

Magnis Energy Technologies Ltd

ABN: 26 115 111 763

Annual Financial Report **For the year ended 30 June 2021**

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Magnis Energy Technologies Ltd (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

The following persons were Directors of Magnis Energy Technologies Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

MR. FRANK POUILLAS – EXECUTIVE CHAIRMAN

Appointed 10 September 2010. Elected Chairman - 29 August 2014.

Mr Poullas has spent 25 years working in the technology, investment banking and engineering industries. During the last 15 years, Mr Poullas has been involved with assisting several ASX-Listed entities with funding and strategic direction in the Lithium-ion Battery Materials and Energy sectors.

Current and former directorships of other listed companies in last 3 years

None

Special responsibilities

Mr Poullas is a member of the Health, Safety and Sustainability Committee.

DISTINGUISHED PROFESSOR M. STANLEY WHITTINGHAM - NON-EXECUTIVE DIRECTOR

Appointed 4 November 2016

Professor M. Stanley Whittingham has nearly five decades of experience in the lithium-ion battery industry and is best known for being a pioneer in the development of lithium-ion batteries which has earned him the prestigious award of the 2019 Nobel Prize in Chemistry. During his illustrious career Professor Whittingham has headed large projects for the US Department of Energy, Exxon, and Schlumberger. He has 16 US patents and has been involved in writing over 340 pieces of scientific and engineering literature. Currently, he is a SUNY Distinguished Professor of Chemistry and Materials Science and Engineering at Binghamton University which is part of the State University of New York. Professor Whittingham is also Director of the NorthEast Center for Chemical Energy Storage (NECCES). Professor Whittingham holds a BA. Chemistry; an MA and a DPhil. Chemistry from Oxford University, England.

Current and former directorships of other listed companies in last three years

None

Special responsibilities

Member of the Health, Safety and Sustainability Committee.

MS. MONA E. DAJANI - NON-EXECUTIVE DIRECTOR

Appointed - 29 March 2021

Ms. Dajani has over 20 years of practise experience as a dual qualified lawyer in the U.S. and England and as a licensed professional engineer. She serves as a lead lawyer in complex acquisitions, dispositions, financing, and project development transactions involving energy and infrastructure facilities in the United States and around the world. She is co-leader of Pillsbury Winthrop Shaw Pittman's Energy and Infrastructure Projects Team and leads the Renewable Energy practice.

Current and former directorships of other listed companies in last three years

None

Special responsibilities

Member of the Nominations and Remuneration Committee and member of the Audit and Risk Committee.

DIRECTORS' REPORT

DR. RICHARD PETTY - NON-EXECUTIVE DIRECTOR

Appointed - 29 March 2021.

Dr. Petty has been an adviser on significant projects and investments in Asia. Dr. Petty is a former member of the B20 and served on the B20 Finance and Infrastructure taskforce, a former Board Member of International Federation of Accountants, a former Chairman of the Australian Chamber of Commerce Hong Kong & Macau, and a former Chairman of CPA Australia. Dr. Petty has been author or co-author of many academic and professional works and has been awarded as a researcher, an editor of academic works, and as an educator. Dr. Petty is senior adviser to several investment firms and has served on the boards of other companies, both publicly listed and privately held. Dr. Petty holds several degrees including a PhD and is a Fellow of Chartered Accountants Australia and New Zealand, CPA Australia, and the Australian Institute of Company Directors.

Current and former directorships of other listed companies in last three years

333D Limited (ASX: T3D); Ambition Group Limited (ASX: AMB).

Special responsibilities

Chairman of the Audit and Risk Committee, member of the Nominations and Remuneration Committee and member of the Health, Safety and Sustainability Committee.

MR. MUGUNTHAN SIVA - NON-EXECUTIVE DIRECTOR

Appointed - 29 March 2021.

Mr. Siva possesses three decades of experience in the finance industry both locally and overseas specialising in funds management. Mr. Siva is the Managing Director, Chief Investment Officer and co-founder of India Avenue, which is a business focused on providing advice and delivering client focused investment solutions to investors seeking to access India's strongly growing capital markets. Mr. Siva was Head of Portfolio Management for ANZ Wealth, where he was responsible for investment strategy and portfolio construction. Prior to that he held the role of Investment Strategist at ING Investment Management Australia and was Chief Investment Officer for ING Investment Management India. Mr. Siva has also worked for Westpac, Macquarie Bank, ING Bank and RetireInvest. Mr. Siva holds a Bachelor of Commerce from UNSW and a Masters of Business from UTS.

Current and former directorships of other listed companies in last three years

None

Special responsibilities

Chair of the Nominations and Remuneration Committee, member of the Audit and Risk Committee and member of the Health, Safety and Sustainability Committee.

MS. ZARMEEN PAVRI - NON-EXECUTIVE DIRECTOR

Appointed - 29 March 2021.

Ms. Pavri has over 25 years' experience within the financial services sector, specifically in funds management focused on impact investing, ESG and venture capital. She has a wide range of experience both locally and overseas and has a multidimensional background across strategy development, investment, risk and compliance governance, sustainability, commercialisation, and organisational transformation. Ms. Pavri is a Non-Executive Director of Uniting Ethical Investors Ltd, Chair of the Apostle Ethical and Impact Advisory board, and sits on various advisory committee panels. She is a Partner at SDGx Ventures, an Impact VC investment management and advisory group and further holds the position as the Oceania Regional Senior Advisor at The Global Impact Investing Network (GIIN). She is a qualified Australian Chartered Accountant and has a Bachelor of Commerce (sub major Law) degree from University of Western Sydney.

Current and former directorships of other listed companies in last three years

None

Special responsibilities

Chair of the Health, Safety and Sustainability Committee, member of the Audit and Risk Committee, and member of the Nominations and Remuneration Committee.

DIRECTORS' REPORT

MR. PETER TSEGAS - NON-EXECUTIVE DIRECTOR

Appointed - 16 June 2015.

Mr Tsegas has over 20 years of experience in Tanzania where he's been a resident for over 15 years. He has worked to engage both the private and government sectors on several projects and was Managing Director of Tancoal Energy Ltd which he successfully took from an exploration company to a JV with the Tanzanian government, and then into production.

Current and former directorships of other listed companies in last three years:

Adavale Resources Limited (Appointed 29 November 2019, Resigned 17 June 2020).

Special responsibilities

Member of the Health, Safety and Sustainability Committee.

FORMER DIRECTORS DURING 2021 REPORTING PERIOD

Mr. James Dack, Executive Director then Non-Executive Director, 15 June 2020 to 14 May 2021.

Mr. Troy Grant, Non-Executive Director, 23 June 2020 to 23 February 2021.

MR. JULIAN ROCKETT B ARTS, LLB, GDLP - COMPANY SECRETARY AND GENERAL COUNSEL

General Counsel & Company Secretary appointed 15 April 2021. Mr. Julian Rockett is both an experienced corporate lawyer and highly experience listed company secretary. His background in corporate law includes corporate compliance, advising several IPOs, RTOs, and other M&A activities, and capital raising for ASX listed entities. His diverse ASX listed company secretarial experience for more than twenty (20) listed companies includes supporting fin-tech, artificial intelligence, medical technology, logistics, equity, mining, energy, technology, and commercial property ASX listed companies.

FORMER COMPANY SECRETARIES AND COUNSEL

Ms. Nawal Silfani - Company Secretary and General Counsel - 30 November 2020 to 16 April 2021

Mr. Jürgen Behrens - Company Secretary from 10 November 2020 to 30 November 2020 (and remains CFO)

Mr. Frank Giordano - Company Secretary and Legal Counsel - 17 July 2020 to 10 November 2020.

DIRECTORS' INTERESTS

As at the date of this report, the interests (directly or indirectly held) of the Directors in the shares and options of the Company were:

| Director | Fully-Paid Ordinary (FPO) Shares | Unlisted Options over FPO Shares | Performance Rights |
|------------------------------------|----------------------------------|----------------------------------|--------------------|
| Mr. Frank Poullas | 16,600,000 | 1,000,000 | 2,500,000 |
| Dist. Prof. M. Stanley Whittingham | - | 1,000,000 | 2,500,000 |
| Mr. Peter Tsegas | 770,000 | 1,000,000 | 2,500,000 |
| Ms. Mona E. Dajani | - | - | - |
| Dr. Richard Petty | - | - | - |
| Mr. Mugunthan Siva | 700,000 | - | - |
| Ms. Zameen Pavri * | - | - | - |

* Since the period, Ms. Zameen Pavri acquired an indirect 82,253 FPOs.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Group business interests in USA, Australia, and Tanzania. Magnis advances its multi-strategy business plan in the battery space through developing:

- as a strategic partner, to support the development of two (2) proposed lithium-ion battery (**LIB**) manufacturing plants in the USA and Australia; and
- the mining and processing of high purity natural flake graphite from the Group's wholly owned Nachu Graphite Project (**NGP**).
- The Company's subsidiary Imperium3 New York, Incorporated (iM3NY) battery plant annual capacity increased to 1.8GWh.
- iM3NY produced its first full-sized lithium-ion battery cells using commercial grade components.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN STATE OF AFFAIRS - CONTINUED

As at reporting period, the primary changes in the state of affairs of the Company were as follows:

- Estimated minimum binding offtake sales of US\$655m for iM3NY by customers in both the energy storage and transportation space.
- US based energy and power focused asset management firm, Riverstone Credit Partners LP provided US\$50m funding investment in iM3NY to scale up production.
- The Company's battery technology partner Charge CCCV (C4V) announced successful fast charging results using optimised commercial cells.
- The Company has been in discussion with various groups regarding graphite product offtake from its Tanzanian based Nachu Graphite Project.
- Initial internal studies have been conducted by the company to review the level of production at Nachu that may be optimal to get the project operating soon.
- At the Nachu site, a range of activities have continued such as land clearing and water bore development along with our social assistance programs.
- The Company announced that it received commitments from institutional, professional, and sophisticated investors to raise \$34 million via a placement with most of the funds used to increase its stake in iM3NY as well as provide gigawatt scale funding to advance the New York Battery plant as it moves close to production. Company made four significant board appointments to help bolster its skills and capabilities. Each member brings experience across capital markets, ESG and sustainability, corporate governance, and investor relations.

REVIEW OF OPERATIONS

LITHIUM-ION BATTERY MANUFACTURING

Imperium3 New York, Incorporated (iM3NY) lithium-ion battery plant continues to build out towards commercial production. The firm purchased equipment and machinery to build out operations such as slurry making to coating to cell assembly and formation. The new equipment includes formation lines, slurry making, coating, stacking machines, solvent recovery and refining. The machinery will form part of a full assembly line enabling the company to further advance its technology while also expanding its production capabilities.

Furthermore, iM3NY received US\$50 million of funding via a four-year senior secured term loan from Riverstone Credit Partners, the credit arm of Riverstone Holdings LLC, a US Asset Management firm with over \$43 billion in assets provided. Riverstone is a significant player in middle market energy space globally and the funding will enable the plant to scale up to an annual capacity of 1.8GWh. This will make it one of the largest players in the US lithium-ion battery cell manufacturing market. iM3NY's estimated minimum binding offtakes of \$US655m commencing in 2022 from both energy storage and electric mobility players provided significant comfort for Riverstone Credit Partners.

BATTERY TECHNOLOGY

Magnis' battery technology partner, Charge CCCV (C4V) announced successful fast charging battery results at an optimised commercial level. Cyclical results from an optimised commercial size cell using BMLMP technology produced cycling life retention of over 75% after 2513 cycles with a 30-minute charge and 30-minute discharge.

NACHU GRAPHITE PROJECT UPDATE

Company has been in discussion with various groups regarding graphite product offtake. Preliminary engineering studies and mining schedules have been conducted by the company to review the level of production that may be optimal to get the project operating soon. At the Nachu site, activities to support development continued, including land clearing and water bore development and its social assistance programs.

CAPITAL RAISINGS

The Company announced that it received commitments from institutional, professional, and sophisticated investors to raise \$34 million via a placement of 121,428,572 ordinary shares at 28 cents per share. The Company noted that strong investor appetite for clean energy technologies was evident through the overwhelming demand for the raise. Most of the funds raised were used to increase or retain Magnis' stake in iM3NY for providing gigawatt scale funding to advance the New York battery plant to move closer to production. Magnis maintains its majority stake in what will be one of the largest lithium-ion battery plants in the United States.

DIRECTORS' REPORT

CORPORATE DEVELOPMENT

Magnis made significant board appointments listed in the table below during the year to help bolster its skills and capabilities as the company enters a significant growth phase. Each member brings experience across capital markets, ESG and sustainability, corporate governance, and investor relations:

| Name | Role | Date Joined |
|--------------------------|---|------------------------|
| Mona E. Dajani | Independent Non-Executive Director | 29th March 2021 |
| Dr. Richard Petty | Independent Non-Executive Director | 29th March 2021 |
| Zarmeen Pavri | Independent Non-Executive Director | 29th March 2021 |
| Mugunthan Siva | Independent Non-Executive Director | 29th March 2021 |

FUTURE OUTLOOK AND STRATEGY

Magnis' vision is to be a key global player in the lithium-ion battery value chain of electric vehicles and clean energy storage. The Company envisions the following corporate developments to take place in the new financial year

- New York lithium-ion battery plant, Imperium3 New York (iM3NY) to be in place and at commercial production levels with fully optimised and automated lines to start meeting orders.
- iM3NY seeks to raise further capital via a potential listing or arranging private capital to increase capacity to 10GWh Scale under Phase-2.
- Continue to announce positive results in our technology partner C4V's extra fast charging program
- Secure offtakes and finalise funding for the company's Nachu Graphite project in Tanzania.

NO SIGNIFICANT ANTICIPATED DEVELOPMENTS EXCEPT AS DISCLOSED

The Directors are not aware of any developments, other than the on-going challenges posed by the COVID-19 global pandemic, that pose a significant effect on the operations of the Group that are not disclosed in this report or in previous reports. The Company is not involved in or aware of any pending litigation. Other than as disclosed above and elsewhere in this report, there have been no further subsequent events.

DIVIDENDS

No dividends have been paid during the year or declared during the year (2020: \$NIL). The Directors do anticipate the declaration or payment of a dividend in the next financial year.

CORPORATE INFORMATION

Magnis Energy Technologies Ltd is limited by shares and incorporated and domiciled in Australia. The shares are listed on the Australian Securities Exchange ("ASX") under the ASX code MNS. Unlisted options issued to Directors beneficially via the Company's employee option trust schemes would be (if issued), be included in the option aggregate. No shares or interests have been issued during and after the end of the financial year from the exercise of options:

| Entity | Number of shares issued | Class of shares | Total amount paid for shares | Amount unpaid on shares |
|--------------------------------|-------------------------|-----------------|------------------------------|-------------------------|
| Magnis Energy Technologies Ltd | 0 | N/A | 0 | \$nil |

EMPLOYEES

Magnis Energy Technologies Ltd had 5 employees on 30 June 2021 (2020: 6 employees).

| Employees | Total | Gender | |
|-------------------------|-------|--------|--------|
| | | Male | Female |
| All Employees and Board | 12 | 10 | 2 |
| Senior Executives | 5 | 5 | - |
| Board | 7 | 5 | 2 |

Uranex Tanzania Limited had 11 full-time employees on 30 June 2021. (2020: 10 employees)

| Employees | Total | Gender | |
|-------------------------|-------|--------|--------|
| | | Male | Female |
| All Employees and Board | 11 | 8 | 3 |

CORPORATE

DIRECTOR MOVEMENTS DURING THE YEAR

| Directors | Appointment date | Directors | Departure date |
|--------------------|------------------|-------------------|------------------|
| Ms. Mona E. Dajani | 29 March 2021 | Mr Troy Grant, AO | 23 February 2021 |
| Dr. Richard Petty | 29 March 2021 | Mr. James Dack | 14 May 2021 |
| Mr. Mugunthan Siva | 29 March 2021 | | |
| Ms. Zarmeen Pavri | 29 March 2021 | | |

CAPITAL FUNDS

On 4 September 2020, Magnis announced the placement of 45,000,000 fully paid ordinary (FPO) shares at \$0.17 per share to professional, sophisticated, and institutional investors to raise A\$7.65 Million before fees and enabled the Negma Subscription Agreement to be discontinued. Funds raised for working capital, capitalise on growth opportunities in the battery technology sector, support the Nachu Graphite Project and Townsville battery project. On 11 September 2020, 42,058,577 FPO shares were issued under the Company's LR 7.1 issue capacity.

