

ENABLING FUTURE ENERGY

2019

ANNUAL REPORT



MAGNIS
ENERGY TECHNOLOGIES

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Directors

F Poullas
[Chairman]

M Vogts
[Managing Director]

J C Jooste-Jacobs
[Non-Executive Director]

W Smith
[Non-Executive Director]

L Hosking
[Non-Executive Director]

P Tsegas
[Non-Executive Director]

M S Whittingham
[Non-Executive Director]

Chief Executive Officer
F Houllis

Company Secretary
D N Richardson

Chief Financial Officer
M K McPherson

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Bankers

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Tel +61 2 9237 9290

Stock Exchange Listing/ ASX

Magnis Energy
Technologies Ltd shares
[code MNS] are listed on
the Australian Securities
Exchange. The Company
was formerly named
Magnis Resources Limited,
but effectively changed
name to Magnis Energy
Technologies Ltd after
shareholder approval at
the previous Annual
General Meeting.

02 Chairman's Statement

Dear Shareholders,

The past year has certainly seen some progress for the Company with many developments occurring to create foundations and set Magnis up for a breakout year ahead.

There has been a strong focus to execute on a quick cashflow strategy and the two projects to allow the Company to execute on that strategy are the New York Battery Plant and the Nachu Graphite mine with a lead time to revenue of approximately 20-24 months from commencement of the execution phase. A large amount of work to date has gone into organising the funding for both projects and I believe we have taken some significant steps to execute on our strategy.

While sentiment towards lithium-ion battery material companies during the year have taken a substantial hit, I believe we are in a unique position to differentiate ourselves from our peers. As far as I know we are the only company able to produce a high performing battery grade anode via mechanical processes only and secondly the ability to produce lithium-ion battery cells projected to be in the lowest cost quartile.

The Townsville feasibility study has progressed and is days away from being submitted and to date all forms of government have been very supportive. Having National Australia Bank on board as the financial advisor is another huge step especially when you take into account they have closed over \$9 billion of funding for renewable energy projects in Australia. We look forward to developing a local lithium-ion cell manufacturing plant and personally I think the plant can become an enabler for other forms of manufacturing within the country and with thousands of jobs being created and the downstream impact will be immense.

We are in the early stages of the lithium-ion battery revolution and the year ahead will see us make great progress towards production. Apart from the projects announced we remain confident in the coming year of announcing further opportunities which will be advanced. We believe our technologies give us an advantage today and we will keep our focus on driving these through to fruition.

I have been delighted with Board and Management Teams and how the business continues to evolve under its leadership. The appointment of Marc Vogts as the Managing Director has added significant experience and expertise especially in running large projects and we also welcomed Les Hosking on the Board and his wealth of knowledge and experience has been invaluable to the Company.

I would like to once again thank all our shareholders, staff and strategic partners for the continued support that Magnis has received and we all look forward to a positive year ahead with great anticipation of the movement into battery manufacturing along with developing the Nachu Graphite Project.

Chairman,



Frank Poullas

ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the members of Magnis Energy Technologies Ltd will be held at the offices of
BDO [Magnis' Auditors],
Level 11, 1 Margaret Street, Sydney NSW 2000
on Thursday 31 October 2019 at 9:30am

A formal notice of meeting and proxy form will be mailed separately to all shareholders.

03 Managing Director's Statement

Demand for lithium-ion batteries continues to increase significantly in the electric vehicle (EV) and power storage market for households and businesses. Less reliance on fossil fuel energy with a shift to renewables and storing energy in battery packs has dominated news feeds in recent times and focus has also switched to less reliance on main power grids with back-up power or electricity being sourced from remote mechanisms.

Magnis has aligned our growth objectives with this compelling strategic business of the future through a suite of projects that includes lithium-ion battery technology manufacturing in various continents combined with development of its Nachu Graphite resource in Tanzania. The end goal is to become one of the important participants in the total end-to-end supply chain for the manufacturing and supply of lowest cost, competitive performance lithium-ion batteries to support the energy storage market.

The focus of management effort last year and in the immediate future remains on advancing our near-term strategic growth opportunities of the Nachu graphite project in Tanzania, LIB production plant in Townsville, and commissioning of the LIB production plant in New York. Additionally, opportunities are being investigated to supply battery packs directly to the emerging demand from retail, commercial and industrial consumers for electricity storage solutions.

We continue to explore longer term growth opportunities for our LIB production facilities and have initiated discussions of opportunities for LIB plants and funding in parts of Asia and the Middle East, including Saudi Arabia, UAE and Oman.

For Nachu, we have engaged an international engineering organisation to undertake an engineering, procurement, and construction (EPC) estimate of the 240ktpa Nachu project that was duly completed and is under review. Our current focus is to secure financing for the project with anticipation of progressing into the execution phase of the project by year-end.

