,720
Short-term loan - Charge CCCV LLC	773,452	1,517,754
Less: allowance for expected credit loss	-	(1,517,754)
Short-term loan - Olympic Exploration Limited	34,221	113,221
Short-term loan by iM3NY to Charge CCCV LLC	12,974	-
	876,239	**280,941**

Effective 1 July 2020, new terms for the existing “Loan Agreement” and the “Service Agreement” have been agreed to between the Group and strategic partner CCCV LLC (“C4V”), with an “Amendment Agreement” executed on 6 August 2020.

At the same time, the Group also agreed to reverse part of the full loan impairment charge, to the reflect the revised principle that is expected to be recovered.

The “Service Agreement” now requires Magnis to pay C4V US$50,000 on the 1st of every month in lieu of the US$375,000 fee paid per quarter, with the terms not being able to be amended for 3 years until 1 July 2023.

The “Loan Agreement” including interest to 1 July 2020 resulted in a new net Principle (“P”) balance owing to Magnis of US$596,134 after deducting C4V operating costs incurred over the period to 1 July 2020. Daily interest (“I”) is accruing at 7.35% pa from 1 July 2020, with both P&I becoming due and payable to Magnis on 20 December 2020.

As at 20 December 2020, the short-term loan due from C4V was in default, and is now attracting a 15% interest charge until settled in full.

7. FINANCIAL ASSETS AT FVOCI

	31-Dec 2020	30-Jun 2020
	$	$
Equity investment in Charge CCCV LLC	**7,495,561**	**7,495,562**

On 29 March 2018, Magnis announced a strategic investment to acquire a 10% 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.

Under the terms of the agreement, Magnis acquired a 10% stake in C4V for total consideration of US$7.5 million, comprising an upfront cash payment of US$2 million together with the issue of 6,940,544 fully paid ordinary shares in Magnis [representing US$2.5 million in value].

7. FINANCIAL ASSETS AT FVOCI (CONTINUED)

A further cash payment of US$1 million was made on 12 September 2018 together with the issue of 7,507,508 fully paid ordinary shares in Magnis [representing US$2 million in value].

As at 31 December 2020, Magnis continues to hold a 10% stake in C4V.

Magnis has appointed one representative to the Board of Directors of C4V and has also secured a first rights 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 selective patents, which will expend the Company’s material technologies in the rapidly growing lithium-ion battery sector.

Movement in Financial Assets at FVOCI carrying value:

	31-Dec 2020	30-Jun 2020
	$	$
Carrying amount at start of period	**7,495,562**	**10,020,084**
New investment during the period	-	-
Change in fair value	-	(2,524,523)
Rounding	(1)	1
Carrying value of financial assets at FVOCI	**7,495,561**	**7,495,562**

8. RIGHT OF USE ASSET

	31-Dec 2020	30-Jun 2020
	$	$
Right-of-use assets at start of period	**476,363**	**-**
Additions	-	614,808
Currency Translation	(10,533)	-
Depreciation expense	(100,493)	(138,445)
Carrying value of Right-of-use assets	**365,337**	**476,363**

9. DEVELOPMENT

	31-Dec 2020	30-Jun 2020
	$	$
Development – Nachu Graphite Project ("NGP")	**4,975,572**	**5,577,131**

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.

Movement in NGP Development Assets

	31-Dec 2020	30-Jun 2020
	$	$
Carrying amount at start of period	**5,577,131**	**5,466,492**
Development costs capitalized during the period	-	-
Currency translation difference	(601,559)	110,639
Carrying value of development assets	**4,975,572**	**5,577,131**

10. TRADE AND OTHER PAYABLES

	31-Dec 2020	30-Jun 2020
	$	$
Trade payables	1,242,026	1,127,120
Other payables and accruals	602,125	667,488
	1,844,151	**1,794,608**

11. LEASE LIABILITIES

	31-Dec 2020	30-Jun 2020
	$	$
Current		
Lease Liabilities	199,652	197,950
	199,652	**197,950**
Non- Current		
Lease Liabilities	185,862	292,700
	185,862	**292,700**

12. CONTRIBUTED EQUITY

	31-Dec 2020	30-Jun 2020
	$	$
Ordinary shares fully paid	**135,787,859**	**128,625,905**

Movement in fully paid shares

	31-Dec 2020	31-Dec 2020	30-Jun 2020
	No of shares	$	$
Balance at start of period:	**665,006,221**	**128,625,905**	**124,177,419**
Shares issued	65,000,000	7,650,000	5,000,000
Transaction costs	(247)	(488,046)	(551,514)
Balance at end of period:	**730,005,974**	**135,787,859**	**128,625,905**