CAPITAL FUNDS - ANNUAL GENERAL MEETING

From the 4 September 2020 placement, 2,941,176 FPO shares were issued to a participating director on 30 December 2020 after shareholders at the 2020 AGM approved this LR 10.1 issue. In total 44,999,753 shares were issued in this capital raise, being 247 shares short of 45,000,000 due the application of the round-down formula.

CAPITAL FUNDS - ANNUAL GENERAL MEETING - CONTINUED

At 2020 AGM, LR 10.1 approvals were obtained for 20,000,000 shares issued to the Magnis Energy Technologies Ltd Employee Share Trust ("MEST") as Trustee on behalf of (now former) Director Mr. Dack as a long-term incentive.

Vesting primarily required two (2) consecutive years of service. Shareholders will have an opportunity to cancel the unvested shares at the 2021 AGM, under s256B and 256C of the Corporations Act.

Also, at the 2020 AGM 12,500,000 performance rights were approved and later issued to the (then) five (5) directors, 12,500,000 Performance Rights. 7,500,000 Performance Rights remain because 5,000,000 lapsed during the reporting period. The Performance Rights and holders are shown in the table below.

| | |
|---|------------------------------|
| Frank Poullas - Executive Chairman | 2,500,000 performance rights |
| M. Stanley Whittingham - Non-executive Director | 2,500,000 performance rights |
| Peter Tsegas - Non-Executive Director | 2,500,000 performance rights |

These unlisted Performance Rights consist of five (5) tranches. Every tranche of 500,000 Performance Rights per Director which are subject to service conditions and market capitalisation milestones.

On achieving the pre-conditions, each relevant tranche of unlisted performance rights held will convert into fully paid ordinary shares on a one-to-one basis to be issued to each holder.

| | |
|-----------|--|
| Tranche 1 | Market capitalisation reaches \$AUD 0.5 Billion |
| Tranche 2 | Market capitalisation reaches \$AUD 1.0 Billion. |
| Tranche 3 | Market capitalisation reaches \$AUD 1.5 Billion. |
| Tranche 4 | Market capitalisation reaches \$AUD 2.0 Billion. |
| Tranche 5 | Market capitalisation reaches \$AUD 2.5 Billion. |

FEBRUARY 2021 CAPITAL RAISE

On 8 February 2021, the Company announced that it raised \$34 Million before fees via a placement of 121,428,572 shares at an issue price of \$0.28 per share to institutional, professional, and sophisticated investors. Each share carried a free attaching unlisted option with a strike price at \$0.50, and a two-year expiry period from their issue date. ("**February 2021 Placement**").

On 12 February 2021 the first tranche of shares of 108,309,719 fully paid shares available under its 15% Listing Rule 3.1 issue capacity.

DIRECTORS' REPORT

MAY 2021 GENERAL MEETING

The second tranche of 13,118,853 fully paid shares and 121,428,572 unlisted options were issued on 24 May 2021, following shareholder approval to issue the shares for the purposes of LR 7.4, at the General Meeting on 10 May 2021.

SECURITIES AS AT 30 JUNE 2021

The Company had the following securities on issue as at 30 June 2021:

- 851,434,546 ordinary shares.
- 3,750,000 unlisted options are held in the Magnis Option Share Trust, with varying expiry dates ranging from 31 October 2022 to 28 October 2023. The options have exercise prices that vary between \$0.50 and \$0.75.
- 121,428,572 unlisted options have a strike price of \$0.50 and are due to expire on 26 May 2023.
- 7,500,000 unlisted performance rights are held in the Magnis Executive Rights Trust.

EXERCISE OF LISTED OPTIONS

No listed options exist, and none were exercised.

EXERCISE OF UNLISTED OPTIONS

No unlisted options were exercised during the period.

OPERATING RESULTS FOR THE YEAR

The Group incurred an operating loss after tax of \$16,268,618 (2020: loss of \$7,378,601). Refer to Note 1 of the financial statements for accounting policies used. Summarised segment operating results are as follows:

| | 2021 | |
|--------------------------------------|--------------|---------------|
| | Income \$ | Results \$ |
| Lithium-ion battery investments | 20,370 | (6,330,209) |
| Graphite exploration and development | 599,217 | (9,938,409) |
| Intersegment elimination | - | - |
| Income and losses before tax | 619,587 | (16,268,618) |

Exploration costs for the year amounted to \$1,007,597 (2020: \$1,013,034), with the Group having commenced several pre-development stages such as land clearing and road works along with relocations.

The Group has continued to increase its strategic investments in the businesses of lithium-ion battery technology manufacturing in the USA via a global consortium Imperium3 New York Inc ('i'), and smaller investments on the planned Townsville counterpart ('iM3TV') and the Nachu Graphite Project.

SUBSEQUENT EQUITY EVENT: CONVERTIBLE NOTES

On 3 August 2021, Magnis announced it secured a total of \$20,000,000 (\$21,000,000 in Face Value) from two US-based institutions The Lind Partners and SBC Global Investment Fund, via Convertible Notes (the **Facility**) primarily to support plans to fast-track Gigawatt scale production at the lithium-ion battery plant in Endicott, New York. Shares issued under the Facility are done so under the terms and conditions of the Facility. Further funds are for general working capital, including to advance the Nachu Graphite Project and support the Townsville Battery Plant.

On 3 August 2021 Magnis issued 14,000,000 fully paid ordinary shares under terms of Facility and 5,000,000 Shares to Evolution Capital Advisors Pty Ltd to remunerate the advisers that supported the transaction in-lieu of cash. The initial 14,000,000 shares to convertible note holders must be repaid or otherwise off-set at the conclusion of the agreements on the same terms of each Facility drawdown.

On 6 August 2021, and 9 August 2021, Magnis Energy Technologies Ltd issued, when combined, 21,000,000 fully paid ordinary shares under terms of Facility and on 13 August 2021 a further 38,000,000 fully shares. Details of the terms and conditions of the Facility are contained in the Company's announcement dated 3 August 2021. The share prices for drawdowns that determine the reduction of the outstanding Face Value are contained in their relevant Appendix 2As. As at the present date \$6,250,000 is outstanding on the original Face Value. This figure excludes repayment of the cash equivalent of the advanced 14,000,000 shares back to the Company, effectively reducing this figure accordingly.

As at the date of these financials the number of fully paid ordinary shares are 929,434,546.

REVIEW OF FINANCIAL POSITION

LIQUIDITY AND CAPITAL RESOURCES

The Group statement of cash flows shows an increase in cash and cash equivalents for the year ended 30 June 2021 of \$72,548,800 (2020: decrease of \$1,110,896).

During the year, the Group raised \$41,649,958 (2020: \$5,000,000) before costs via share placements and \$Nil proceeds from options exercised (2020: \$Nil).

At year end the Group had liquid funds of \$72,894,945 (2020: \$719,615) available for future operational and investment use and borrowings of \$65,175,758 (2020: \$Nil). As this comparison incorporates iM3NY, as is required under the Accounting Standards on account of our approximate 60% direct and indirect ownership of iM3NY, for readability purposes shareholders may note the Group held \$3,575,086 in cash excluding the iM3NY, at the end of 30 June 2021. For a breakup of liquidity, refer to Note 6 and borrowing Note 14(c).

SHARES AND OPTIONS ISSUED DURING PERIOD

During the year ended 30 June 2021, the Company raised equity from:

- \$41,649,995 raised before fees from a share placement of 166,428,325 FPO shares.
- 121,428,572 unlisted options of which had a strike price of \$0.50 and 2 year expiration period.
- 750,000 unlisted options of which half had strike prices of \$0.50 and \$0.75 respectively and 3 year expiration period.

CAPITAL EXPENDITURE

Capital expenditure by the Group on plant and equipment during the year was \$11,963,145 (2020: \$2,176).

GROUP PERFORMANCE

| Annual Net Income | | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--|-------------|-------------|-------------|-------------|-------------|
| Consolidated loss after tax (\$) | | 16,268,618 | 7,378,601 | 5,549,553 | 5,417,885 | 9,756,434 |
| Shareholder Returns | | 2021 | 2020 | 2019 | 2018 | 2017 |
| Share price at financial year end (\$) | | 0.26 | 0.08 | 0.19 | 0.38 | 0.515 |
| Basic loss per share (cents) | | 1.91 | 1.11 | 0.92 | 0.97 | 2.09 |
| Diluted loss per share (cents) | | 1.91 | 1.11 | 0.92 | 0.97 | 2.09 |

RISK MANAGEMENT

The Board is responsible for ensuring that risks are identified on a timely basis and that the Group's activities manage the risks identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process.

- The newly recomposed Board an Audit & Risk Committee reviews major risks to the business aside from its audit responsibilities,
- Management and staff operate under numerous risk related policies in their day-to-day operations;
- The Board strategically reviews operational activities and conveys to management as well as shareholders its objectives and reports on progress against said objectives.
- The Board approves operating and capital budgets and at its meetings and monitors actual expenditure to budget.
- The Board reviews sovereign, operating and environmental risks with management and from time-to-time external consultants provide reports on its practices.
- The Board assesses political and sovereign risks relating to its international assets by monitoring local media and politics. Group representatives liaise with all relevant levels of Government to maintain awareness as to matters that may affect the Company. In Mr. Tsegas, the Company also has a resident Board member to assist in monitoring sovereign risks for its Tanzanian assets, and our US based directors Ms Dajani and Dr Whittingham both New York resident directors who share a keen sense of local, State, and national political sensitivities.

In addition, the other Committees have specific responsibilities for making recommendations for adoption. Numerous risks are associated with the Company's businesses. Evaluations, pre-development, technological advancements, capital requirements, and growing competition makes the Company's activities risky concerning its battery manufacturing investments.

RISK MANAGEMENT - CONTINUED

Likewise, the realisation of producing commercial off-takes from its Nachu Graphite Project will be very capital intensive. The degree of success depends on numerous factors. These include sovereign risks, relevant commodity prices, the quality and scale of realisable resources, and commercial partnerships with multi-year off-take agreements to fund these operations. The strategic identification of potential mineralisation targets and management oversight will require exploration and mining programmes involving careful supervision and work from a broad range of skilled specialists.

To balance these considerable risks, the Board hopes Magnis will provide substantial rewards for investors that compensate for the level of risk inherent to projects of this nature - particularly for a company with a modest (though growing) market size. Magnis provides two (2) separate though complementary opportunities for success in this space.

That Magnis is from both a resource and technological position centred on battery space, benefits from tailwinds of political, technical, and economic changes. These appear to lean toward a rapid shift in public and institutional behaviour by commercial and government entities along with the public. These economic forces are increasingly embracing electrical power together with other renewable energy strategies.

There is an international consensus to reduce global carbon emissions. Not surprisingly, this has coincided with an increased level of "green" investment interest and technological achievements that support a paradigm shift from the dominant reliance on fossil fuels last century. The Board considers Magnis well-positioned to capitalise on the broader macro-economic changes.

Furthermore, the Group continues to access funds through the capital markets to fund its business needs and strategic goals and intends to do so until it is self-sustaining through revenue.

The capital markets are subject to prevailing economic conditions, and the Directors are attuned to importance of raising funds for future needs as circumstances permit, and as anti-dilutionary as practical.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company is strategically managing the challenges posed by the on-going COVID-19 global pandemic in accordance with local regulatory and legal guidelines for safe working practices across the various locations where the Company has a presence. We have taken several measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case.

We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's exploration activities in Tanzania are subject to environmental regulations and guidelines in the licenced areas. Failure to meet environmental conditions attaching to the group's mineral tenements could lead to forfeiture of the tenements. No environmental breaches have occurred or have been notified by any government agencies during the year ended 30 June 2021.

The New York lithium-ion battery plant scheduled for operation in 2022 financial year is also subject to Environmental and Planning Regulations from various government authorities are being strictly adhered to by iM3NY and its consortium members including Magnis.

The Townsville Project (iM3TSV) remains at a preliminary stage.

DIRECTORS' REPORT

DIRECTORS MEETINGS

The number of Directors meetings held (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are illustrated in the table below. Although formalised meetings for the committees were not held during the year due to various director changes, discussions on risk, people, health and safety and sustainability were considered during the Board meetings.

| | Directors Meeting | | Audit & Risk Committee | | Nominations & Remuneration Committee | | Health, Safety & Sustainability Committee | |
|-------------------------------------|-------------------|----|------------------------|-----|--------------------------------------|---|---|---|
| | A | B | A | B | A | B | A | B |
| Number of meetings attended: | | | | | | | | |
| F. Poullas | 13 | 13 | 1/* | 1/* | * | * | - | - |
| M.S. Whittingham | 13 | 13 | 1/* | 1/* | * | * | - | - |
| P. Tsegas | 9 | 13 | */ | */ | * | * | - | - |
| M. Siva | 3 | 3 | - | - | - | - | - | - |
| Z. Pavri | 3 | 3 | * | * | * | * | - | - |
| R. Petty | 3 | 3 | - | - | - | - | - | - |
| M.E. Dajani | 1 | 3 | - | - | - | - | * | * |
| J. Dack ^ | 10 | 12 | * | * | * | * | * | * |
| T. Grant ^ | 7 | 8 | 1/* | 1 | * | * | * | * |

Notes:

A Number of meetings attended.

B Number of meetings held during the year whilst the director held office.

***** Not a member of the relevant committee as at the end of the period, but /* or 1/* indicates they were members earlier in the reporting period.

^ J Dack resigned on 14/05/2021 and T Grant resigned on 23/02/2021

The Audit & Risk Committee comprises of R. Petty (Chair), M. Siva, Z. Pavri and M.E. Dajani.

The Nominations & Remuneration Committee comprised M. Siva (Chair), M.E. Dajani, R. Petty, and Z Pavri.

The Health, Safety & Sustainability Committee comprised of Z. Pavri (Chair), F. Poullas, M.S. Whittingham, P. Tsegas, M. Siva and R. Petty.

The current Board reconstituted each Committee after implementing their revised Committee Charters on 16 June 2021.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives.

REMUNERATION POLICY

The Board recognises that the performance of the Group depends upon the quality of its Directors and executives.

To achieve its operating and financial activities the Group must attract, motivate, and retain highly skilled Directors and executives. The Group's policy for determining the nature and number of emoluments of Board members and executives of the Company is assessed annually at the end of each calendar year and are set by reference to market peers.

The Remuneration and Nominations Committee submits its recommendation to the Board for its consideration. All remuneration paid to Directors and executives is valued at the cost to the Group and expensed.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities based on recommendations from the Remuneration and Nomination Committee.

The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties, consulting with relevant professionals and accountability.

The current maximum aggregate of Non-Executive Directors fees payable is \$650,000; having been approved by shareholders at the Company's Annual General Meeting held on 17 November 2017 and this represented the first increase to the maximum aggregate amount in 9 years.

Presently, Non-Executive Directors receive annual fees of between \$65,000 to \$70,000 and the Non-Executive Chairman \$120,000. An additional \$5,000 per annum is paid to Directors who Chair Committees, except for the Audit and Risk Committee, where the Chair receives \$15,000 per annum. Superannuation is payable as required under each Director's service agreement and *Superannuation Act (Cth)*.

DIRECTORS' REPORT

DIRECTOR AND OTHER EXECUTIVE DETAILS

Listed on pages 2-4 of the Directors' Report are persons who acted as a director of the Company during or since the end of the financial year. For the purposes of this report, **Key Management Personnel (KMP)** of the Group are those persons having authority and responsibility for planning directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company, and senior or key management. In addition to the Directors, the following were KMP during the financial year:

- Mr. Rodney Chittenden - Project Director (from 1 September 2020)
- Mr. Julian Rockett - Company Secretary and Legal Counsel (from 15 April 2021)
- Mr. Jürgen Behren - Chief Financial Officer (from 1 April 2020)

PERFORMANCE BASED REMUNERATION

The Group currently has no performance-based remuneration component built into KMP remuneration packages. Bonuses may be payable at the Board's discretion following the annual performance review.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTOR AND EXECUTIVE REMUNERATION

In accordance with the remuneration policy noted above, the Group includes the following principles in its remuneration framework:

- competitive rewards are set to attract high calibre executives.
- executive rewards are linked to shareholder value.