The New York battery production equipment is under care and maintenance in the proposed production building with installation and commissioning to be prioritised as soon as funding is secured.

An initial draft version of the feasibility study for the proposed 18GWh Lithium ion battery production plant in Townsville was completed and submitted to the Queensland Government. The final documentation is on schedule for submission to the Government by 30 September. The Feasibility Study is conservatively compiled from process, cost and execution perspectives to assess business viability for funding. Feedback from the review by an independent consultant, and in-depth discussions with equipment vendors gives the following insights:

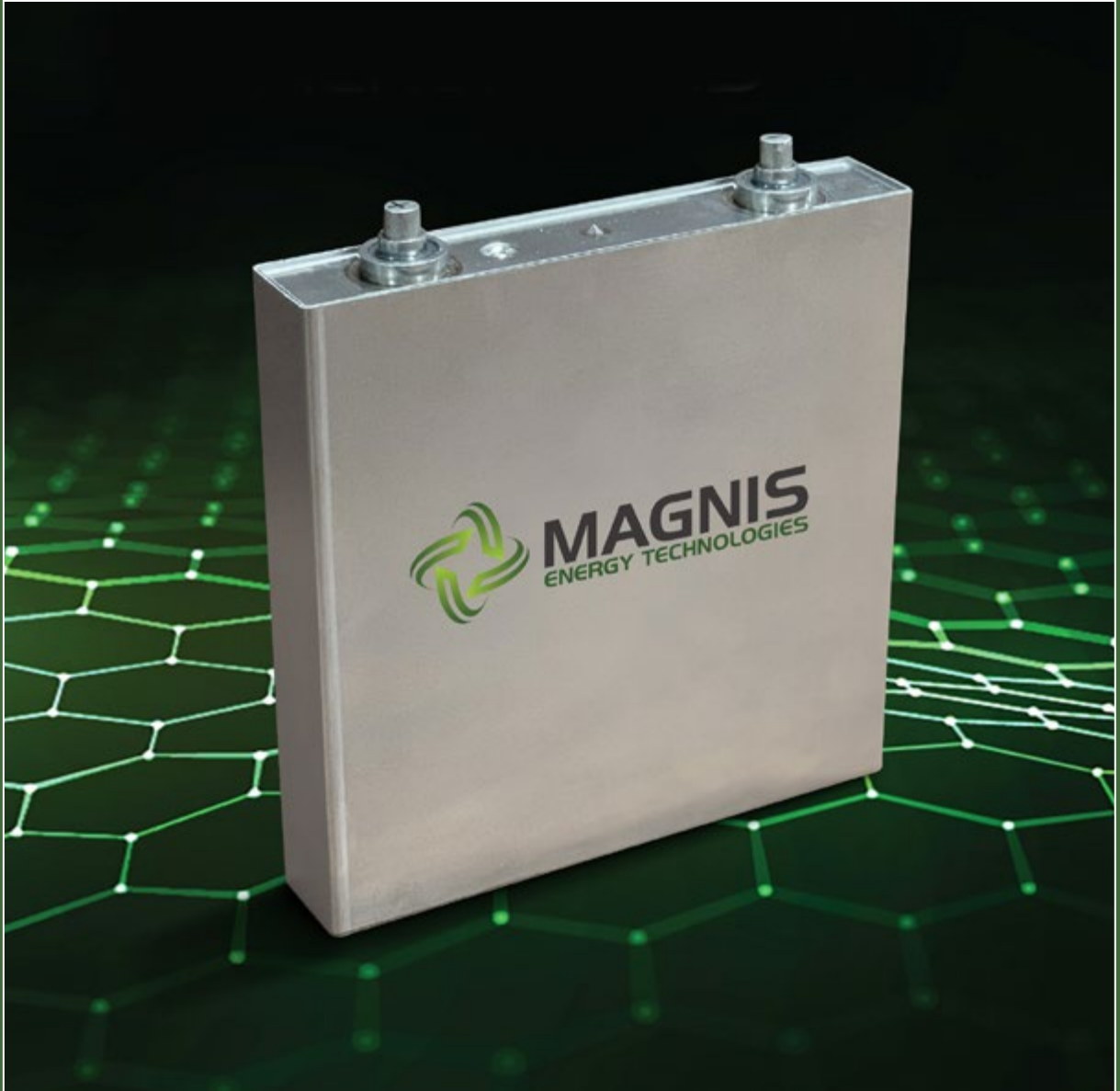
- › Confidence in the developed design concept and technical solutions
- › Significant opportunities to reduce cost and improve operability in part by applying mining discipline and undertaking a testing/piloting program
- › Biggest business risk and opportunity is manufacturing yield
- › Target market for initial production should focus on energy stationary storage systems due to geography and power cost dynamics

Looking ahead into 2020 our aim is to be well into the execution phase of the Nachu Graphite project; installation and commissioning underway for the New York battery production equipment; and advancing the project pre-execution phase of the Townsville project, including successful completion of the development assessment and other regulatory pre-project approvals, detailed marketing analysis, and well advanced towards securing of project funding.