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

- $7,650,000 (30 June 2020: $5,000,000) from a share placement of 45,000,000 fully paid ordinary shares.
- Pursuant to shareholder approval at the 2020 AGM and in accordance with the terms of Mr Dack's employment services agreement, 20,000,000 fully paid ordinary shares were issued to the Magnis Employee Share Trust ("MEST") to be held on behalf of Mr Dack (30 June 2020: $0).
- Capital raising transactions costs for the period amounted to $488,046 (30 June 2020: $551,514).

13. COMMITMENTS AND CONTINGENCIES

As at 31 December 2020, the Group has commitments of:

- A commitment to make monthly payments of US$50,000 under a contract with Charge CCCV LLC for maintaining exclusivity over certain patents for the processing of lithium-ion battery anode ready materials.
- A commitment to pay the Tanzania Revenue Authority ("TRA") TzS 313,254,582 in 6 equal monthly instalments arising from an audit determination made by the TRA via Tax Demand Notice for outstanding Tax Liability dated 19 November 2020; and
- A contingent liability to pay US$ 150,000 to Boston Energy and Innovation under the Agreement for Sale and Purchase of Series A Stock Shares dated 14 February 2020 in the event the funding is secured for iM3NY before 14 February 2021.

14. 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 member of these consortiums, Magnis' role will be to provide anode materials and associated technologies to assist in the production process.

This activity is supplemented by the involvement in the development and ultimate mining of natural flake graphite for use in various industries, including 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 2020 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 2020.

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.

14. SEGMENT INFORMATION (CONTINUED)

The following table presents reportable segments for:

- revenue and profit information for the half-years ended 31 December 2020 and 31 December 2019, and
- assets and liabilities as at 31 December 2020 and 30 June 2020.

	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)**
Segment current assets	809,692	66,547	5,481,831	**6,358,070**
Segment non-current assets	7,495,561	-	16,321,694	**23,817,255**
Segment liabilities	-	-	(2,251,457)	**(2,251,457)**

	Lithium-ion Battery Investment USA	Lithium-ion Battery Investment Australia	Graphite Exploration and Development Tanzania	Consolidated
31 December 2019	**$**	**$**	**$**	**$**
Segment financial information				
Segment income	-	-	236,288	**236,288**
Segment loss before tax	(1,682,015)	-	(3,613,831)	**(5,295,846)**
Segment current assets - 30 June 2020	-	60,721	869,101	**929,822**
Segment non-current assets - 30 June 2020	12,690,643	-	6,137,521	**18,828,164**
Segment liabilities - 30 June 2020	-	-	(2,213,920)	**(2,213,920)**

15. SHARE BASED PAYMENTS

(a) Recognised share-based payment expenses

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

	Half-year 31-Dec-20	Half-year 31-Dec-19
	$	$
Expense arising from the issue of options (employees)	5,962	748
Expense arising from the issue of options (non-employees)	374,818	200,800
Total expense arising from equity-settled payment transactions	**380,780**	**201,548**

(b) Summaries of options and rights granted

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

	Half-year 31-Dec-20 Number	Half-year 31-Dec-20 WAEP
	$	$
Outstanding at the beginning of the half-year	**20,850,000**	**0.66**
Granted during the period	750,000	0.63
Exercised during the period	-	-
Expired during the period	(13,600,000)	0.87
Outstanding at the end of the half-year	8,000,000	0.54
Exercisable at the end of the half-year	**8,000,000**	**0.54**

The range of exercise prices for options outstanding at the end of the half-year was between $0.40 and $0.75 (HY 2019: $0.40 and $1.00).

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.

16. 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	Half-year 31-Dec-20 $	Half-year 31-Dec-19 $
Strong Solutions Pty Limited	Frank Poullas is a related party of Strong Solutions and a director of Magnis Energy Technologies Ltd	Consulting fees and PP&E purchases	Normal commercial terms	171,791	181,770
Peter Tsegas	Peter Tsegas is a Director of Magnis Energy Technologies Ltd	Consulting Fees	Normal commercial terms	126,815	35,018
Olympic Exploration Limited in Tanzania	Peter Tsegas is a Director of Magnis Energy Technologies Ltd and Olympic Exploration Limited in Tanzania	Share based payment	Normal commercial terms	-	28,543
Optimal Mining Limited	Peter Tsegas is a Director of Magnis Energy Technologies Ltd and Optimal Mining Limited	Share based payment	Normal commercial terms	-	102,630

17. 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 amount of observable inputs used to value the instruments.