For executives, the Group's policy is to position total employment costs within a peer group. The mix of fixed and variable components of employment costs is derived from data assessing market rate labour costs by position.

There are no financial measures that are included in the assessment, but the Remuneration and Nominations Committee considers the growth in market capitalisation an important parameter.

For non-financial measures, a range of factors are considered including market position, relationship with a range of stakeholders, risk management, leadership, and team contribution.

SHARE OPTION PLAN

Magnis Energy Technologies Ltd operates an ownership-based scheme for Directors and Employees of the consolidated entity. In accordance with the provisions of the Plan, listed fully paid ordinary shares and unlisted options are held on behalf of Plan Participants by the Trustee of the **Magnis Option Share Trust**.

During the year ended 30 June 2021, 750,000 unlisted options (2020: 8,100,000) on varying terms and conditions were allotted to the Trust under the share scheme.

SHARE PLAN: MEST

Magnis Energy Technologies Ltd operates an ownership-based scheme for Directors and Employees of the consolidated entity. In accordance with the provisions of the Plan, listed fully paid ordinary shares are held on behalf of Plan Participants by the Trustee of the **Magnis Employee Share Trust ("MEST")**.

During the year ended 30 June 2021, 20,000,000 fully paid ordinary (FPO) shares (2020: Nil) were allotted to the MEST, to be held on behalf of Plan Participants pursuant to their employment agreement.

The rights to the 20,000,000 shares held by the Trustee of MEST on behalf of Plan Participants, have not vested pursuant to the respective terms of their grant, triggered by a Plan Participant resigning.

RIGHTS PLAN: MERT

Magnis Energy Technologies Ltd operates an ownership-based scheme for Directors and Employees of the consolidated entity. In accordance with the provisions of the Plan, unlisted Performance Rights are held on behalf of Plan Participants by the Trustee of the **Magnis Executive Rights Trust ("MERT")**.

During the year ended 30 June 2021, 12,500,000 unlisted Performance Rights (2020: Nil) were allotted to the Trust under the rights scheme. The unlisted Performance Rights are divided into five tranches and conversion of each tranche is dependent on satisfaction of performance milestones and service conditions applicable to each tranche, including the relevant person being a director at the time the respective performance milestone tranche is satisfied.

DIRECTORS' REPORT

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements as set out below:

Mr. Frank Poullas - Executive Chairman

- No agreement expiry date;
- Remuneration is \$120,000 from 1 July 2020 (2020: \$120,000) per annum plus statutory superannuation guarantee;
- Consulting fees of \$1,000 per business day that is applicable if invoiced from Strong Solutions Pty Ltd, a related party to Mr. Poullas;
- The agreement and the employment created by it and may be terminated by either Magnis Energy Technologies Ltd or Mr. Poullas by giving the other party 1 months' notice.

Mr. Rodney Chittenden - Project Director

- No agreement expiry date;
- Remuneration is \$125,000 from 1 September 2020 (2020: \$Nil) per annum plus statutory superannuation guarantee;
- The agreement and the employment created by it may be terminated by either Magnis Energy Technologies Ltd or Mr. Chittenden by giving the other party 1 months' notice; and
- The agreement is subject to annual review.

Mr. Julian Rockett – Company Secretary and Legal Counsel

- No agreement expiry date;
- Remuneration is \$132,000 from 15 April 2021 (2020: \$N/A) plus GST;
- The agreement and the employment created by it may be terminated by either Magnis Energy Technologies Ltd or Mr. Rockett by giving the other party 1 months' notice; and
- The agreement is subject to annual review.

Mr. Jürgen Behrens - Chief Financial Officer

- No agreement expiry date;
- Remuneration is \$140,000 from 1 July 2020 (2020: \$n/a) per annum plus statutory superannuation guarantee;
- The agreement and the employment created by it may be terminated by either Magnis Energy Technologies Ltd or Mr. Behrens by giving the other party 1 months' notice; and
- The agreement is subject to annual review.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP)

A total of \$624,359 was paid in consultancy fees to related parties of the KMP and Non-Executive Directors during the financial year (2020: \$231,537).

The consultancy and services are provided under normal commercial terms and are disclosed in detail under Note 24 and Note 25.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP) - CONTINUED

TABLE 1: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2021

| | Salary & Fees | Cash Bonus | Total Termination Benefits | Post Employment Benefits ^ | SBP Options # | |
|---|------------------|------------|----------------------------|----------------------------|---------------|------------------|
| | \$ | \$ | | \$ | \$ | \$ |
| Non-Executive Directors | | | | | | |
| Professor M S Whittingham | 87,500 | - | - | - | - | 87,500 |
| P Tsegas | 105,000 | - | - | - | - | 105,000 |
| M.E. Dajani (Appointed 29 Mar. 2021) | 17,000 | - | - | - | - | 17,000 |
| M Siva (Appointed 29 Mar. 2021) | 17,000 | - | - | 1,615 | - | 18,615 |
| Z Pavri (Appointed 29 Mar. 2021) | 17,000 | - | - | 1,615 | - | 18,615 |
| Dr. R Petty (Appointed 29 Mar. 2021) | 17,000 | - | - | - | - | 17,000 |
| Mr. T Grant (Resigned 23 Feb. 2021) | 38,167 | - | 50,000 | - | - | 88,167 |
| Key management personnel | | | | | | |
| F Poullas * | 150,000 | - | - | 14,250 | - | 164,250 |
| R Chittenden (Appointed 1 Sep. 2020) | 104,167 | - | - | 9,896 | - | 114,063 |
| J Rockett * (Appointed 15 April 2021) | 24,200 | - | - | - | - | 24,200 |
| J Behrens (Appointed 1 April 2020) | 125,000 | - | - | 22,475 | - | 147,475 |
| Dr. F Houllis (Terminated 21 Aug. 2020) | 73,772 | - | 93,000 | 2,728 | - | 169,500 |
| J Dack (Resigned 17 May 2021) | 263,786 | - | - | 25,060 | - | 288,846 |
| | 1,039,592 | - | 143,000 | 77,639 | - | 1,260,261 |

* Fees paid to related entities.

^ Includes superannuation and movements in employee entitlements.

Share Based Payments (SBP) consist of unlisted share options issued.

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2020

| | Salary & Fees | Sign-on Bonus | Termination Benefits | Post Employment Benefits ^ | SBP Options # | Total |
|--|----------------|----------------|----------------------|----------------------------|---------------|------------------|
| | \$ | \$ | | \$ | \$ | \$ |
| Non-Executive Directors | | | | | | |
| Professor M S Whittingham | 70,000 | - | - | - | 100 | 70,100 |
| P Tsegas | 35,000 | - | - | - | 100 | 35,100 |
| W L Smith (Resigned 1-Jan-2020) | 31,963 | - | - | 3,037 | - | 35,000 |
| J Jooste-Jacobs (Retired 31-May-2020) * | 70,000 | - | - | 6,650 | 100 | 76,750 |
| L Hosking (Resigned 21-Feb-2020) | 56,494 | - | - | - | 100 | 56,594 |
| S DeGamia (Appointed 1-Jan-2020, Resigned 25-Feb-2020) | 10,000 | - | - | 950 | - | 10,950 |
| T Grant (Appointed 23-Jun-2020) | - | - | - | - | - | - |
| Key management personnel | | | | | | |
| F Poullas * | 90,000 | - | - | 8,550 | 100 | 98,650 |
| M Vogts (Resigned 31-Jan-2020) | 156,335 | - | - | 14,615 | 247 | 171,197 |
| Dr. F Houllis (Terminated 21-Aug-2020) | 275,000 | - | - | 26,125 | - | 301,125 |
| J Dack (Appointed 15-Jun-2020) | - | 380,000 | - | - | - | 380,000 |
| | 794,792 | 380,000 | - | 59,927 | 747 | 1,235,466 |

* Fees paid to related entities.

^ Includes superannuation and movements in employee entitlements.

Share Based Payments (SBP) consist of unlisted share options issued.

COMPENSATION SHARES AND OPTIONS GRANTED AND VESTED

During the financial year, the following share-based payments were awarded, vested, exercised, or lapsed:

TABLE 1: OPTIONS AWARDED

| Grant Date and Vesting Date | Expiry Date | Grant Date Fair Value | Number | Original Exercise Price of Option | Fair Value Expense under AASB 2 |
|-----------------------------|-------------|-----------------------|----------------|-----------------------------------|---------------------------------|
| | | \$ | | \$ | \$ |
| 28-Oct-20 | 28-Oct-23 | 0.004500 | 375,000 | 0.75 | 1,688 |
| 28-Oct-20 | 28-Oct-23 | 0.011400 | 375,000 | 0.50 | 4,275 |
| | | | 750,000 | | 5,963 |

WEIGHTED AVERAGE FAIR VALUE OF OPTIONS GRANTED: **0.00795**

TABLE 2: OPTIONS EXERCISED

| Grant Date and Vesting Date | Expiry Date | Grant Date Fair Value | Number | Original Exercise Price of Option | Fair Value Expense under AASB 2 |
|-----------------------------|-------------|-----------------------|--------|-----------------------------------|---------------------------------|
| | | \$ | | \$ | \$ |
| N/A | | | | | |

TABLE 3: OPTIONS EXPIRED \ LAPSED

| Grant Date and Vesting Date | Expiry Date | Grant Date Fair Value | Number | Original Exercise Price of Option | Fair Value Expense under AASB 2 |
|-----------------------------|-------------|-----------------------|------------------|-----------------------------------|---------------------------------|
| | | \$ | | \$ | \$ |
| 26-Nov-19 | 31-Aug-20 | 0.000100 | 1,000,000 | 0.70 | 100 |
| 22-Jun-18 | 23-Oct-20 | 0.031000 | 250,000 | 0.70 | 7,750 |
| 22-Jun-18 | 2-Dec-20 | 0.031000 | 1,500,000 | 0.70 | 46,500 |
| 22-Jun-18 | 1-Feb-21 | 0.031000 | 250,000 | 0.70 | 7,750 |
| 31-Oct-19 | 30-Apr-21 | 0.000200 | 4,000,000 | 0.40 | 800 |
| | | | 7,000,000 | | 62,900 |

COMPENSATION SHARES AND RIGHTS GRANTED AND VESTED

During the financial year, the following rights-based payments were awarded, vested, exercised, or lapsed:

TABLE 4: PERFORMANCE RIGHTS AWARDED

| Grant Date and Vesting Date | Expiry Date | Grant Date Fair Value | Number | Original Exercise Price of Right | Fair Value Expense under AASB 2 |
|-----------------------------|-------------|-----------------------|-------------------|----------------------------------|---------------------------------|
| | | \$ | | \$ | \$ |
| 18-Dec-20 | n/a | 0.005340 | 12,500,000 | 0.00 | 66,750 |
| | | | 12,500,000 | | 66,750 |

WEIGHTED AVERAGE FAIR VALUE OF RIGHTS GRANTED: **0.00534**

TABLE 5: PERFORMANCE RIGHTS EXERCISED

| Grant Date and Vesting Date | Expiry Date | Grant Date Fair Value | Number | Original Exercise Price of Right | Fair Value Expense under AASB 2 |
|-----------------------------|-------------|-----------------------|--------|----------------------------------|---------------------------------|
| | | \$ | | \$ | \$ |
| N/A | | | | | |

COMPENSATION SHARES AND RIGHTS GRANTED AND VESTED - CONTINUED

TABLE 6: PERFORMANCE RIGHTS LAPSED

| Grant Date and Vesting Date | Expiry Date | Grant Date Fair Value | Number | Original Exercise Price of Right | Fair Value Expense under AASB 2 |
|-----------------------------|-------------|-----------------------|------------------|----------------------------------|---------------------------------|
| | | \$ | | \$ | \$ |
| 18-Dec-20 | n/a | 0.005340 | 5,000,000 | 0.00 | 26,700 |
| | | | 5,000,000 | | 26,700 |

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL SHAREHOLDING

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| Ordinary shares | Year Start Balance | Granted | Additions | (Disposals) | Year End Balance |
|---|--------------------|----------|------------------|--------------------|-------------------|
| F Poullas | 15,983,926 | - | 616,074 | - | 16,600,000 |
| P Tsegas | 770,000 | - | - | - | 770,000 |
| Professor M.S. Whittingham | - | - | - | - | - |
| M E Dajani (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| M Siva (Appointed 29 Mar. 2021) ~ | 700,000 | - | - | - | 700,000 |
| Z Pavri (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| Dr. R Petty (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| R Chittenden (Appointed 1 Sep. 2020) ~ | 860,334 | - | - | - | 860,334 |
| J Rockett (Appointed 15 April 2021) ~ | - | - | - | - | - |
| J Behrens (Appointed 1 April 2020) ~ | 3,500,000 | - | - | - | 3,500,000 |
| Hon T Grant (Resigned 23 Feb. 2021) * | - | - | - | - | - |
| J Dack (Resigned 17 May 2021) * | - | - | 2,941,176 | (2,941,176) | - |
| Dr. F Houllis (Terminated 21 Aug. 2020) * | 637,945 | - | - | (637,945) | - |
| | 22,452,205 | - | 3,557,250 | (3,579,121) | 22,430,334 |

~ Opening balance as at appointment date

* Closing balance as at resignation/termination date

OPTION HOLDING

The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| Options over ordinary shares | Year Start Balance | Granted | Additions / (Disposals) | (Exercised) / (Lapsed) | Year End Balance ^ |
|---|--------------------|----------------|-------------------------|------------------------|--------------------|
| F Poullas | 1,000,000 | - | - | - | 1,000,000 |
| P Tsegas | 1,000,000 | - | - | - | 1,000,000 |
| Professor M.S. Whittingham | 1,000,000 | - | - | - | 1,000,000 |
| M E Dajani (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| M Siva (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| Z Pavri (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| Dr. R Petty (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| J Behrens | - | 750,000 | - | - | 750,000 |
| J Jooste-Jacobs (Resigned 31 May 2020) * | 1,000,000 | - | - | (1,000,000) | - |
| Dr. F Houllis (Terminated 21 Aug. 2020) * | 1,500,000 | - | - | (1,500,000) | - |
| | 5,500,000 | 750,000 | - | (2,500,000) | 3,750,000 |

^ all options vest immediately and are convertible at anytime

~ Opening balance as at appointment date

* Closing balance as at resignation/termination date

DIRECTORS' REPORT

RIGHTS HOLDING

The number of rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| Ordinary shares | Year Start Balance | Granted | Additions / (Disposals) | (Lapsed) | Year End Balance ^ |
|--|--------------------|-------------------|-------------------------|--------------------|--------------------|
| F Poullas | - | 2,500,000 | - | - | 2,500,000 |
| P Tsegas | - | 2,500,000 | - | - | 2,500,000 |
| Professor M.S. Whittingham | - | 2,500,000 | - | - | 2,500,000 |
| M E Dajani (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| M Siva (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| Z Pavri (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| Dr. R Petty (Appointed 29 Mar. 2021) ~ | - | - | - | - | - |
| Hon T Grant (Resigned 23 Feb. 2021) * | - | 2,500,000 | - | (2,500,000) | - |
| J Dack (Resigned 17 May 2021) * | - | 2,500,000 | - | (2,500,000) | - |
| | - | 12,500,000 | - | (5,000,000) | 7,500,000 |

^ all rights vest immediately and are convertible at anytime

~ Opening balance as at appointment date

* Closing balance as at resignation/termination date

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

During or since the financial year, no Director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the consolidated accounts, by reason of a contract entered into by the Company or an entity that the Company controlled or a body corporate that was related to the Company when the contract was made or when the Director received, or became entitled to receive, the benefit with:

- a Director, or
- a firm of which a Director is a member, or
- an entity in which a Director has substantial financial interest except the usual professional fees for their services paid by the Company to:

| Identity of Related Party | Nature of Relationship | Type of Transaction | Terms & Conditions of Transaction | Aggregate Amount | |
|---|---|---------------------------------|-----------------------------------|------------------|----------------|
| | | | | 2021 \$ | 2020 \$ |
| Strong Solutions Pty Ltd | Frank Poullas is a related party of Strong Solutions Pty Ltd and a director of Magnis Energy Technologies Ltd | Consulting fees and IT Services | Normal commercial terms | 208,000 | 124,000 |
| | | | | 92,970 | 57,770 |
| Peter Tsegas | Peter Tsegas is a Director of Magnis Energy Technologies Ltd | Consulting Fees | Normal commercial terms | 273,389 | 35,018 |
| Distinguished Professor M S Whittingham | Distinguished Professor Whittingham is a Director of Magnis Energy Technologies Ltd | Consulting Fees | Normal commercial terms | - | 14,749 |
| Mr. Troy Grant (Resigned 23 Feb. 2021) | Mr. Troy Grant was a Director of Magnis Energy Technologies Ltd | Consulting Fees | Normal commercial terms | 50,000 | - |
| | | | | 624,359 | 231,537 |

2021 REMUNERATION REPORT

The Remuneration Report received positive shareholder support from members **greater than the 75% 'first strike'** threshold at the last Annual General Meeting.