Managing Director,



Marc Vogts



04 Review of Operations

BATTERY MANUFACTURING AND ENERGY STORAGE

A key part of lithium-ion battery production and its components is graphite, along with cobalt and lithium. Recent cobalt prices and other potential ethical factors have led to an interest in technological advancements to produce batteries without cobalt. Magnis with its consortium partner and investee company Charge CCCV (C4V), are developing battery cells without the use of cobalt. Graphite is used in the anode of the battery and it is where oxidation takes place of lithium metal that is formed in the charging of the battery. The freed electrons from oxidation flow out of the battery to discharge the stored energy.

In the past few years, Magnis has rigorously tested the graphite qualities from Nachu and the outstanding performances and results achieved during this time has directed attention to focus on a multi approach strategy where Magnis has also become involved in battery production and development. There has been an escalation in resources devoted to its lithium-ion commercial anode development programs. These resources include additional downstream technical expertise and industry leading battery test facilities to allow for cells and battery fabrication development utilising Nachu anode material.

The past twelve months has provided developments in the following areas:

IMPERIUM3 (IM3) GLOBAL CONSORTIUM

Members and equal shareholders of the iM3 Global Consortium (Magnis, C4V and Boston Energy and Innovation – BEI) have been working together to develop a sustainable supply chain to produce lithium-ion batteries across the globe in multiple locations.

The iM3 consortium has unique and patented lithium-ion battery intellectual property. Its members have been involved in battery production with the requisite knowledge, experience, expertise and capabilities for lithium-ion battery manufacture from raw materials to particle engineering, systems electronics and cell/battery manufacturing. At the management level, in addition to the highest level battery expertise, the consortium comprises successful senior executives in all disciplines from a variety of multi-national companies.

The organisational structure will be grown to enable the necessary and critical agility for rapid commercialisation of new lithium-ion battery technologies, including support for open innovation that is necessary for sustained high performance and low-cost battery products.

iM3 have two projects based in New York, USA and Townsville, Australia that have been developing with purpose in the past year and these projects are expanded upon in more detail in this report.

STRATEGIC INVESTMENT INTO C4V

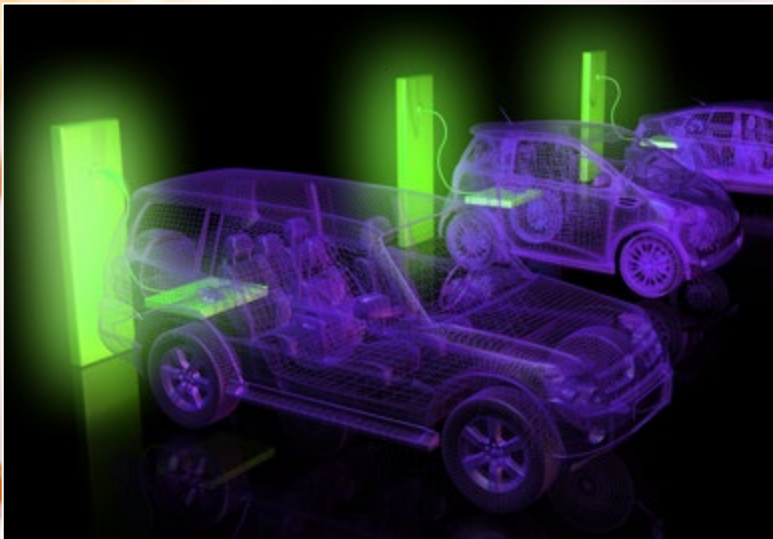
The Company announced to the ASX in September last year that it completed a transaction to acquire a 10% interest in C4V, a US-based intellectual property company based in Binghamton, New York, with expertise and patented discoveries in lithium-ion battery composition and manufacture. C4V leverages its expertise in electrode design and process development to create next-generation storage materials that can be seamlessly integrated into current cell manufacturing lines.

C4V have made some positive advancements in the past year including completing production of a working prototype of a solid-state battery that was demonstrated at a battery conference in New York. With solid state batteries, the liquid electrolyte is replaced majorly with a solid electrolyte to effectively produce a lower cost battery that is higher in capacity, higher density, higher performance and reduced charging times than existing battery solutions.

C4V announced in May this year that it has supplied batteries to an offtake customer Maritime Tactical Systems (Martac) using its proprietary BMLMP cathode technology for its unmanned water and surface vessels. These batteries are 20KW in size and will be used in commercial marine vessels for demonstration and testing purposes. The aim of the extreme condition testing program would be to make the BMLMP batteries compatible in many applications.