The three levels of the fair value hierarchy are:

17. FAIR VALUE MEASUREMENT (CONTINUED)

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 2020	**30 June 2020**
Financial assets measured at fair value		**$**	**$**
Financial assets at FVOCI	**3**	7,495,561	7,495,562
Investment accounted for using the equity method		**7,495,561**	**7,495,562**

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 discoveries in lithium-ion battery composition and manufacture. C4V has executed a binding agreement to receive royalty income for maintaining exclusivity over certain patents for the processing of lithium-ion battery anode ready materials.

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 2020, C4V also has a 40.66% direct and indirect strategic investment in a New York lithium-ion battery production plant, Imperium3 New York Inc ("iM3NY"). iM3NY owns battery plant assets located in a planned lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York.

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 independent valuation of the plant equipment purchased in 2018.

17. FAIR VALUE MEASUREMENT (CONTINUED)

The valuation of the plant equipment was undertaken in August 2019 by leading engineering firm O'Brien & Gere who assessed - all the items purchased. In its current-status and condition the external valuer has attributed a valuation of US$71.34 million of which C4V has a direct and indirect interest equivalent to US$29.01 million.

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 committee of the valuation techniques adopted. The Group 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	Preliminary 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	20y ears	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	$350 million (US$270 million)	$3 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	$92.56 million (US$71.34 million)	The lower the recoverable amount of the equipment the lower the fair value

17. FAIR VALUE MEASUREMENT (CONTINUED)

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. As a result, the fair value is exposed to various forms of risk. The fair value of as at 31 December 2020 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 as part of the feasibility study undertaken on the individual projects. In performing this analysis, the Group has identified areas of key risk and has developed risk management and mitigation strategies to implement to reduce the likely exposure to these risks.

Project status

The current 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 creditable 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.

17. FAIR VALUE MEASUREMENT (CONTINUED)

Capital required

The estimated total construction costs of the 18Gwh factory in Townsville is $3 billion. Project development has been phased into 3 stages of 6GWh to reduce the upfront capital requirement. Stage One construction costs are estimated to be $1.12 billion. Without a demonstrated ability in capital raising of this quantum, there is a risk that the capital required will not be secured or will be significantly delayed. As there is no prior history of manufacture at scale, there is also a risk that finance may be on less favourable terms.

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 projects ability to repay project finance and result in a lower fair value.

To mitigate these risks, iM3TSV has appointed National Australia Bank ("NAB") in the capacity of financial advisor to jointly develop the Project funding strategy as part of this feasibility study.

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 $350 million (US$270 million). This is also considered a significant amount of capital. This is compounded by the sovereign risk of 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 projects in a jurisdiction with high sovereign risk.

Expected annual production

Project development of iM3 TSV has been phased into three stages of 6GWh each. The benefit of a stage 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 and 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 iM3 TSV 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 delay ramp up.

The Nachu Graphite Project has been reported as the largest mineral resources of large flake graphite in the world. There is a risk, at a production rate of 240,000tpa, that supply will 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, community relations all of which could impact the annual production. A reduction in the expected annual production would reduce the fair value.

17. FAIR VALUE MEASUREMENT (CONTINUED)

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 smaller scale with reduced 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 proceed of sale equalling the estimated US$71.34 million. There is a risk that there may be significant advancements in state-of-the-art equipment and that buyers will become 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). In the event that iM3NY was unsuccessful in assigning these costs to the buyer, the fair value would be reduced.

There is also a risk that C4V's investment in iM3NY may be diluted as iM3NY seeks the capital required to commence recommissioning of the plant. This would lower the fair value.

Interest rate risk

The main interest rate risk arises from expected long-term borrowings to fund the construction costs. Borrowings obtained at variable rates expose 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.

iM3 TSV has mitigated this risk by appointing NAB to advise of the most advantageous mix of achievable funding sources and target funding 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.

17. FAIR VALUE MEASUREMENT (CONTINUED)

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

The Nachu project is exposed to currency fluctuations between the United States Dollar (USD) and the Tanzanian Schillings (“TzS”). Where possible, the Group mitigates this risk by executing supply agreements in USD, however local content requirements limit the extent that this strategy can be implemented.