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT

SHARES UNDER OPTION

Details of unissued shares under option as at 30 June 2021 in Magnis Energy Technologies Ltd are:

| Number of ordinary shares under option | Class of shares | Exercise price of option \$ | Expiry date of option |
|--|-------------------------|--------------------------------|-----------------------|
| 3,000,000 | Ordinary | 0.70 | Oct-2022 |
| 375,000 | Ordinary | 0.50 | Oct-2023 |
| 375,000 | Ordinary | 0.75 | Oct-2023 |
| 121,428,572 | Ordinary | 0.50 | May-2023 |
| 125.178,572 | WEIGHTED AVERAGE | 0.51 | |

WEIGHTED AVERAGE REMAINING LIFE OF OPTIONS: 1.8904 years

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme. No voting rights are attached to the options.

During the 2021 financial year, there were Nil (2020: Nil) shares issued because of exercising of options.

PERFORMANCE RIGHTS

Details of performance rights as at 30 June 2021 in Magnis Energy Technologies Ltd are:

| Number of ordinary shares under option | Class of shares | Exercise price of right \$ | Expiry date of right |
|--|-------------------------|-------------------------------|----------------------|
| 7,500,000 | Ordinary | 0.00 | n/a |
| 7.500.000 | WEIGHTED AVERAGE | 0.00 | |

WEIGHTED AVERAGE REMAINING LIFE OF RIGHTS: 9.4221 years

The holders of these MERT rights do not have the right, by virtue of the MERT right, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme. No voting rights are attached to the MERT right. During the 2021 financial year, there were Nil (2020: Nil) shares issued because of converting of rights.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors and executive officers for any breach of laws by the Company for which they may be held personally liable, except where there is a lack of good faith. The agreement provides for the Company to pay liabilities or legal expenses to the extent permitted by law.

During or since the financial year, the Company has paid premiums insuring all the Directors of Magnis Energy Technologies Ltd against costs incurred in defending proceedings for conduct other than:

- (a) a wilful breach of duty
- (b) a contravention of sections 182 or 183 of the *Corporations Act, 2001*

as permitted by section 199B of the *Corporations Act, 2001*. The Company's insurance contracts, prohibit the public disclosure of their terms and conditions, including the cost of the premiums.

INDEMNIFICATION AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has not agreed to indemnify its auditors, Hall Chadwick Melbourne Audit, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Hall Chadwick Melbourne Audit during or since the year ended 30 June 2021.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person or entity has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

DIRECTORS' REPORT

SUBSEQUENT EVENTS

Subsequent events since the end of the year are outlined in Note 21 'Subsequent events' to the Financial Statements.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the Financial Statements are rounded off to the nearest dollar, unless otherwise indicated.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor excluding GST/Taxes for non-audit services provided during the financial year by the auditor are outlined below:

Hall Chadwick Melbourne Audit: Sydney, Australia

- Taxation services: \$40,677
- Corporate services: \$17,864

Shephard Consulting Limited: Dar es Salaam, Tanzania

- Taxation services: \$104,299
- Corporate services: \$Nil

Sciarabba Walker & Company, LLP: New York, USA

- Taxation services: \$Nil
- Corporate services: \$Nil

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 22 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing, or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act, 2001* is set out on page 20.

Signed in accordance with a resolution of the Directors, pursuant to section 298(2)(a) of the *Corporations Act, 2001*.

On behalf of the directors



F Poullas
Executive Chairman
Sydney, 30 September 2021

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

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Magnis Energy Technologies Limited and controlled entities. As the lead audit partner for the audit of the financial report of Magnis Energy Technologies Limited and controlled entities for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



Anh (Steven) Nguyen
Director
Dated: 30 September 2021
Hall Chadwick Melbourne
Level 14 440 Collins Street
Melbourne VIC 3000

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2021

| | Notes | Consolidated 2021 \$ | 2020 \$ |
|---|-------|----------------------------|--------------------|
| Income | | | |
| Interest received | | 174,359 | 130,363 |
| Foreign exchange gain | | 12,782 | 20,978 |
| Profit on sale of fixed assets | | 242,755 | 493,311 |
| Other revenue | | - | 19,843 |
| R&D Grant | | 69,191 | 116,385 |
| Government Grants and Assistance | 30 | 120,500 | 71,000 |
| Total income | | 619,587 | 851,880 |
| Expenditure | | | |
| Administration expenses | | 11,476,242 | 3,732,983 |
| Depreciation expense | | 213,397 | 179,615 |
| Directors' fees | | 436,006 | 490,639 |
| Employee benefits expense | | 2,224,277 | 1,517,875 |
| Legal and consulting expenses | | 1,484,673 | 1,294,788 |
| Share based payment to employees | 28(a) | 5,963 | 747 |
| Share based payment to non-employees | 28(a) | 40,050 | 800 |
| Share of net loss of associate accounted for using the equity method | | - | - |
| Exploration and evaluation expenses | | 1,007,597 | 1,013,034 |
| Total expenditure | | 16,888,205 | 8,230,481 |
| (Loss) before income tax expense | | (16,268,618) | (7,378,601) |
| Income tax expense | 5 | - | - |
| Net (loss) for the year | | (16,268,618) | (7,378,601) |
| Net profit / (loss) for the year attributable to: | | | |
| Owners of Magnis Energy Technologies Ltd | | (11,345,122) | (6,983,513) |
| Non-controlling Interest | | (4,923,496) | (395,088) |
| Net (loss) for the year | | (16,268,618) | (7,378,601) |
| Other comprehensive income/(loss) | | | |
| <i>Items that will not be reclassified subsequently to profit or (loss)</i> | | | |
| Change in fair value of financial assets at FVOCI | | 7,600,580 | (2,524,523) |
| <i>Items that may be reclassified subsequently to profit or (loss)</i> | | | |
| Gain / (loss) on foreign currency translation | | 1,281,161 | 876,522 |
| Other comprehensive income / (loss) for the year, net of tax | | 8,881,741 | (1,648,001) |
| Total comprehensive income / (loss) for the year, net of tax | | (7,386,877) | (9,026,602) |
| Total comprehensive earnings / (loss) for the year attributable to: | | | |
| Owners of parent entity | | (7,330,352) | (9,024,783) |
| Non-controlling Interest | | (56,525) | (1,819) |
| Total comprehensive income / (loss) for the year, net of tax | | (7,386,877) | (9,026,602) |
| Basic loss per share (cents per share) | 23 | 1.91 | 1.11 |
| Diluted loss per share (cents per share) | 23 | 1.91 | 1.11 |

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

| | Notes | Consolidated 2021 \$ | 2020 \$ |
|---|-------------|----------------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | 6, 18(b) | 72,894,945 | 719,615 |
| Trade and other receivables | 7 | 786,648 | 527,143 |
| Loan receivables | 8 | 19,351,818 | 280,941 |
| Total current assets | | 93,033,411 | 1,527,699 |
| Non current assets | | | |
| Financial assets at FVOCI | 9 | 15,096,142 | 7,495,562 |
| Right-of-use-assets | 10 | 266,305 | 476,363 |
| Development assets | 11 | 4,982,338 | 5,577,131 |
| Plant & equipment iM3NY | 12(a) | 23,290,573 | 11,971,650 |
| Plant & equipment | 12(b) | 14,839 | 16,091 |
| Total non current assets | | 43,650,197 | 25,536,797 |
| Total assets | | 136,683,608 | 27,064,496 |
| Current liabilities | | | |
| Trade and other payables | 13 | 3,672,965 | 1,794,608 |
| Lease Liability | 14(a) | 214,076 | 197,950 |
| Provisions | 14(b) | 48,345 | 112,290 |
| Total current liabilities | | 3,935,386 | 2,104,848 |
| Non current liabilities | | | |
| Lease Liability | 14(a) | 73,230 | 292,700 |
| Borrowings | 14(c) | 65,175,758 | - |
| Provisions | 14(b) | - | 43,323 |
| Total non current liabilities | | 65,248,988 | 336,023 |
| Total liabilities | | 69,184,374 | 2,440,871 |
| Net assets | | 67,499,234 | 24,623,625 |
| Equity | | | |
| Contributed equity | 15(a) | 179,841,178 | 128,625,905 |
| Reserves | 17 | 12,386,330 | 3,521,476 |
| Accumulated Profits/(Losses) | | (138,095,014) | (112,938,231) |
| Parent Interest - Capital and Reserves | | 54,132,494 | 19,209,150 |
| Issued Capital - Non-controlling Interest | | 18,290,236 | 5,809,563 |
| Accumulated Profits/(Losses) - Non-controlling Interest | | (4,923,496) | (395,088) |
| Non-controlling interests | | 13,366,740 | 5,414,475 |
| Total equity | | 67,499,234 | 24,623,625 |

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2021

| Notes | Issued Capital \$ | FVOCI Reserve \$ | Share Based Payment Reserves \$ | Foreign Currency Translation Reserve \$ | Accumulated (Losses) \$ | Non controlling interests \$ | 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 | - | - | - | - | (202,830) | (13,213,843) | (13,416,673) |
| Loss for the period | - | - | - | - | (11,345,122) | (4,923,496) | (16,268,618) |
| Other comprehensive income/(loss) | - | 7,600,580 | - | 1,281,161 | - | - | 8,881,741 |
| Total comprehensive income/(loss) for the year | - | 7,600,580 | - | 1,281,161 | (11,547,952) | (18,137,339) | (20,803,550) |
| Transactions with owners: | | | | | | | |
| Contributions of equity, net of transaction costs | 39,106,954 | - | - | - | - | 12,480,673 | 51,587,627 |
| Contributions of equity, net of transaction costs iM3NY | 12,108,319 | - | - | - | - | - | 12,108,319 |
| Share based payments 28(a) | - | - | 46,013 | - | - | - | 46,013 |
| Forfeiture of share-based payments | - | - | (62,900) | - | 100 | - | (62,800) |
| Non-Controlled interest | - | - | - | - | (18,137,339) | 18,137,339 | - |
| Reclassification from reserve | - | - | - | - | - | - | - |
| At 30 June 2021 | 179,841,178 | 5,076,057 | 46,313 | 7,263,960 | (143,018,510) | 18,290,236 | 67,499,234 |

YEAR ENDED 30 JUNE 2020

| Notes | Issued Capital \$ | FVOCI Reserve \$ | Share Based Payment Reserves \$ | Foreign Currency Translation Reserve \$ | Accumulated (Losses) \$ | Non controlling interests \$ | Total Equity \$ |
|--|-------------------------|------------------------|--|---|-------------------------------|---------------------------------------|-----------------------|
| At 1 July 2019 | 124,177,419 | - | 1,290,644 | 5,106,277 | (106,552,635) | - | 24,021,705 |
| Loss for the previous period | - | - | - | - | - | (631,075) | (631,075) |
| Loss for the period | - | - | - | - | (6,983,513) | (395,088) | (7,378,601) |
| Other comprehensive income/(loss) | - | (2,524,523) | - | 876,522 | - | - | (1,648,001) |
| Total comprehensive income/(loss) for the year | - | (2,524,523) | - | 876,522 | (6,983,513) | (1,026,163) | (9,657,677) |
| Transactions with owners | | | | | | | |
| Contributions of equity, net of transaction costs | 4,448,486 | - | - | - | - | 5,809,563 | 10,258,049 |
| Contributions of equity, net of transaction costs iM3NY | - | - | - | - | - | - | - |
| Share based payments 28(a) | - | - | 1,548 | - | - | - | 1,548 |
| Forfeiture of share-based payments | - | - | (1,228,992) | - | 1,228,992 | - | - |
| Non-Controlled interest | - | - | - | - | (1,026,163) | 1,026,163 | - |
| Reclassification from reserve | - | - | - | - | - | - | - |
| At 30 June 2020 | 128,625,905 | (2,524,523) | 63,200 | 5,982,799 | (113,333,319) | 5,809,563 | 24,623,625 |

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2021

| | Notes | 2021 \$ | Consolidated 2020 \$ |
|---|-------|---------------------|----------------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (12,095,418) | (4,402,358) |
| Payment of exploration expenditure | | (1,013,435) | (1,009,582) |
| Payment for development assets | | 119,279 | (8,998) |
| Interest and other costs of finance paid | | (1,922,725) | - |
| Interest received | | 172,098 | 6,698 |
| Government Grants and Assistance | | 120,500 | 71,000 |
| R&D grant | | 69,191 | 116,385 |
| Net cash used in operating activities | 18(a) | (14,550,510) | (5,226,855) |
| Cash flows from investing activities | | | |
| Acquisition of plant & equipment | | (11,963,145) | (2,176) |
| Acquisition of interest in associate | | (30,809,961) | (856,222) |
| Acquisition of interest in financial asset | | (11,867) | (27,222) |
| Proceeds from sale of property, plant, and equipment | | 242,755 | 493,311 |
| Payment of loan to related parties | | 902,432 | 156,351 |
| Net cash flows used in investing activities | | (41,639,786) | (235,958) |
| Cash flows from financing activities | | | |
| Proceeds from issues/sale of ordinary shares and options | | 85,353,763 | 4,376,833 |
| Repayment of lease liabilities | | - | (44,504) |
| Capital raising expenses | | (1,991,491) | 19,588 |
| Proceeds from borrowings | | 66,949,028 | - |
| Repayment of borrowings | | 4,793,910 | - |
| Transaction costs related to loans and borrowings | | (26,366,114) | - |
| Net cash flows from financing activities | | 128,739,096 | 4,351,917 |
| Net increase/(decrease) in cash and cash equivalents | | 72,548,800 | (1,110,896) |
| Net foreign exchange differences | | (373,470) | (5,336) |
| Add opening cash and cash equivalents – iM3NY | | 253,417 | 6,030 |
| Add opening cash and cash equivalents | | 466,198 | 1,829,817 |
| Closing cash and cash equivalents | 18(b) | 72,894,945 | 719,615 |

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the consolidated group of Magnis Energy Technologies Ltd and controlled entities described on Note 27 ("the Group"). Magnis Energy Technologies Ltd is a company, limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

The following is a summary of the material accounting policies adopted by the consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ["AASB"] and the *Corporations Act 2001*, as appropriate for profit orientated entities.

[i] Statement of Compliance

These financial statements also comply with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"]

[ii] Historical cost convention

The financial report has been prepared on an accrual basis under the historical cost convention, as modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

[iii] Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The financial report is prepared in Australian dollars.

Going Concern

The Group has a multi strategy business of developing lithium-ion battery technology manufacturing in the USA and Australia combined with pre-mine development of its Nachu Graphite project in Tanzania.

For the year ended 30 June 2021, the Group reported a net loss of \$16,268,618 (2020: \$7,378,601) and net operating cash outflows of \$14,550,510 (2020: \$5,226,855). The operating cash outflows have been funded by cash inflows from equity raisings of \$85,353,763 (2020: \$4,376,833) during the year. As at 30 June 2021 the Group had net current assets of \$89,098,025 (2020: net current liabilities of \$577,149) including cash reserves of \$72,894,945 (2020: \$719,615).