The C4V Generation 1 battery cells were built in prismatic form factor with the BMLMP cathode and delivered to Martac as fully built battery packs for drop in replacement. The prismatic cells built are of the exact size that are aiming to be commercially produced from the New York Battery Plant. Martac have signed a commercial in confidence agreement on cost and supply terms of batteries to be used in maritime boats. It is anticipated Martac would need several hundred MWh of batteries over the next five years to satisfy the demand levels they currently have for their vessels.

“The Company announced to the ASX in September last year that it completed a transaction to acquire a 10% interest in C4V, a US-based intellectual property company”



Review of Operations

TOWNSVILLE

iM3 Townsville, a subsidiary of iM3, has received government approval for a \$3.1 million grant supporting the feasibility study into the establishment of a 15 GWh Lithium-ion Battery (LIB) manufacturing plant in Townsville, Queensland. The Jobs and Regional Growth Fund Assistance Agreement was formally signed in August last year by iM3 Townsville directors and the State of Queensland, acting through the Department of State Development, Manufacturing, Infrastructure and Planning.

The Assistance Agreement defined three distinct payment milestones associated with the staged delivery of components of the feasibility study and supporting information. The expenditure end date in the Agreement has been set as 30 September 2019 and at the time of writing, solid advances have been made on the feasibility study. An initial draft version of the feasibility study was submitted to the Queensland Government at the end of July 2019.

Subsequent design work has resulted in a modular design that captured economies of scale whilst allowing the project to be staged. The study and relevant costings are now focused on three 6 GWh modules, effectively making the facility an 18 GWh plant.

The study to date is confirming the suitability of Townsville in large-scale manufacturing because of:

- › Market proximity to rapidly growing Asian economies where electrification of transport and energy storage are emerging as disruptors in global markets;
- › Logistics with easy access to Townsville Port and local availability of battery materials and precursors such as lithium and manganese;
- › Townsville's plans to be a leading city of the future with an ambition to become the centre of high technology manufacturing with an emphasis on sustainability.
- › The right people to execute with a supportive government and project team with unrivalled expertise in LIB innovation, business development and project delivery;

The business case for the facility at Townsville continues to positively evolve across the following key areas:

- › **Strong Battery Market Fundamentals.** Electrification of mobility and the transition to renewables continued unabated in 2018. Global growth in electric vehicle sales was over 50% above that for 2017 with 2019 forecast to deliver even greater growth as automotive manufacturers broaden their EV offering across their fleet;

- › **Growing Government Support.** The average cost of energy generated by renewable solar and wind projects fell below the average cost of existing alternatives in 2018₁. This has encouraged public support for climate action in many jurisdictions around the world through lower power prices, new policies incentivising electromobility, renewables and LIB storage;
- › **Local Business Engagement.** iM3TSV is also investigating and identifying future participation of local businesses in both the construction and operating phases of the project. iM3TSV's scoping study established local content opportunities to be in the order of A\$300 million across a range of items including labour, power, fuel, security and logistics;
- › **Global Partnering.** iM3TSV is continuing to establish global partnerships with component suppliers, industry specialists and tertiary education organisations [international and national]. Testing and qualification of battery input materials involving over 30 well known global suppliers has occurred over the past 12 months in iM3NY's facility located in upstate New York;
- › **Downstream Co-Location Opportunities.** Opportunities representing an additional potential economic gain to the local economy in the order of US\$750M to US\$1.5B annually; and
- › **Cost Competitiveness.** iM3TSV is engaging with each level of government to seek to create supportive policy, targeted incentivisation and collaboration for future R&D initiatives.

The economic and strategic benefits of the Townsville project include:

- › Creating approximately 1150 jobs in a high technology industry;
- › Promoting sustainable industries in North Australia;
- › Supporting Townsville through the current local economic downturn;
- › Realising higher value from Australia's resource endowment; and
- › Transitioning Australia to a lower carbon economy and associated industries.

“ iM3 ... received government approval for a \$3.1 million grant the establishment of a 15 GWh Lithium-ion Battery ... manufacturing plant in Townsville ”



Creating Australia's first large scale LIB manufacturing facility has required bringing together the technical expertise of global equipment vendors with local engineering specialists. In particular Ausenco, based in Brisbane, are overseeing process development and the GHD office in Townsville has managed site development and building design.

To date iM3TSV is encouraged by the response it has received from the financial community and government groups regarding financial participation in the project. All groups are awaiting the feasibility study which will be a major catalyst prior to making a commitment.

1. <https://reneweconomy.com.au/australias-plunging-wind-solar-storage-costs-stun-fossil-fuel-industry-60383/>



Review of Operations

NEW YORK

Imperium3 New York, Incorporated (iM3NY) is a company established in the USA that owns battery plant assets located in a planned lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York. iM3NY purchased the plant equipment and machinery for US\$5 million from a plant based in North Carolina, USA and included machinery from operations such as slurry making to coating to cell assembly and formation. The assets were then disassembled, packaged and shipped from the North Carolina location to the Huron Campus in the second half of last year.