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

17. FAIR VALUE MEASUREMENT (CONTINUED)

Valuation Techniques- Level 3

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

The valuation of the battery plant equipment was undertaken in August 2019 by leading engineering firm O'Brien & Gere who assessed of all the items purchased. In its current status and condition the external valuer has attributed a valuation of $101.7 million (US$71.34 million) of which at 31 December 2020:

- C4V has a direct & indirect interest equivalent to 40.66% or US$29.01 million ($37.63 million)
- MNS has a direct & indirect interest equivalent to 57.90% or US$41.31 million ($53.59 million)

Quantitative information on significant unobservable inputs- Level 3

Description	Valuation technique	Unobservable inputs	Imperium3 New York (Aug 2019)	MNS Sensitivity
Investment accounted for using the equity method	FV	Valuation of battery manufacturing equipment	$101.7 million (US$71.34 million)	5% change would increase/ (decrease) fair value by $2.68 million / ($2.68 million)

18. SUBSEQUENT EVENTS

On 31 January 2021, 250,000 unlisted options expired, reducing the total number of unlisted options on issue by the Company to 7,750,000.

On 8 February 2021, Magnis announced that it had received firm commitments from institutional, professional, and sophisticated investors to raise $34 million via a placement of 121,428,572 fully paid ordinary shares ("Shares") at 28 cents per Share ("Placement"). Each share will have a free attaching unlisted option exercisable at 50 cents, expiring 24 months from date of issue. The funds will be used to advance the New York battery plant into production.

The placement is being undertaken in two tranches as issue of the total number of placement securities will exceed the company's 15% placement capacity under ASX Listing Rule 7.1. On 12 February 2021, Magnis issued the first tranche of the placement comprising 108,309,719 fully paid ordinary shares. The second tranche of the placement, comprising the remaining 13,118,853 fully paid ordinary shares and 121,428,572 unlisted options, will be conditional on shareholder approval at an upcoming general meeting.

The contingent liability to pay US$150,000 to Boston Energy and Innovation under the Agreement for Sale and Purchase of Series A Stock Shares dated 14 February 2020 crystallised on the Company's announcement of the placement on 8 February 2021.

On 8 January 2021 and 16 February, Magnis made a loan of US$0.5 million ($0.65 million) and US$3.0 million ($3.7 million) respectively to iM3NY, on the same terms of existing loan.

On 23 February 2021, Troy Grant, independent non-executive director, resigned from the Magnis Board.

18. SUBSEQUENT EVENTS (CONTINUED)

The 2,500,000 unlisted performance shares issued to Mr Grant on 18 December 2020 following shareholder approval at the 2020 AGM lapsed on Mr Grant's resignation from the Board.

Other than the above, no other matter or circumstance has arisen since 31 December 2020, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent periods.

19. GOVERNMENT GRANTS AND ASSISTANCE

JobKeeper Payment: This payment is intended to help keep more Australians in jobs and support businesses affected by the significant economic impact of COVID-19. On 21 July 2020, the government announced the extension of the JobKeeper payment to 28 March 2021 at modified rates and eligibility. The JobKeeper payment is recorded net of manpower related expenses. The Company collected $51,300 in JobKeeper payments on behalf of eligible staff, all of which was used to subsidise wages of working employees.

Cashflow boost: Temporary cash flow boost payments were made by the ATO to support eligible small and medium businesses during the economic downturn associated with COVID-19. The company qualified for the scheme and collected $50,000 in cash flow boost payments.

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

a. The financial statements and notes of Magnis Energy Technologies Ltd for the half-year ended 31 December 2020 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 2020 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.

F. Poullas

Frank Poullas
Executive Chairman
Sydney, New South Wales
12 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Conclusion

We have reviewed the accompanying half-year financial report of Magnis Energy Technologies Ltd and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes to the financial statements including a summary of significant accounting policies, other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magnis Energy Technologies Limited does not comply with the *Corporations Act 2001* including:

- giving a true and fair view of Magnis Energy Technologies Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- 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 requirements 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 after tax of $2,805,253 during the half-year ended 31 December 2020 and as of that date; has a negative operating cash flow of $3,038,972. As stated in Note 3, these events or conditions along with the other matters as set forth in Note 3, indicate that an uncertainty exists that may cast a doubt over the Group's ability to continue as a going concern. Our conclusion is not modified in this respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of Magnis Energy Technologies Ltd 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 for the Review of the Financial Report

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 2020 and its performance for the half-year ended on 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

Associate Director: Anh (Steven) Nguyen

Date: 12 Mar. 21