After year end, Magnis announced that it had secured \$20,000,000 in funding from two US-based institutions, The Lind Partners and SBC Global Investment Fund, via a Convertible Note ("Facility"), that will be used to assist the Company with its aggressive growth plans to fast-track Gigawatt scale production at the iM3NY lithium-ion battery plant located in Endicott, New York. Shares issued under the facility will be in accordance with the terms and conditions of the agreement.

Total funds raised will also be used to strengthen the balance sheet and for general working capital, advance early works with the Company's 100% owned Nachu Graphite Project in Tanzania, along with any support required towards the Townsville Battery Plant.

As such, the 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.

Going Concern - continued

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 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 Group not continue as a going concern.

The financial statements were authorised for issue by the directors on 30 September 2021.

New accounting standards and interpretations

(i) New and amended standards adopted by the Group

The accounting policies adopted are consistent with those of the previous financial year and the Group has adopted not new or amended Australian Accounting Standards and AASB Interpretations as of 1 July 2020.

Exploration and evaluation costs

Exploration and evaluation expenditure is expensed directly to profit or loss when incurred. Accounting policies for the Group's development assets are outlined in Note 11 'Development Assets'.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market, or, in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs, and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Goods and services tax (GST) and/or value added tax (VAT)

Revenues, expenses, and assets are recognised net of the amount of GST/VAT except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Goods and services tax (GST) and/or value added tax (VAT) - continued

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

Withholding tax and other indirect taxes are incurred on amounts of VAT recoverable from, or payable to, the taxation authority.

Foreign currency translation

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are re-translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Financial statements of foreign operations

The financial results and position of foreign operations whose functional currency is not Australian dollars, the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- income and expenses are translated at average exchange rates for each month during the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in other comprehensive income. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave when it is probable that settlement will be required.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled including related on-costs, such as workers compensation and payroll tax.

Revenue recognition

Interest revenue is recognised as interest accrues using the effective interest method.

Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Restatement of comparatives

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The estimate, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective Notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific Notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with 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 that uses the assumptions detailed in Note 28(g).

Indirect tax receivables and liabilities

The Group is subject to indirect taxes in Australia and the jurisdiction where it has foreign operations. Significant judgement is required in determining the amounts recorded as receivables for recovery of such taxes and payables for payment of such taxes. The Group is subject to an audit by a tax authority in a jurisdiction in which it operates.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group has adequately recorded receivables and payables for the amounts it believes will ultimately be payable. Where the final outcome of any matters is different from amounts recorded, such differences will impact the indirect tax receivables or provision in the period in which such determination is made.

Fair value estimates of financial instruments

The Group is required to classify all assets and liabilities, measured at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective. The fair value of assets and liabilities classified as Level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

3. 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 in assessing performance and in determining the allocation of resources. During the financial year, the Group continued its participation in global consortia, including ownership, to operate lithium-ion battery Gigafactories in Australia and the USA. As a member of this consortia, Magnis' role will be to provide anode materials and associated technologies to assist in the production process. This activity is supplemented by the involvement in the development and ultimate mining of natural flake graphite for use in various industries, including in particular batteries for storing electrical energy.

b) Identification of reportable segments - continued

Due to the infancy of its interests in the lithium-ion battery sector, the Group has determined its reportable segments for the financial year ended 30 June 2021 as follows:

- lithium-ion battery investments
- graphite exploration and development

c) Identification of reportable segments

| 2021 | Lithium-ion Battery Investment USA \$ | Lithium-ion Battery Investment Australia \$ | Graphite Exploration & Development Tanzania \$ | Consolidated \$ |
|--------------------------------------|---|---|--|--------------------|
| Segment financial information | | | | |
| Segment revenue | - | 20,370 | 599,217 | 619,587 |
| Segment loss before tax | (6,330,209) | - | (9,938,409) | (16,268,618) |
| Segment current assets | 88,092,175 | 55,591 | 4,885,645 | 93,033,411 |
| Segment non-current assets | 34,271,239 | - | 9,378,958 | 43,650,197 |
| Segment liabilities | (68,471,980) | - | (712,394) | (69,184,374) |

| 2020 | Lithium-ion Battery Investment USA \$ | Lithium-ion Battery Investment Australia \$ | Graphite Exploration & Development Tanzania \$ | Consolidated \$ |
|--------------------------------------|---|---|--|--------------------|
| Segment financial information | | | | |
| Segment revenue | 149,468 | 18,252 | 684,160 | 851,880 |
| Segment loss before tax | - | - | (7,378,601) | (7,378,601) |
| Segment current assets | 191,217 | 131,473 | 1,205,009 | 1,527,699 |
| Segment non-current assets | 7,495,562 | - | 18,041,235 | 25,687,797 |
| Segment liabilities | - | - | (2,440,871) | (2,440,871) |

Accounting policies

The Group applies AASB 8 Operating Segments and determines its operating segments to be based on its geographical location and also by operational type. Lithium-ion battery investment refers to the Group's ownership in planned Gigafactories via the Global Consortiums: Imperium3 Pty Ltd and Imperium3 New York Inc. Graphite exploration and development currently refers to the pre-development operation of the Nachu Graphite Project in Tanzania. The financial performance of these segments is reported to the Board on a periodical basis. The accounting standards adopted in preparing internal reports to the Board are consistent with those adopted in preparing this annual report. Operating segments are subject to risks and returns that are different to those of segments operating in other economic environments.

Inter-segment transactions

To avoid asymmetrical allocation within segments which management believe would be inconsistent policy, if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments.

Segment assets and liabilities

Segment assets include all assets used by a segment and consist primarily of cash and cash equivalents. Development assets, plant and equipment, and trade and other receivables. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are not allocated. Segment liabilities consist primarily of trade and other creditors and employee benefits. Segment assets and liabilities do not include deferred income taxes.

4. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid or declared since the start of the financial year.

No recommendation for payment of dividends has been made.

5. INCOME TAX

| | Consolidated 2021 \$ | 2020 \$ |
|---|----------------------------|----------------|
| Current income tax | | |
| Current income tax credit/(expense) | 4,851,325 | 2,234,220 |
| Tax losses not recognised as not probable | (3,789,971) | (1,747,078) |
| (Under)/over provision in prior year | 1,061,354 | 487,142 |
| Deferred income tax | | |
| Relating to origination and reversal of temporary differences | (1,061,354) | (487,142) |
| Tax losses brought to account to offset net deferred tax liability | - | - |
| Income tax credit/(expense) reported in the Statement of Comprehensive Income | - | - |

a) Statement of Changes in Equity**Deferred income tax related to items charged or credited directly to equity**

| | | |
|---------------------------------------|-----------|----------|
| Share issue costs | 516,517 | 50,318 |
| Deferred tax offset | (516,517) | (50,318) |
| Income tax benefit reported in Equity | - | - |

b) Tax Reconciliation

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

| | | |
|--|--------------|-------------|
| Accounting (loss) before tax | (16,268,618) | (7,378,601) |
| At the Group's statutory 30% tax rate (2020: 30%) | 4,880,585 | 2,213,580 |
| Share based payment expense | (12,015) | (120,240) |
| Movement in temporary differences | 534,589 | (380,565) |
| Share of net P&L of associate accounted for using equity method | - | - |
| Exploration and evaluation expense write off | (110,063) | (118,376) |
| Non-assessable R&D offset income | 20,757 | 34,915 |
| Deductible option issue costs | 244,090 | 115,136 |
| Other adjustments | (1,767,972) | 2,627 |
| Tax losses not brought to account | (3,789,971) | (1,747,077) |
| Loss recoupment | - | - |
| Income tax (expense) reported in the Statement of Comprehensive Income | - | - |

The benefit of these losses and temporary differences will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the Group continues to comply with the condition of deductibility imposed by law; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

At the reporting date, the Group has estimated tax losses of (refer below) available to offset against future taxable income subject to continuing to meet relevant statutory tests.

b) Tax Reconciliation - continued

To the extent that it does not offset a deferred tax liability, a deferred tax asset has not been recognised for these losses because it is not probable that future taxable income will be available to use against such losses.

| | \$ |
|---------------------------------|--------------------|
| Group tax losses - 30 June 2021 | 21,111,995 |
| Transferred tax losses | 26,706,090 |
| Tax losses in foreign companies | 62,413,482 |
| Total tax losses - 30 June 2021 | <u>110,231,267</u> |

Accounting policies

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carry-forward of unused tax assets and unused tax losses can be used, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be applied.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of financial position.

Tax consolidated group

The Company and its wholly owned Australian subsidiaries have elected to form a tax consolidated group from 1 July 2015, with Magnis Energy Technologies Ltd being the head entity within that group. These entities are taxed as a single entity.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated 2021 | 2020 |
|----------------------|----------------------|----------------|
| | \$ | \$ |
| Cash on hand | 2,651 | 5,094 |
| Cash at bank | 3,572,435 | 714,521 |
| Cash at bank – iM3NY | 69,319,859 | - |
| | <u>72,894,945</u> | <u>719,615</u> |

Accounting policies

For statement of cash flows presentation purposes, cash and cash equivalents includes 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, and bank overdrafts.

7. TRADE AND OTHER RECEIVABLES

| | Consolidated 2021 \$ | 2020 \$ |
|--|----------------------------|----------------|
| Accrued interest | 240 | 910 |
| Goods and services tax recoverable | 239,341 | 26,158 |
| Prepayments and other receivables | 396,090 | 399,061 |
| Less: allowance for expected credit loss | - | (49,963) |
| Security deposit | 150,977 | 150,977 |
| | 786,648 | 527,143 |

Accounting policies

Other 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 (2020: \$49,963) in the profit or loss, in respect of the expected credit losses related to trade and other receivables for the year ended 30 June 2021

| | Consolidated 2021 \$ | 2020 \$ |
|---|----------------------------|---------------|
| Movements in the allowance for expected credit losses are as follows: | | |
| Opening balance | 49,963 | 107,214 |
| Additional provisions recognised | - | 49,963 |
| Receivables written off during the year as uncollectable | (49,963) | (107,214) |
| Unused amounts reversed | - | - |
| Closing balance | - | 49,963 |

8. LOAN RECEIVABLES

| | Consolidated 2021 \$ | 2020 \$ |
|---|----------------------------|----------------|
| Movements in the allowance for expected credit losses are as follows: | | |
| Accrued interest | 20,370 | 167,720 |
| Short-term loan between Charge CCCV LLC & iM3NY Inc. | 14,524 | 1,517,754 |
| Less: allowance for expected credit loss | - | (1,517,754) |
| Short-term loan - Imperium3 Townsville | 35,221 | 113,221 |
| Capitalised Loan Costs - iM3NY: Other Costs Inc. | 20,266,960 | - |
| Amortisation of Capitalised Loan Costs - iM3NY Inc. | (985,257) | - |
| | 19,351,818 | 280,941 |

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

Loan receivables are recognised and measured at amortised cost, less any allowance for expected credit losses. On 22 April 2021 and 10 June 2021, Charge CCCV, LLC (C4V) paid off its loan in full to the Company under the Amendment Agreement (*Agreement*), that both parties entered into on 6 August 2020. The remaining amount due relates to an iM3NY receivable that's due from C4V.

The consolidated entity has recognised a loss of \$Nil (2020: \$1,517,754) in profit or loss in respect of the expected credit losses related to trade and other receivables for the year ended 30 June 2021.

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

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

The consolidated entity has recognised of \$985,257 (2020: \$Nil) in profit or loss in respect of amortisation of capitalised loan costs related to securing loan finance for iM3NY Inc for the year ended 30 June 2021.

9. FINANCIAL ASSET at FVOCI

| | Consolidated 2021 \$ | 2020 \$ |
|--------------------------------------|-------------------------------------|--------------------|
| Equity investment in Charge CCCV LLC | 15,096,142 | 7,495,562 |
| | 15,096,142 | 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.

Magnis has appointed one representative to the Board of Directors of C4V and has also secured a first right of refusal for any future capital raising initiatives that C4V undertake. Further to the agreement, Magnis also has an exclusive agreement for 5 years over selected C4V patents, which will expand the Company's material technologies in the rapidly growing lithium-ion battery sector.

On 28 April 2021 and as clarified in announcement on 9 Sept 2021, Riverstone Credit Partners received 3.50% stake in C4V which effectively diluted the Company's ownership in C4V to 9.65% (2020: 10.00%) as at 30 June 2021.

Accounting policies*(i) Classification of financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income comprise:

- equity securities which are not held for trading, and for which the group has made an irrevocable election at initial recognition to recognise changes in fair value through OCI rather than profit or loss as these are strategic investments and the group considered this to be more relevant, and
- debt securities where the contractual cash flows are solely principal and interest, and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) Equity investments at fair value through other comprehensive income

Equity investments at fair value through other comprehensive income (FVOCI) comprise the following investment:

| | Consolidated 2021 \$ | 2020 \$ |
|---------------------------------------|-------------------------------------|--------------------|
| Non current assets | | |
| Unlisted securities - Charge CCCV LLC | 15,096,142 | 7,495,562 |
| | 15,096,142 | 7,495,562 |

Upon disposal of these equity investments, any balance within the OCI reserve for these equity investments is reclassified to retained earnings and is not reclassified to profit or loss.

(iii) Debt investments at fair value through other comprehensive income

There are no debt investments at *fair value through other comprehensive income* (FVOCI) for both years. Information about the methods and assumptions used in determining fair value is provided in Note 16.

10. RIGHT OF USE ASSET

| | Consolidated 2021 \$ | 2020 \$ |
|---|-------------------------------------|--------------------|
| Right-of-use assets at start of period | 476,363 | - |
| Additions | - | 614,808 |
| Currency Translation | (8,026) | - |
| Depreciation expense | (202,032) | (138,445) |
| Carrying value of Right-of-use assets | 266,305 | 476,363 |

11. DEVELOPMENT ASSETS

| | Consolidated | |
|--------------------|-------------------------|-------------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Development assets | 4,982,338 | 5,577,131 |
| | <u>4,982,338</u> | <u>5,577,131</u> |

Accounting policies

Development assets are stated at cost less accumulated depreciation and impairment losses. Cost 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 assets.

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

Impairment

At each reporting date, the Group reviews the carrying values 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 or 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 profit or 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 30 June 2021, no impairment to the carrying value of the development assets has been deemed necessary.

Movements in development assets

Movements in development assets during the financial year, are set out as follows

| | Consolidated | |
|---|-------------------------|-------------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Opening balance | 5,577,131 | 5,466,492 |
| Development costs capitalised during the year | - | - |
| Currency translation difference | (594,793) | 110,639 |
| Closing balance | <u>4,982,338</u> | <u>5,577,131</u> |

12 (a) PLANT AND EQUIPMENT iM3NY

| | Consolidated | |
|-----------------------------|--------------------------|--------------------------|
| | \$ | \$ |
| | 2021 | 2020 |
| Plant and Equipment - iM3NY | <u>23,290,573</u> | <u>11,971,650</u> |

Accounting policies

iM3NY P&E assets are stated at cost less accumulated depreciation and impairment losses. Costs represent the accumulation of all the plant and equipment and expenditure incurred by, or on behalf of, the entity in relation to the establishment and preparation of the production plant. iM3NY P&E costs in which the Group has an interest are amortised over the projected life of the production plant.

Impairment

In October 2019, the Group had an independent valuation undertaken by global engineering, architecture and consultancy company Ramboll Energy were consulted to confirm that the iM3NY plant and equipment US\$71,340,620 valuation.

Impairment - continued

On 19 April 2021 when the Company announced that its majority owned subsidiary Imperium3 New York Inc. (iM3NY), had received funding to fast-track production at its lithium-ion battery plant in Endicott, NY, Riverstone Credit Partners, L.P. confirmed through its due diligence that iM3NY has US\$230 Million of manufacturing assets in place.

As at 30 June 2021, no impairment to the carrying value of the iM3NY P&E assets has been deemed necessary.