Magnis has a 50.86% ownership via its direct and indirect shareholding in the iM3NY company and NY battery plant project.

iM3NY received New York State Government support and financial incentives to build the first Gigafactory [15GWh/year] for lithium-ion battery cell production in New York. The first production line is for a planned 1GWh/year capacity and then expand to the full capacity. Significant capital and investment are required for the start-up of operations and production for iM3NY.

In March this year, a Term Sheet for US\$52 million was signed by iM3NY for funding via a pre-issued European bond used to fund renewable energy projects. Final debt finance documents have since been received for the debt finance, however these required further changes and clarification before any progression on the offer could be made. At this present time, no further progress on this offer has been made.

During the past few months, financial institutions including large overseas investment banks have been conducting some due diligence on project funding for New York. iM3NY believes a number of these groups are in their final stages of review with potential of looking at a split of debt and equity into the New York project.

OTHER BATTERY PLANTS

Over the last few years the Company and its partners have highlighted some future growth areas to produce lithium-ion batteries. Government and corporate meetings in the sub-continent, the Middle East and Asia have yielded early promising results with regard to establishing future lithium-ion battery manufacturing plants and these opportunities will be pursued with vigour.



NACHU GRAPHITE PROJECT

The Nachu Graphite Project is located near Ruangwa, in the south-east of Tanzania and approximately 220km to the Tanzanian port of Mtwara.

The Nachu Graphite Project is shovel ready with a Special Mining Licence (SML) SML 550/2015 on the project granted by the Ministry of Energy and Minerals (MEM) of Tanzania in September 2015. The SML was granted to UTZ, the 100% owned Tanzanian subsidiary of Magnis.

The global Mineral Resource Estimate at Nachu was announced on 1 February 2016 and comprises 174 Million Tonnes (Mt) at an estimated grade of 5.4% Graphitic Carbon [Cg]₂ and is reported in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012). The Nachu Project represents one of the largest Mineral Resources of large flake graphite in the world.

The Nachu Graphite Project Mineral Resource Estimate was carried out by independent mining consultancy AMC Consultants Pty Ltd (AMC).

A Bankable Feasibility Study (BFS) for the Nachu Graphite Project was released to the ASX on 31 March 2016 and there have been no further alterations to this BFS at present.

The Ore Reserve was estimated by Orelogy Consulting Pty Ltd (Orelogy) and as announced on 31 March 2016. The total Proved and Probable Ore Reserve comprises 76 Mt at 4.8% Cg for 3.6 million tonnes of contained graphite.



This Ore Reserve provides sufficient material for an initial operating life of approximately 15 years. This comprises approximately 11.7 years at 240,000 tpa nameplate concentrate output after which lower grade ore stockpiles are processed for another 3.5 years at an average concentrate output rate of 160,000 tpa.

There is strong potential for extension of operating life at or near nameplate capacity (240,000 tpa) with further conversion of high grade Mineral Resources into future mine planning scenarios.

2: ASX Announcement 1 February 2016, Nachu Graphite Project Updated Mineral Resource

3: ASX Announcement 31 March 2016, Nachu Bankable Feasibility Study Finalised

“ This Ore Reserve provides sufficient material for an initial operating life of approximately 15 years ”

Review of Operations

SEZ

Special Export Zone (SEZ) legislation was introduced in Tanzania in 2006. The legislation provides incentives for companies to create value addition and advance employment and development of the country.

SEZ licences are issued by the Minister of Industry and Trade with key benefits including the exemption from payment of corporate tax for up to 10 years, the exemption of taxes and duties for machinery, equipment and construction materials for the development of SEZ infrastructure and the exemption from payment of withholding tax on rent, dividends and interest for 10 years.

To date the majority of existing SEZ license owners come from the Agriculture Processing, Assembly and Engineering and Textile and Apparel sectors.

Magnis was provided approval by the Export Processing Zones Authority (EPZA) in March 2017 to operate within a SEZ in Tanzania which will allow the Company to apply the advanced technologies it has been developing to produce value enhanced graphite products.

The SEZ under the jurisdiction of the Department of Industry, Trade and Investment, governs the operation of

the graphite processing plant and is not subject to the changes in the mining legislation announced late in 2017.