Movements in iM3NY P&E assets

Movements in iM3NY P&E assets during the financial year, are set out as follows:

| | Consolidated | |
|---|---------------------|-------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Opening balance | 11,971,650 | - |
| iM3NY P&E costs capitalised during the year | 11,953,079 | 11,971,650 |
| Currency translation difference | (634,156) | - |
| Closing balance | 23, 290,573 | 11,971,650 |

12. (b) PLANT AND EQUIPMENT

| | Consolidated | |
|---------------------|---------------------|---------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Plant and Equipment | 14,839 | 16,091 |

Accounting policies

Each class of plant and equipment is carried at cost, less, where applicable, any accumulated depreciation and impairment losses.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

Depreciation is provided on plant and equipment, motor vehicles, office equipment, furniture, and fittings, and is calculated on a straight-line basis, commencing from the time the asset is first used, so as to write off the net costs of each asset over its expected useful life.

The following useful lives are used in the calculation of depreciation:

- Plant & equipment 2 to 5 years
- Vehicles 2 to 5 years
- Office equipment, furniture & fittings 2 to 20 years

The residual value and useful life of assets are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal(s), if any, are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

Impairment

At each reporting date, the Group reviews the carrying values of its plant & equipment 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 profit or 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.

12. (b) PLANT AND EQUIPMENT - CONTINUED

Reconciliation of carrying amounts at the beginning and end of the year

| | Consolidated | | | | | | |
|--|---------------------|------------------|----------|-------------------------------|---------------------|----------------|---------------|
| | Plant and equipment | Office equipment | Software | Office furniture and fittings | Office improvements | Motor vehicles | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| YEAR ENDED 30 JUNE 2021 | | | | | | | |
| Balance at 1 July 2020 net of accumulated depreciation | 1,856 | 9,756 | - | 93 | - | 4,386 | 16,091 |
| Additions | - | 9,412 | - | 654 | - | - | 10,066 |
| Disposals | - | - | - | - | - | - | - |
| Currency translation differences | (155) | 663 | - | (93) | - | (368) | 47 |
| Depreciation charge for the year | (643) | (6,859) | - | (26) | - | (3,837) | (11,365) |
| Balance at 30 June 2021 net of accumulated depreciation | 1,058 | 12,972 | - | 628 | - | 181 | 14,839 |
| At 30 June 2021 | | | | | | | |
| Cost | 411,218 | 105,227 | - | 15,775 | 61,055 | 33,515 | 626,790 |
| Accumulated depreciation and impairment | (410,160) | (92,255) | - | (15,147) | (61,055) | (33,334) | (611,951) |
| Net carrying amount | 1,058 | 12,972 | - | 628 | - | 181 | 14,839 |
| YEAR ENDED 30 JUNE 2020 | | | | | | | |
| Balance at 1 July 2019 net of accumulated depreciation | 107 | 19,214 | - | 637 | 22,199 | 11,141 | 53,298 |
| Additions | 2,176 | - | - | - | - | - | 2,176 |
| Disposals | - | - | - | - | - | - | - |
| Currency translation differences | (49) | 56 | - | 4 | 449 | 226 | 686 |
| Depreciation charge for the year | (377) | (9,514) | - | (548) | (22,648) | (6,981) | (40,068) |
| Balance at 30 June 2020 net of accumulated depreciation | 1,856 | 9,756 | - | 93 | - | 4,386 | 16,091 |
| At 30 June 2020 | | | | | | | |
| Cost | 435,008 | 97,144 | - | 16,305 | 66,649 | 36,586 | 651,691 |
| Accumulated depreciation and impairment | (433,152) | (87,388) | - | (16,212) | (66,649) | (32,200) | (635,600) |
| Net carrying amount | 1,856 | 9,756 | - | 93 | - | 4,386 | 16,091 |

13. TRADE AND OTHER PAYABLES

| | Consolidated | |
|-----------------------------|---------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Current | | |
| Trade payables | 3,445,569 | 1,127,120 |
| Other payables and accruals | 227,396 | 667,488 |
| | 3,672,965 | 1,794,608 |

Accounting policies

Trade and other payables are recognised when the Group becomes obliged to make further payments from the purchase of goods and services and are measured at amortised cost using the effective interest method, less any impairment losses.

14.(a) LEASE LIABILITIES

| | Consolidated | |
|--------------------|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Current | | |
| Lease Liabilities | 214,076 | 197,950 |
| | 214,076 | 197,950 |
| Non-current | | |
| Lease Liabilities | 73,230 | 292,700 |
| | 73,230 | 292,700 |

Accounting policies

The lease liability is measured at the present value of the fixed and variable lease payments, net of cash lease incentives, that are not paid at the balance date. Lease payments are apportioned between finance charges and a reduction of the lease liability using the incremental borrowing rate implicit in the lease where available, or an assumed Group incremental borrowing rate, to achieve a constant rate of interest on the remaining balance of the liability.

14.(b) PROVISIONS

| | Consolidated | |
|----------------------------------|---------------------|----------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Current | | |
| Provision for annual leave | 48,345 | 112,290 |
| | 48,345 | 112,290 |
| Non-current | | |
| Provision for long service leave | - | 43,323 |
| | - | 43,323 |

Annual Leave and Long Service Leave

An estimate of annual leave is provided after reviewing relevant workplace agreements and industrial awards for respective employees and determining entitlement at the reporting date. The cost includes an account of direct employment costs. The significant assumptions applied in the measurement of this provision include devising probabilities for employees complying with the legislative requirements [years of service] and the computed employment costs discounted by using RBA bond rates applied for the respective years of service.

Accounting policies

Provisions are recognised when the Group has a present obligation [legal or constructive] as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

14.(c) BORROWINGS

| | Consolidated 2021 \$ | 2020 \$ |
|--------------------|----------------------------|------------|
| Non-current | | |
| iM3NY Borrowings | 65,175,758 | - |
| | 65,175,758 | - |

Secured loans and borrowings

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

Accounting policies

Loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Loans and borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

The component of secured notes that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of secured notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

15. CONTRIBUTED EQUITY

| | Number of shares | 2021 \$ |
|--|---------------------|--------------------|
| a) Issued capital | | |
| Ordinary shares fully paid | 851,434,546 | 179,841,178 |
| Fully paid ordinary shares carry on vote per share and carry a right to dividends. | | |
| b) Movements in fully paid shares | | |
| At 30 June 2020 | 665,006,221 | 128,625,905 |
| Shares restructure - iM3NY | - | 12,108,319 |
| Shares issued | 166,428,325 | 41,649,995 |
| Exercise of unlisted rights and options | - | - |
| Transaction costs | | (2,543,041) |
| Share issue to MEST | 20,000,000 | - |
| At 30 June 2021 | 851,434,546 | 179,841,178 |

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

- \$41,649,995 (2020: \$5,000,000) from share placements of 166,428,325 (2020: 53,870,225) fully paid ordinary shares. Transaction costs amounted to \$2,543,041 (2020: \$551,515).
- The February 2021 placement was for consideration of 28 cents and each share carries a free unlisted option entitlement to 1 ordinary share exercisable within 2 years for 50 cents.

c) Capital management

Management's prime objective when managing the Group's capital is to ensure the entity continues as a going concern as well as ensuring that funds are appropriately expended. The capital structure is intended to provide the lowest cost of capital available to the Group considering its present phase of operations.

Capital risk management

Over the coming year the group is proposing to undertake an exploration program that requires a significant outlay of funds. Management monitors this expenditure against the budget approved by the Board. A near term capital raising or asset sale should ensure the group has a safety margin of funds available to continue with its desired level of operations - refer Note 1.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

16. 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:

- 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.

| Financial assets measured at fair value | Level in Fair Value hierarchy | Consolidated | |
|--|-------------------------------|-------------------|------------------|
| | | 2021 \$ | 2020 \$ |
| Financial assets at FVOCI | 3 | 15,096,142 | 7,495,562 |
| Investment accounted for using the equity method | 3 | - | - |
| | | <u>15,096,142</u> | <u>7,495,562</u> |

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 three key projects which involves either the mining and processing of natural flake graphite or the production of lithium-ion batteries.

C4V has a 32.61% (2020: 45.18%) see-through direct and indirect strategic investment in a New York lithium-ion battery production plant, Imperium3 New York Inc ('iM3NY'/'iM3NY'), via iM3NY LLC. 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 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\$71.34 Million. 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 USD 71,340,620.

On 19 April 2021 Magnis announced that the iM3NY project is fully funded to 1.8GWh of annual production. Riverstone Credit Partners, L.P. confirmed after carrying out its due diligence that iM3NY has US\$230 Million (AUD\$306.4 Million) of manufacturing assets in place, of which C4V has a see-through direct and indirect strategic interest via iM3NY LLC that is equivalent to US\$75.00 Million (AUD\$99.99 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 and risk committee of the valuation techniques adopted. The Group normally reviews the valuation of its financial assets at FVOCI at least once every six months, in line with the group's half-yearly reporting requirements. Changes in level 3 fair values are analysed at the end of each reporting period during this review.

Quantitative information on significant unobservable inputs - Level 3

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

| Unobservable inputs | Valuation Method (format) | Nachu Graphite Project | Imperium3 Townsville | Imperium 3 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 | 20yrs | 20yrs | 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 | AU\$359.7M (US\$270M) | AU\$3Billion | 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 | AU\$306.4M (US\$230M) | 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 30 June 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 using international frameworks on each of the individual projects during feasibility study. In performing this analysis, and the Group is committed to supporting the Audit and Risk Committee to develop a risk management and mitigation strategies to implement in order to it can reduce its exposure.

Project status

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

There is a risk that the projects will not be advanced due to the significant capital required to commence construction. There is also a risk that legislative approvals required to commence construction may be delayed or not granted. Project status is aligned to the timeline to production. Any slippage in timeline milestone will reduce the fair value.

Detailed implementation plans have been established for each of the individual projects. The implementation plan identifies areas that are critical to the successful advancement of the projects. Strategies to mitigate and manage risk associated with project success have been documented in detail for implementation. This includes pre-finance testing and market development work. Establishment of strategic partnerships with credible industry professionals such as engineering, procurement and construction contractors, original equipment manufacturers, and financing professionals is also considered critical in reducing the risk of greenfield operations.

Timeline to production

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

Capital required

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

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

iM3TSV will also implement a testing and market development program involving battery production testing in a commercial setting at equipment vendor facilities. Generated product will be provided for customer evaluation and qualification towards procuring offtake contracts. This program will take place prior to securing the construction costs for Stage One. Securing offtake following confirmation of product specification will assist in securing project funding.

The total construction of the Nachu Graphite Project is estimated to cost AUD\$359.7M (US\$270M), however a smaller planned mine would reduce these projections. This is also considered a significant amount of capital which can attract sovereign risk when developing a graphite mine in Tanzania.

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

Expected annual production

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

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

The Nachu Graphite Project has been reported as the largest mineral resource of large flake graphite in the world. There is a risk, at a production rate of 240,000tpa, that supply may outstrip demand resulting in an unsustainable production rate. The project is also subject to significant sovereign risk arising from changes in legislation, government, environmental permits, employment, disease, and community relations, all of which could impact the annual production. A reduction in the expected annual production would reduce the fair value. The Nachu Graphite Project is however capable of being phased into two stages of production. The staged approach allows the project risks and the Group's response to be tested at a reduced scale for a reduction in required capital outlay.

Royalties & Reservation Fee

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

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

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

Recoverable amount - C4V's investment in iM3NY

Realising the recoverable amount of C4V's investment in iM3NY is dependent on proceeds of sale equalling the estimated US\$230 Million (AUD\$306.4 Million) of manufacturing assets in place, of which C4V has a see-through direct and indirect strategic interest via iM3NY LLC equivalent to US\$75.00 Million (AUD\$99.99 Million).

There is a risk that there may be significant advancements in state-of-the-art equipment render current equipment obsolete, or buyers are then increasingly difficult to identify. The valuation of the battery manufacturing equipment does not factor in the cost of relocating the equipment from iM3NY to the buyer(s). If iM3NY was unsuccessful in assigning these costs to the buyer, the fair value would be reduced.

Interest rate risk

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

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

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

Currency rate risk

The individual projects undertake certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. A significant portion of the Stage One construction costs for iM3TSV relate to equipment purchases payable in United States Dollars. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's daily currency. Adverse foreign currency fluctuation can add significant additional costs to the estimated construction costs of the project.

The Nachu project is exposed to currency fluctuations between the United States Dollar (USD) 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.

Sensitivity analysis

In accordance with the Group policy of reviewing this risk, the following sensitivity analysis based on an increase or decrease of the risk adjusted discount rate varies and other variables remain constant, the fair value of the investment would have been affected as shown:

| Description | Unobservable inputs | Sensitivity |
|--------------------------|--|---|
| Financial asset at FVOCI | Project life | A one-year change would increase/ (decrease) fair value by AU\$0.045M/ (AU\$0.056M) |
| | Risk adjusted discount rate | 5% change would increase/ (decrease) fair value by AU\$2.86M/ (AU\$1.876M) |
| | Expected annual volumes | 5% change would increase/ (decrease) fair value by AU\$0.564M/ (AU\$0.564M) |
| | Valuation of battery manufacturing equipment | 5% change would increase/ (decrease) fair value by AU\$3.276M/ (AU\$3.276M) |

Investment accounted for using the equity method - Magnis investment in iM3NY via iM3NY LLC

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

Valuation Techniques - Level 3

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

As at the end of the reporting period, the Company has a 59.88% (2020: 53.39%) see-through direct and indirect strategic investment via iM3NY LLC in iM3NY. However, due to iM3NY restructuring their entity and creating iM3NY LLC from post April 2021 because of the binding Riverstone Credit Partners, L.P. agreement, new investors were introduced as well as an employee incentive scheme was provisioned as part of the syndicated funding package.

This restructuring has now placed investors who previously held shares directly in iM3NY, to now become investors with an indirect exposure to iM3NY, through their direct holding in iM3NY LLC. Further, the provisioning for employee incentive units in iM3NY LLC as well as the introduction of new investor ownership in iM3NY, has caused some dilution as at the reporting date when determining the see-through direct and indirect ownership exposure of iM3NY LLC investors in iM3NY, combined with iM3NY shareholder ownership.

Valuation Techniques - Level 3 - continued

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

| | Direct and Indirect Strategic Ownership | |
|--|---|---------------|
| | 2021 | 2020 |
| | % | % |
| Magnis (includes 9.65% (2020: 10.00%) of C4V) | 59.88 | 53.39 |
| C4V | 32.61 | 45.18 |
| Primet | 0.53 | 0.63 |
| C&D | 0.67 | 0.80 |
| Atlas | 0.50 | - |
| iM3NY LLC | 94.19 | 100.00 |
| Riverstone Group (includes 3.5% (2020: 0%) of C4V) | 5.17 | - |
| Prisma Pelican Fund | 0.32 | - |
| HSBC Bank | 0.32 | - |
| Riverstone, HSBC + Prisma | 5.81 | - |
| iM3NY Inc. | 100.00 | 100.00 |

The Group has determined the fair value of its strategic investment in iM3NY by first obtaining a third-party valuation of the recoverable amount of the battery plant equipment purchased in 2018. The valuation of plant equipment was undertaken in August 2019 by engineering firm O'Brien & Gere who assessed all the items purchased. At that time the external valuer attributed the current status and condition at a valuation of US\$71.34 Million. 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 USD 71,340,620.

On 19 April 2021 Magnis announced that the iM3NY project is fully funded to 1.8GWh of annual production. Riverstone Credit Partners, L.P. confirmed after carrying out its due diligence that iM3NY has US\$230 Million (AUD\$306.4 Million) of manufacturing assets in place, of which Magnis has a see-through direct and indirect strategic interest equivalent to US\$137.77 Million (AU\$183.55 Million).

17. RESERVES**a) Reserves**

| | Consolidated | |
|------------------------------|-------------------|------------------|
| | 2021 \$ | 2020 \$ |
| Foreign currency translation | 7,263,960 | 5,982,799 |
| Share based payment | 46,313 | 63,200 |
| FVOCI Reserve | 5,076,057 | (2,524,523) |
| | 12,386,330 | 3,521,476 |

b) Nature and purpose of reserves**i. Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1. The reserve is recognised in profit or loss when the net investment is disposed of.

ii. Share based payment reserve

The share based payment reserve is used to recognise the fair value of paid options issued to Directors, employees, and contractors.

iii. FVOCI reserve

The FVOCI Reserve is used to recognise any impairment on assets and liabilities using the fair value of measurement, thereby ensuring fair values are equivalent to their respective net carrying value.