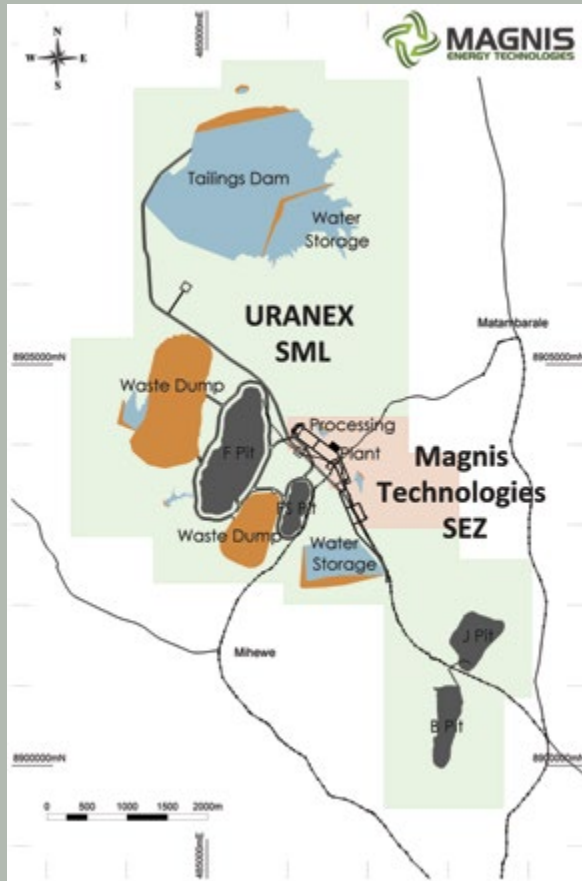
Following the introduction of new mining sector legislation in Tanzania during the second half of 2017, Magnis has continued to progress discussions with the Government of Tanzania (GOT) regarding the development of the mining and processing projects. The GOT has expressed its desire to see the implementation of large projects that will add significant value to the country's economy and development.

Those discussions led to Magnis submitting a proposal outlining that the entire Nachu processing plant will operate under MTT in the SEZ licence area, with the products from the SEZ continuing to be advanced graphite products that can be made using Magnis' proprietary technology.

MTT will initially produce refined Jumbo and Super Jumbo Flake products and spheroidal graphite products for the lithium-ion battery market. UTZ will operate under the laws and regulations applicable to the country's mining industry under the Ministry of Minerals (previously Ministry of Energy and Minerals).

The impacts of the amended SEZ on MTT and UTZ is tabled below.

Uranex Tanzania	Magnis Technologies Tanzania
Government Jurisdiction:	Government Jurisdiction:
<ul style="list-style-type: none"> Ministry of Minerals 	<ul style="list-style-type: none"> Ministry of Industry, Trade and Investment
Scope of Operations:	Scope of Operations:
<ul style="list-style-type: none"> Ownership of mining license Establish mining quarry to deliver ore to SEZ and includes operation of mining pits and waste stockpiles Contract mining operations 	<ul style="list-style-type: none"> Ownership of processing plant in SEZ Ownership of utilities including power plant located within the SEZ Ownership of warehouse and port storage facilities Graphite rock crushing, grinding and flotation circuit operations for concentrate production Operation of purification operations for high purity graphite production Processing of high purity graphite to make value added products for applications that include lithium ion battery Marketing and export of products
Capital Expenditure:	Capital Expenditure:
<ul style="list-style-type: none"> ~US\$40 million 	<ul style="list-style-type: none"> ~US\$230 million
	Incentives:
	<ul style="list-style-type: none"> Tax and duty breaks Full ownership by Magnis International arbitration No restriction of retaining earnings outside of Tanzania



The key change under the amended agreement is that MTT will now purchase graphite ore directly from UTZ, which is the holder of the SML for Nachu. This differs from the previous arrangement whereby, it was agreed that MTT would buy graphite concentrate from UTZ. The sale price of graphite ore from Nachu, as per the proposal to the GOT, will be based on an agreed formula for the value of the ore at the gate with consideration to international benchmark pricing to ensure transparency.

At a project level, UTZ will control the mining or quarry operations, water supply system and tailings dam operation, and will deliver ore to the MTT processing plant. UTZ will also operate in accordance with the legislation changes made in 2017 regarding GOT participation.

The SEZ is sited over the original SML plant infrastructure location allowing for continued best case economics for ore transportation. Magnis continues to reassess the previous BFS with revised pricing and obtain separate Capex and Opex costs for both MTT and UTZ. Engineering, Procurement and Construction costs are currently being sourced, together with the all-important project funding opportunities.

The SEZ area covers 206 hectares and has been excised from the original Nachu SML. A map showing the SEZ licence area is shown in the figure below.

Within the past year the progression of the SEZ development has included formal surveying, clearing of land and processing plant location boundaries, updated engineering design and layout of administration and support site facilities to be included within the SEZ.

PROCESSING OXIDES

The Company has been investigating methods to provide significant improvements in graphite processing techniques. Under the direction of Magnis Chief Executive Officer, Mr Frank Houllis, who has over 25 years' experience in processing metallurgy, a continuous improvement program was undertaken in recent months with one significant result being the ability to process oxide material as mined.