18. STATEMENT OF CASH FLOWS**a) Reconciliation of the net loss after income tax to the net cash flows from operating activities****Operating activities**

| | Consolidated | |
|--|---------------------|--------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Net loss | (23,431,109) | (7,867,088) |
| Non cash and non operating items | | |
| Depreciation of non current assets | 11,365 | 40,869 |
| Amortisation of borrowing costs | 6,742,327 | - |
| Share based payments | 46,013 | 401,547 |
| Share of associates net loss accounted for using the equity method | - | - |
| (Profit)/ Loss on sale of assets | (242,755) | (54,256) |
| Net foreign currency translation gain (loss) | 7,112,967 | 165,416 |
| Accrued interest | - | - |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | (2,146,105) | 1,338,222 |
| (Increase)/decrease in prepayments | 146,827 | (221,719) |
| (Increase)/decrease in security bonds | - | - |
| (Increase)/decrease in exploration assets | - | - |
| (Increase) in development assets | 127,363 | - |
| Increase/(decrease) in trade and other payables | (2,564,767) | 451,519 |
| Increase/(decrease) in provisions | (352,636) | 518,635 |
| Net cash outflow from operating activities | (14,550,510) | (5,226,855) |

b) Reconciliation of cash and cash equivalents

| | | |
|--------------------------|-------------------|----------------|
| Cash at bank and in hand | 72,894,945 | 719,615 |
| | 72,894,945 | 719,615 |

19. COMMITMENTS**a) Exploration commitments**

The Group has certain commitments 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.

Outstanding exploration commitments are as follows:

| | Consolidated | |
|-------------------------|---------------------|---------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Not later than one year | 82,460 | 90,015 |
| | 82,460 | 90,015 |

Exploration expenditure commitments beyond twelve months could not be reliably determined because the annual commitment was set at the anniversary date for each tenement.

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2021.

The Group has guarantees for property leases and banking finance facilities of \$150,977 (2020: \$150,977).

21. EVENTS AFTER REPORTING PERIOD

On 3 August 2021, Magnis announced it secured a total of \$20,000,000 (\$21,000,000 in Face Value) from two US-based institutions The Lind Partners and SBC Global Investment Fund, via a Convertible Note ("Facility") for working capital and to assist with funding the iM3NY's plans to fast-track Gigawatt scale production at the lithium-ion battery plant, in New York. Shares issued under the facility will be in accordance with the terms and conditions of the agreement. Funds were also used to advance the Nachu Graphite Project, and support the Townsville Battery Plant.

On 3 August 2021 Magnis issued 14,000,000 fully paid ordinary (FPO) shares under terms of Convertible Securities Agreements to The Lind Partners and SBC Global Investment Fund as well as 5,000,000 Shares to Evolution Capital Advisors Pty Ltd to remunerate the advisers who supported the successful transaction.

21. EVENTS AFTER REPORTING PERIOD - CONTINUED

On 6 August 2021, and 9 August 2021, Magnis Energy Technologies Ltd Magnis issued (when combined) 21,000,000 FPO shares and on 13 August 2021 issued 38,000,000 FPO shares under terms of Convertible Securities Agreements to The Lind Partners and SBC Global Investment Fund.

On 2 September 2021, Magnis announced KMP appointment of lithium-ion battery expert Dr. Jawahar Nekar as Director of Battery Technologies and KMP appointment of experienced Fund Manager Aran Nagendra as Corporate Development and Investor Relations Manager.

22. AUDITORS' REMUNERATION

The auditor of Magnis Energy Technologies Ltd in the current year is Hall Chadwick Melbourne Audit.

| | Consolidated | |
|---|---------------------|----------------|
| | 2021 | 2020 |
| (a) Amounts received or due and receivable by Magnis Group Auditor (Australia) for: | \$ | \$ |
| An audit or review of the financial report of the entity and consolidated Group | 79,973 | 106,392 |
| Other services in relation of the entity and any other entity in the consolidated Group | | |
| - Taxation services | 48,247 | 97,719 |
| - Corporate services | 2,948 | - |
| | 131,168 | 204,111 |
| (b) Amounts received or due and receivable by related practices of Magnis Group Auditor (Australia) for: | | |
| | Consolidated | 2020 |
| | 2021 | \$ |
| | \$ | \$ |
| An audit or review of the financial report of the entity and consolidated Group | - | - |
| Other services in relation of the entity and any other entity in the consolidated Group | | |
| - Taxation services | - | - |
| | - | - |

23. LOSS PER SHARE

| | Consolidated | |
|--|---------------------|---------------|
| | 2021 | 2020 |
| (a) Reconciliation of earnings to profit or loss: | \$ | \$ |
| Net loss - Loss used in calculating basic loss per share | 16,268,618 | 7,378,601 |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share: | Shares | Shares |
| | 2021 | 2020 |
| Weighted average number of ordinary shares used in calculating basic loss per share | 851,434,546 | 665,006,221 |
| Basic loss per share (cents per share): | 1.91 (2020: 1.11) | |
| (c) Effect of dilutive securities | | |
| For the year ended 30 June 2021 and for the comparative period there are no dilutive ordinary shares because conversion of share options and performance rights would decrease the loss per share and hence be non-dilutive. | | |
| Diluted loss per share (cents per share): | 1.91 (2020: 1.11) | |

Accounting policies

Basic EPS is calculated as the profit/ [loss] attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares during the year. Diluted EPS adjusts the figures used in the determination of basic EPS to consider after income tax effect of interest and other financing costs associated with dilutive ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

24. KEY MANAGEMENT PERSONNEL**(a) Compensation**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|------------------------------|---------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Short-term employee benefits | 1,039,592 | 1,174,792 |
| Termination benefits | 143,000 | - |
| Post-employment benefits | 77,639 | 59,927 |
| Share-based payments | - | 747 |
| | 1,260,231 | 1,235,466 |

(b) Other 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 | Aggregate Amount | |
|--|---|---------------------------------|--|-------------------------|----------------|
| | | | | 2021 | 2020 |
| | | | | \$ | \$ |
| Strong Solutions Pty Ltd | Frank Poullas is a related party of Strong Solutions Pty Ltd and Executive Chairman of Magnis Energy Technologies Ltd | Consulting fees and IT Services | Normal commercial terms | 208,000 | 124,000 |
| | | | | 92,970 | 57,770 |
| Peter Tsegas | Peter Tsegas is a Non-Executive Director of Magnis Energy Technologies Ltd | Consulting Fees | Normal commercial terms | 273,389 | 35,018 |
| Prof. M Stanley Whittingham | Prof. M Stanley Whittingham is a Non-Executive Director of Magnis Energy Technologies Ltd | Consulting Fees | Normal commercial terms | - | 14,749 |
| Mr. Troy Grant (Resigned 23 Feb. 2021) | Mr. Troy Grant was a Non-Executive Director of Magnis Energy Technologies Ltd | Consulting Fees | Normal commercial terms | 50,000 | - |
| | | | | 624,359 | 231,537 |

(c) Outstanding balances arises from purchases of goods and services at the reporting date in relation to other transactions with key management personnel.

| Assets and liabilities | 2021 | 2020 |
|-------------------------------|---------------|-------------|
| | \$ | \$ |
| Current liabilities | | |
| Trade and other payables | 68,100 | - |
| | 68,100 | - |

25. RELATED PARTY DISCLOSURES

Parent entity

Magnis Energy Technologies Ltd is the ultimate Australian parent entity of the consolidated entity. Its interests in controlled entities are set out in Note 27.

Wholly owned group transactions

Controlled entities made payments and received funds on behalf of Magnis Energy Technologies Ltd and other controlled entities by way of inter-company loan accounts with each controlled entity. These loans are unsecured, bear no interest and are repayable on demand. However, demand for repayment is not expected in the next twelve months. Transactions and balances between the Company and its controlled entities were eliminated in the preparation and consolidation of the financial statements of the group.

Key management personnel

Details relating to key management personnel, including remuneration paid, are included in Note 24 and the Remuneration Report in the Directors' Report.

Transactions with related parties

All amounts payable to related parties are unsecured and at no interest cost. The amount outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Entity with significant influence over the Group

MAZZDEL PTY LTD controls 6.64% (2020: 8.53%) of the ordinary shares in Magnis Energy Technologies Ltd.
AL CAPITAL HOLDING PTY LTD controls 0% (2020: 5.58%) of the ordinary shares in Magnis Energy Technologies Ltd.

26. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

| | Parent | |
|---|--------------------|--------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| <u>Statement of profit or loss and other comprehensive income</u> | | |
| Profit after income tax | (8,889,419) | (6,972,873) |
| Total comprehensive income | (8,889,419) | (6,972,873) |
| <u>Statement of financial position</u> | | |
| Total current assets | 3,926,870 | 1,047,024 |
| Total assets | 56,352,702 | 14,789,856 |
| Total current liabilities | 336,867 | 707,521 |
| Total liabilities | 565,302 | 1,142,782 |
| Net assets | 55,787,399 | 13,647,074 |
| Equity | | |
| Issued capital | 167,732,859 | 128,625,905 |
| Equity settled employee benefits reserve | 3,883,456 | 63,200 |
| Equity FVOCI reserve | 5,076,057 | (2,524,523) |
| Retained profits | (120,904,972) | (112,517,507) |
| Total equity | 55,787,399 | 13,647,074 |

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Plant and equipment

The parent entity had no capital commitments for plant and equipment at as 30 June 2021 and 30 June 2020.

Remuneration commitments

The parent entity has a remuneration commitment of \$83,042 as at 30 June 2021 (2020: \$89,247).

27. INTERESTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

| Name | Country of incorporation | Class of shares | Equity Holding ¹ | |
|--|--------------------------|-----------------|-----------------------------|-----------|
| | | | 2021 % | 2020 % |
| Uranex Tanzania Limited | Tanzania | Ordinary | 100 | 100 |
| Magnis Technologies [Tanzania] Limited | Tanzania | Ordinary | 100 | 100 |
| Uranex Mozambique Limitada | Mozambique | Ordinary | 100 | 100 |
| Uranex ESIP Pty Ltd | Australia | Ordinary | 100 | 100 |
| Imperium3 New York Inc. ² | USA | Common | 60 | 62 |
| iM3NY LLC ³ | USA | Common | 62 | 0 |
| Faru Resources Limited ⁴ | Tanzania | Ordinary | 0 | 100 |
| Juhudi Minerals Limited ⁴ | Tanzania | Ordinary | 0 | 100 |

¹ percentage of voting power is in proportion to ownership (direct and indirect).

² Imperium3 New York Inc. was incorporated for consolidation purposes on 29 June 2020. The remaining 40% (2020: 38%) has been attributed to non-controlling interests.

³ iM3NY LLC was incorporated for consolidation purposes on 16 April 2021. The remaining 38% (2020: 0%) has been attributed to non-controlling interests.

⁴ Deregistered 20 Jan 2020.

Accounting policies

Principles of consolidation

The consolidation financial statements are those of the consolidated entity, comprising Magnis Energy Technologies Ltd [the parent entity], special purpose entities and all entities which Magnis Energy Technologies Ltd controlled from time to time during the year and at reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through ties power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee [i.e. existing rights that give it the ability to direct the relevant activities of the investee];
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income [OCI] are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- de-recognises the assets [including goodwill] and liabilities of the subsidiary
- de-recognises the carrying amount of any non-controlling interests
- de-recognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

27. INTERESTS IN CONTROLLED ENTITIES - CONTINUED

At 29 June 2020 Magnis acquired additional shares in Imperium 3 New York Inc. ((iM3NY) to become a majority shareholder. The direct ownership in iM3NY has been accounted for as an asset acquisition and not a business combination, due to factors which include the equipment assets had been relocated from a previous owner's facility and at the time of the transaction were still in the process of being recommissioned ahead of the commencement of production.

However, from late March 2021 to April 2021, iM3NY undertook a restructuring that created subsidiary iM3NY LLC as a result of the binding Riverstone Credit Partners, L.P. agreement. As part of the syndicated funding package, new investors were introduced in iM3NY and iM3NY LLC and existing iM3NY investors were migrated into iM3NY LLC. This restructuring has now placed investors like Magnis and C4V who previously held shares directly in iM3NY, to now become investors with an indirect exposure to iM3NY, through their direct holding in iM3NY LLC.

During the financial year, Magnis provided further funding for the iM3NY lithium-ion battery project and increased its total iM3NY see-through direct and indirect ownership exposure in to 59.88% on 30 June 2021 by undertaking a debt for equity swap via a cash settlement of \$30,616,287.83 of iM3NY borrowings.

Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where an acquisition does not meet the definition of a business in AASB 3 Business Combinations, the transaction is accounted for as an asset acquisition. Acquired assets are measured at their proportionate share of the transaction consideration, and no goodwill or bargain purchase is recognised.

Subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators or impairment of the carrying value of the investment in the subsidiary exist.

Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

28. SHARE-BASED PAYMENT PLANS**a) Recognised share-based payment expenses**

The expense recognised for employees and non-employees received during the year is shown below:

| | Consolidated 2021 | Consolidated 2020 |
|--|------------------------------|------------------------------|
| | \$ | \$ |
| Expense arising from the issue of MOST options (employees) | 5,963 | 748 |
| Expense arising from the issue of MOST options (non-employees) | - | 800 |
| Expense arising from the issue of MERT rights (employees) | 40,050 | - |
| Total expense arising from share-based payment transactions | 46,013 | 1,548 |

b) Types of share-based payment plans:**OPTION SHARE PLAN: MOST - (EMPLOYEES)**

Magnis Energy Technologies Ltd operates an ownership-based scheme for Directors, Key Management Personnel (KMP) employees and other employees of the consolidated entity. The **Magnis Option Share Trust ("MOST")** is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. In accordance with the provisions of the Plan, listed fully paid ordinary shares and unlisted options are held on behalf of Plan Participants by the Trustee of the MOST. Under the MOST, the exercise price of the options is set by the Board on the date of grant. The life of options to participants granted are for 3 years, but these must be exercised within 3 months of the option holder ceasing employment with Magnis Energy Technologies Ltd. There are no cash settlement alternatives.

RIGHTS PLAN: MERT - (EMPLOYEES)

Magnis Energy Technologies Ltd operates an ownership-based scheme for Directors and Employees of the consolidated entity. In accordance with the provisions of the Plan, unlisted performance share rights are held on behalf of Plan Participants by the Trustee of the **Magnis Executive Rights Trust ("MERT")**. Under MERT, the Executive Rights are divided into five tranches and conversion of each tranche is dependent on satisfaction of performance milestones and service conditions applicable to each tranche, including the relevant person being a director at the time the respective performance milestone tranche is satisfied. Although no specific expiry date exists for each tranche, it has been accepted under AASB2 that the life of Executive Rights granted to participants are for 10 years, but they will immediately lapse when the Executive Rights holder ceases employment with Magnis Energy Technologies Ltd. There are no cash settlement alternatives.

(c) Share-based payment plans for non-employee (Consultant option):

Share options are granted to selected non-employees from time to time in consideration for the services of the consultant as a share-based incentive (Consultant options). Prior Shareholder approval of the issue of Consultant options is required. Each Consultant Option is granted for nil consideration for services provided by unrelated parties to the Company, the terms are subject to the same terms of the Company's existing unlisted options. No funds are raised from the issue of the Consultant Options, as they are issued to the consultant in consideration for assistance with the Company's progress and success. There are no cash settlement alternatives.

d) Summary of options and rights granted under share-based payment**Options granted under share-based payment**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, MOST share options issued during the year.

| | 2021 No. | 2021 WAEP | 2020 No. | 2020 WAEP |
|--|---------------------|----------------------|---------------------|----------------------|
| Outstanding at the beginning of the year | 10,000,000 | 0.58 | 15,800,000 | 0.71 |
| Granted during the year | 750,000 | 0.63 | 12,100,000 | 0.69 |
| Exercised during the year | - | - | - | - |
| Expired/Lapsed during the year | (7,000,000) | - | (17,900,000) | - |
| Outstanding at the end of the year | 3,750,000 | 0.69 | 10,000,000 | 0.58 |
| Exercisable at the end of the year | 3,750,000 | 0.69 | 10,000,000 | 0.58 |

The range of exercise prices for rights and options outstanding at the end of the year was between \$0.50 and \$0.75 (2020: \$0.40 and \$0.70).