Oxide material previously to be stockpiled for later batch processing at end of mine life, can now be processed as mined through one simplified action and will result in reductions of volume of oxide material entering the process stream. This enables the removal of the oxide stockpile and associated rehandling costs to realise improved upfront efficiency in mining sequence.

Dr Houllis has been instrumental in taking advantage of the excellent crystal structure of graphite in the Nachu ore to produce >99% purity graphite products with only four stages of flotation when the industry standard is ~95% purity using significantly more stages of flotation.

These improvements in project fundamentals are supporting the capture of engineering cost efficiencies and will assist to negotiating finance for the Nachu Graphite Project.

SITE WORKS AND PROGRESS TO CONSTRUCTION COMMENCEMENT

Progress has been made with site works around Nachu, with the clearing of access roads and community diversion roads. The main access road and southern road to the Special Mining Licence area has been cleared and internal mining lease access roads continue to be surveyed and cleared to optimise logistics for project implementation. The southern diversion road is a new access road along the SML boundary, specifically developed to keep communities connected without the need to traverse the mining lease.

The progress made with the site works combined with the improved processing and mining fundamentals provides additional support of the full Nachu Graphite Project BFS₃ outcomes. These improvements are being captured in

Review of Operations

the completion by third parties of full engineering and procurement contract work programs that are occurring in parallel with full project financing efforts.

As part of the Magnis valuation and compensation program that was successfully completed during the past financial year, there is a need to look after the relocation of families that resided within the SML area. 59 households ranging from relatively well-built local clay fired brick houses that are roofed with corrugated iron sheets to poorly built mud walled, and grass thatched houses were identified to be inside the SML area. These people must be resettled elsewhere or placed into short term rental accommodation whilst new housing is built to make way for development of the mine and its infrastructure.

Magnis has decided to build alternative modern houses outside the SML and to do so has acquired 54 acres of land outside the SML area to build houses for the affected households falling inside the SML. This village land is currently named Nachu Village and since it will host a minimum of 59 households, key social facilities will be required to support the population of the area. The Nachu Village will likely in time, become a small township and for this reason, a separate ESIA study was completed to identify, assess and focus on all positive and negative impacts generated by the establishment of such a small township to properly mitigate the negative impacts and enhance positive benefits of establishing such a village. The ESIA is a key planning and management tool of the township during the construction and operational phase of the Nachu Village project.

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

The preparation activities are now quickly being finalised along with a schedule towards Nachu being the next quality African graphite project to commence construction. The Board and Management are focused on achieving a suitable financing package in an appropriate format for this to occur.

3: ASX Announcement 31 March 2016, Nachu Bankable Feasibility Study Finalised



“ Magnis continues to visit all 99 schools within the district [83 primary schools and 16 secondary schools] with an estimated 34,000 students ”

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Magnis Group is committed to practices of good corporate citizenship with safety, environmental and social integration providing sustainable economic and self-perpetuating social improvement being at the forefront of our endeavours. This includes task assessments and consultations as standard procedure, integrating all aspects of an activity to ensure the appropriate and balanced path is taken to satisfy regulatory requirements whilst in line with best practice and the highest international standards.

Magnis is committed to support the host communities and our various stakeholders. Magnis continues its excellent track record on stakeholder engagement and is building on the positive relationships with governments and local communities.

The broader Magnis involvement in battery manufacturing and the potential of the Special Economic Zone (SEZ) will bring to Tanzania has been very positively received by the GOT since substantial value addition will be made within the country. The Local Villages and District Government have been very supportive to the Nachu Graphite Project resulting from a united inclusive approach with regular consultations and progress updates.

The Magnis Community Partnership Program (MCP) contributes various inputs, from time and planning skills, to materials and equipment for community development programs in matters such as cultural awareness, education, agriculture, environment, sport and health. The MCP has extended its programs addressing access to learning material and plans to assist in the setup of a central library supporting the local schools. Magnis has four freight containers of books and furniture available for the library with land surveyed and cleared by Magnis in Ruangwa aligned with the District development plan.

Magnis continues to visit all 99 schools within the district (83 primary schools and 16 secondary schools) with an estimated 34,000 students to gain valuable information via a continuous improvement school survey, initially conducted as a familiarisation exercise for the Company to understand the different challenges each school experiences and what the Company incorporate into future assistance programs to provide the greatest benefit.

Programs undertaken within the education area during the year included teacher support systems and delivery of learning material purchased by Magnis. Through February to March 2019, Magnis provided to the district primary schools, 2,730 English story books and 86 Tanzanian Maps to support the curriculum.

Subsequently in May 2019, Magnis provided the district secondary schools with a total of 1,960 science textbooks and periodic tables.