Rights granted under share-based payment

The below table shows the number of, and movements in, MERT performance share rights issued during the year.

| | 2021 No. | 2021 WAEP | 2020 No. | 2020 WAEP |
|--|-------------|--------------|-------------|--------------|
| Outstanding at the beginning of the year | - | - | - | - |
| Granted during the year | 12,500,000 | - | - | - |
| Exercised during the year | - | - | - | - |
| Lapsed during the year | (5,000,000) | - | - | - |
| Outstanding at the end of the year | 7,500,000 | - | - | - |
| Exercisable at the end of the year | 7,500,000 | - | - | - |

During 2021, there were Nil (2020: Nil) shares issued as a result of converting performance rights.).

e) Weighted average remaining estimated life

The weighted average remaining estimated life outstanding as at 30 June 2021 is :

- Share options: 1.54 years (2020: 1.46 years)
- Share rights: 9.42 years (2020: Nil years)

f) Weighted average fair value

The weighted average fair value granted during the year to 30 June 2021 is :

- Share options: \$0.00795 (2020: \$0.0022)
- Share rights: \$0.00534 (2020: Nil)

g) Option pricing model**Equity-settled transactions**

The fair value of the equity-settled share options granted under the share-based payment is estimated as at the date of grant using a Binomial Model, considering the terms and conditions upon which the options were granted. The following table lists the inputs to the models used for the year ended 30 June 2021:

| | 2021 |
|---|---------------|
| Dividend yield (%) | Nil |
| Expected volatility (%) | 47 - 54 |
| Risk-free interest rate (%) | 0.032 - 0.062 |
| Expected life of option (years) | 2.0 - 3.0 |
| Option exercise price (cents) | 50 - 75 |
| Weighted average share price at measurement dates (cents) | 18.5 - 27.5 |
| Exercise price multiple | 2 |
| Model used | Binomial |

The effects of early exercise have been incorporated into calculations by using an expected life for the option that is shorter than the estimated life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

The expected volatility was determined using a historical sample of Company share-prices. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

The option holders were assumed to exercise prior to expiry date when the price is twice that of the exercise price. This reflects the restrictions to trading of directors and employees outlined in the Company's share trading policy.

During the financial year, the Magnis Option Share Trust (MOST) scheme acquired and was issued with 750,000 (2020: 8,100,000) options on varying terms and conditions for allotment to Directors and employees.

Accounting policies

The Group provides benefits to employees [including directors] of, and consultants to, the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares [equity-settled transactions].

g) Option pricing model - continued

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of options and performance rights with market-based performance criteria is determined by an external valuer using a binomial option pricing model. The fair value of performance plan rights with non-market performance criteria is determined by reference to the Company's share price at date of grant.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending in the date on which the recipient becomes fully entitled to the award ['vesting date'].

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors, based on the best available information at reporting date will ultimately vest.

No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in determination of fair value at grant date. The charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period. Where awards vest immediately, the expense is also recognised in profit or loss.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and the new award are treated as if they were a modification of the original award as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

29. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments consist of short-term deposits, receivables, and payables. These activities expose the Group to a variety of financial risks: market risk, (i.e. interest rate risk and foreign exchange risks), credit risk and liquidity risk.

The overall objective of the Group's financial risk management policies is to meet its financial targets whilst protecting future financial security.

The Board fulfils its corporate governance and oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial control and the policies on risk oversight and management. Management is charged with implementing the policies.

The management manages the different types of risks to which the Group is exposed by considering risk and monitoring levels of exposure to interest risk and by being aware of market forecasts for interest rates.

Liquidity risk is monitored through general business budgets and forecasts. The Board reviews and agrees on policies for managing these risks.

(b) Market Risk

Foreign currency risk

The Group undertakes 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 national currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Foreign currency risk - continued

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| Consolidated | Assets | | Liabilities | |
|--------------|------------------|------------------|----------------|----------------|
| | 2021 \$ | 2020 \$ | 2021 \$ | 2020 \$ |
| US dollars | 4,028,024 | 3,941,559 | 203,701 | 249,244 |
| | 4,028,024 | 3,941,559 | 203,701 | 249,244 |

The Group had net assets denominated in foreign currencies of \$3,824,324 (assets less liabilities) as at 30 June 2021 (2020: \$3,692,315). Based on this exposure, had the Australian dollar weakened or strengthened by 5% (2020: weakened by 5% / strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's loss before tax for the year would have been \$254,749 lower / \$254,749 higher (2020: \$276,535 lower / \$276,535 higher) and equity would have been \$355,476 higher / \$355,476 lower (2020: \$276,535 / lower \$276,535).

The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2021 was \$12,782 (2020: \$20,978)

Interest rate risk

The Group is exposed to movements in market interest rates on short-term deposits. Management ensures a balance is maintained between the liquidity of cash assets and the interest rate return. Presently, the Group has no interest-bearing liabilities. At reporting date, the Group had the following financial assets and liabilities exposed mostly to Australian variable interest rates and are unhedged

| | Consolidated 2021 \$ | Consolidated 2020 \$ |
|---------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | 72,894,945 | 719,615 |

The weighted average interest rate for the Group at reporting date was 0.047% (2020: 1.78%).

In accordance with the Group policy of reviewing this risk, the following sensitivity analysis based on interest rate exposure at reporting date where the interest rate movement varies and other variables remain constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for both 2021 and 2020.

| 2021 and 2020. | | | | | |
|------------------------------|--------------------|---------------------------|--------------|---------------------------|--------------|
| 30 June 2021 | Carrying Amount | Interest Rate Risk -1% | | Interest Rate Risk +1% | |
| | | Net Loss \$ | Equity \$ | Net Loss \$ | Equity \$ |
| Consolidated Entity | | | | | |
| Financial asset | | | | | |
| Cash and cash equivalents | 72,894,945 | (728,949) | (728,949) | 728,949 | 728,949 |
| 30 June 2020 | Carrying Amount | Interest Rate Risk -1% | | Interest Rate Risk +1% | |
| | | Net Loss \$ | Equity \$ | Net Loss \$ | Equity \$ |
| Consolidated Entity | | | | | |
| Financial asset | | | | | |
| Cash and cash equivalents | 719,615 | (7,196) | (7,196) | 7,196 | 7,196 |

The sensitivity was higher during 2021 than 2020 because of higher cash balances. The analysis assumes the carrying amounts noted will be maintained over the next financial year.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and Notes to the financial statements. The Group does not hold any collateral. The Group has adopted a simplified lifetime expected loss allowance in estimating expected credit losses to trade and other receivables. The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at reporting date is the carrying amount (net of expected credit loss) of those assets as disclosed in the statement of financial position and Notes to the financial statements.

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility as to its source. The Directors receive cash flow reports periodically and increase the frequency of review when the safety margin is or is nearly breached. The Board formulates plans to replenish its cash resources when required and implements cost reduction programmes to reduce cash expenditure. The table below reflects all contractually fixed pay-offs, repayments, and interest from recognised financial liabilities. For these obligations the undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial assets and liabilities without fixed timing or amount are based on the conditions existing at 30 June 2021. The remaining contractual maturities of the Group entity's financial liabilities consisting of trade and other payables are:

| | Consolidated | |
|------------------|---------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| On demand | - | - |
| Less than 1 year | 3,672,966 | 1,794,608 |
| 1-5 years | - | - |
| > 5 years | - | - |
| | 3,672,966 | 1,794,608 |

(e) Net Fair Values

The carrying amounts of financial assets and liabilities as shown in the statement of financial position approximate their fair value.

30. 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. The JobKeeper Payment was received during the period to 28 March 2021 when the program ceased. The Company collected \$70,500 (2020: \$21,000) 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 up to \$100,000 were made by the ATO to support the cashflow challenges cash flow boost payments during the period.

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
 - a) the financial statements and Notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2021 and performance for the financial year ended on that date.
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - b) The financial statements and Notes also comply with International Financial Reporting Standards as disclosed in Note 1.
 - c) There are reasonable grounds to believe that the Company, as noted by Directors in Note 1 – Going concern, will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the board



F Poullas
Executive Chairman

Sydney, 30 September 2021

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

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES
LIMITED**

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

Report on the Financial Report

Opinion

We have audited the financial report of Magnis Energy Technologies Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Magnis Energy Technologies Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* 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* (the Code) that are relevant to our audit of the 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*, which has been given to the directors of the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$16,268,618 during the year ended 30 June 2021 and, as of that date; the company had net current assets of \$89,098,025 including cash reserves of \$72,894,945. As stated in Note 1 these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about 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 financial report. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2021. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| <p>Investment in Charge CCV LLC</p> <p><i>Refer to Note 9 'Financial Assets at FVOCI'</i></p> <p>At 30 June 2021, the Consolidated Entity had an investment in Charge CCCV LLC "C4V" an entity external to the Group and recorded at a value of \$ 15,096,041. The Group's accounting policy in respect of this investment is outlined in Note 10.</p> <p>This is a key audit matter because of the judgements and estimates along with the disclosure considerations that are required in relation to management's assessment of the fair value to ensure that these are in accordance with AASB 13 Fair Value, AASB 9 Financial Instruments and AASB 7 Financial Instruments: Disclosures.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtaining and evaluating management's assessment and assumptions made in relation to the investment in C4V to ensure the classification of the asset continues to be appropriate. Evaluating management's financial model to support the fair value of C4V, including the challenging of key assumptions as reported in Note 16 as well as checking the mathematical accuracy of the model and underlying calculations. Gaining an understanding of quantum of funds required to ensure Nachu, iM3NY and iM3TSV progress to development and into production to produce the royalty cash flows to C4V. Evaluating the accuracy and completeness of the disclosures in accordance with AASB 9, AASB 13 and AASB 7. |

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|---|
| <p>Property, Plant and Equipment</p> <p><i>Refer to Note 12 'Property, Plant and Equipment'</i></p> <p>The group has \$23,290,573 of property, plant and equipment at 30 June 2021. Included in the carrying value is equipment held by a subsidiary amounting to \$23,290,573. We focused on this matter as a key audit matter as equipment is the most significant asset of the group.</p> | <p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> Assessed the Group's analysis for indicators of impairment, including the views of management's valuation specialists. This included consideration of whether any movements in the valuation drivers indicated potential impairment by comparing them to historical results in addition to economic and industry forecasts. We assessed the adequacy of group's disclosures in relation to the carrying value of property, plant & equipment. Communicated with the group auditor to assess if their work performed in respect of the fixed assets is reasonable. |
| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
| <p>Development Asset</p> <p><i>Refer to Note 11 'Development Asset'</i></p> <p>The Group has \$4,982,338 recorded as development asset as at 30 June 2021. The Group's accounting policy in respect of exploration and evaluation assets is outlined in Note 11.</p> <p>This is a key audit matter because the carrying value of the assets are material to the financial statements and significant judgements are applied in determining whether an indicator of impairment exists in relation to capitalised exploration and expenditure assets in accordance with Australian Accounting Standard AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with AASB 6 – Exploration for and Evaluation of Mineral Resources, we: <ul style="list-style-type: none"> examined the minutes of the Group's board meetings and updates from the Group's exploration partners; obtained management's position on the assessment of impairment at the end of the year and evaluated it for reasonability; reviewed the tenements profile and ensured any that have been surrendered were expensed as required; discussed with management of the Group's ability and intention to undertake further exploration activities; Communicated with the group auditors and obtained explanations and supporting document. |

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|--|
| Borrowings <i>Refer to Note 14(c) 'Non Current - Borrowings'</i> The Group has \$65,175,758 of current borrowings as at 30 June 2021. This is considered to be a key area of audit focus due to its materiality to the financial report. | Our procedures included, amongst others: <ul style="list-style-type: none"> A review of the loan documentation including the terms of the secured loans and evaluated the accounting treatment adopted by management in accounting for the borrowings. Communicated with the Group Auditors to confirm if their test of details has identified any issues. We assessed the adequacy of the Group's disclosures in respect of borrowings. |
| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
| Stock Options <i>Refer to Note 15 'Contributed equity'</i> During the year Magnis raised share capital through investors in two tranches. <ul style="list-style-type: none"> 108,309,719 ordinary shares in February 2021 and 13,118,853 ordinary shares in May 2021. Each of these 121,428,572 ordinary shares have options attached to them. The independent Remuneration and Strategies Committee have assessed the value of these options to be \$3,837,143. This is a key audit matter because of the judgements and estimates along with the disclosure considerations that are required. | Our procedures included, amongst others: <ul style="list-style-type: none"> We have obtained valuation report of the options and obtained the views of the management. Obtained a copy of an independent review of report issued by the Remuneration Strategies Committee which included the assessment of compliance with AASB 2 Share Based Payment by a competent professional initiated by the management. Ascertained whether journal entries are required to be posted to reflect these options or if disclosure note is adequate. Evaluated the accuracy and completeness of the disclosures in accordance with AASB 2 Share Based Payment. Subsequently, we reviewed reports produced by Hall Chadwick Corporate Finance together with advice provided by Hall Chadwick Melbourne. Based on our review, we have not included in the accounts any reporting of the valuation attributable to the 121,428,572 options granted in respect of the February 2021 capital raise, on the basis that the options granted are not a share based expense within the definition of AASB 2. |

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|----------------------------------|---|
| Stock Options (Continued) | <ul style="list-style-type: none"> Regarding the 20,000,000 shares issues to former director , due to the role being terminated by 30th June 2021, we have agreed with management's accounting treatment to ignore any accounting with respect to the shares issued (in compliance with AASB2). With the remaining options granted during the 2021 year to management and officeholders, due to immaterial differences when comparing the reports produced by Remuneration Strategies and Hall Chadwick Corporate Finance, we have accepted the valuation reports produced by Remuneration strategies and accounted for the share based payment expense in accordance with AASB 2. |

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|---|
| <p>AASB 3 Business Combination</p> <p><i>Refer to Note 27 'Interests in controlled entities'</i></p> <p>IM3NY became a subsidiary of Magnis Energy Technologies Limited on 29 June 2020. The purchase has been accounted for as an asset acquisition and not a business combination, due to factors which include the equipment assets had been relocated from a previous owner's facility and at the time of the transaction were still in the process of being recommissioned ahead of the commencement of production. Magnis provided further funding for the lithium-ion battery project and increased its total interest in iM3NY to 59.88% by undertaking a debt for equity swap via a cash settlement of \$ 30,616,287.</p> <p>This is a key audit matter because of the judgements and estimates along with the disclosure considerations that are required in relation to management's assessment of the fair value to ensure that these are in accordance with <i>AASB 3 Business Combinations</i>.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Obtaining and assessing the management's review and assessment of the fair value of assets in the subsidiary substantiated by adequate supporting documents. Evaluated the impacts of <i>AASB 3 Business Combinations</i> and ascertaining if the entries posted by the management are reflective of the requirements of the standards and the current arrangements with the subsidiary. Ascertained if the management has accounted for the Non-Controlling interest correctly. Evaluating the accuracy and completeness of the disclosures in accordance with <i>AASB 3 Business Combinations</i>. |

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF MAGNIS ENERGY TECHNOLOGIES LIMITED

Information Other Than The Financial Report And Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

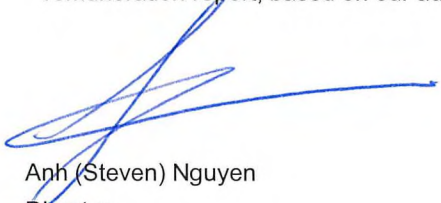
Report on the Remuneration Report

We have audited the remuneration report included in pages 11 to 18 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Magnis Energy Technologies Limited, for the year ended 30 June 2021, complies with 300A of the Corporations Act 2001.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



Anh (Steven) Nguyen
Director

Dated: 30 September 2021
Hall Chadwick Melbourne Audit
Level 14 440 Collins Street
Melbourne VIC 3000