Other school programs Magnis has been able to assist with include desk repairs for primary schools within Ruangwa, whereby a total of 35 desks were repaired by the UTZ CSR team, thus providing the school with an additional 105 seats for the students. Other programs included maintenance of the proposed community garden site which was cleared and cleaned by UTZ allowing a base for future design and development but importantly reduces community contact with snakes and pests as all overgrown vegetation and bushes were cleared from site, leaving it accessible to the general public.

Magnis actively promotes dynamic employee participation in continuous improvement processes within the broader area of Occupational Health and Safety. Through employee training and engagement in this area, Magnis has a high standard of safety, with no work-related incidents over the past year. Continuous improvement is always a focus in minimising the risk to employee safety as the Magnis Group moves through the stages of project development.

Magnis have previously provided sponsorships in district events in the Ruangwa region including events supporting women's empowerment and education, the establishment of the local running club and providing resources for national festival events. This involvement and minor contributions continue and creates local participation within the community and a positive environment.

The Magnis commitment to maintaining the Ruangwa operations office contributes directly to the economic and social development of the local community. Our presence benefits local populations by creating direct employment and indirect economic benefits through the local procurement of food, accommodation and other supplies like construction materials where possible. An example was the November to December 2018 grave relocation program required as part of the SML land acquisition and land and asset valuation compensation process. Supplies were purchased for locally made headstones and caskets were made locally. Additionally, the ongoing site clearing program allows for suitable timber to be taken and utilised by local communities for projects such as schools and other community buildings. This naturally aids the positive community relationship providing a platform for Magnis for future success in project development and local benefits that go together with the ongoing and planned support programs.

Review of Operations

CAPITAL MARKETS

Magnis announced in September last year that AL Capital Holding [ALC] had invested \$11.1 million in the Company. The placement involved the issue of 30,000,000 shares to ALC at A\$0.37 per share.

ALC is the private investment arm of Aqualand Group which has established itself as a leading property development company.

The funds raised allowed Magnis to capitalise on current and future growth opportunities in the battery technology sector; and, to fund the ongoing investment in the future development of the Company's 100% owned Nachu Graphite project.

ALC then provided further support in the following weeks in their investment, by increasing their holding in Magnis through on market acquisitions of the Company's shares and becoming a substantial shareholder.

DIRECTOR MOVEMENTS

A few days after the ALC funding news, the Company announced that The Hon. Warwick Smith AM had been appointed as a Non-Executive Director of the Company. Mr Smith is current Chairman of ALC and his detailed experience and credentials are disclosed in the Directors Report section on page 22.

Dr Ulrich Bez resigned as a Non-Executive Director of the Company in February 2019, whilst the Company in March 2019 appointed Mr Les Hosking as a Non-Executive Director. Mr Hosking's detailed experience and credentials are also disclosed in the Directors Report section on page 22.

In November 2018, Mr Marc Vogts moved into the newly created Managing Director role, after previously holding the position of Non-Executive Director.



“ \$11.1 million.... allowed Magnis to investment in the future development of the Company's 100% owned Nachu Graphite project ”



Review of Operations

COMPETENT PERSONS STATEMENT

All information with respect to geology, assay results, results interpretation or resource statements of the Nachu tenements have been extracted from ASX announcements made by the Company during 2016 and 2017 as listed below, and which are available to view at www.magnis.com.au. The Company confirms that it is not aware of any new information or data subsequent to those announcements that materially affects the information included in this document and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company also confirms that the form and context in which the Competent Person's findings are presented have not been materially altered.

Previous related ASX announcements include: 31 March 2016; Nachu Graphite Bankable Feasibility Study Finalised [C Moormann, Orelogy Consulting Pty Ltd, A Proudman, AMC Consultants and B Laws, Exploration Manager Magnis Resources Ltd], 1 February 2016; Nachu Graphite Project Updated Mineral Resource [A Proudman, AMC Consultants and B Laws, Exploration Manager Magnis Resources Ltd]

The information in this report that relates to Ore Reserves is based on information reviewed or work undertaken by Mr Carel Moormann, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr Moormann is a Principal Mining Consultant employed by Orelogy Consulting Pty Ltd. Mr Moormann has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the preparation of mining studies to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Moormann consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to the Mineral Resources is based on information compiled by Mr A Proudman, a Competent Person who is a Fellow and Chartered Professional Geology of the Australian Institute of Mining and Metallurgy. Mr Proudman is employed by AMC Consultants Pty Ltd. Mr Proudman has no financial interests in Magnis Energy Technologies Ltd and is independent of the company. Mr Proudman has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr A Proudman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Laws is a full time employee of Magnis Energy Technologies Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results. Mr Laws, a Competent Person who is a registered Member of the Australasian Institute of Mining & Metallurgy, consents to the inclusion of the data in the form and context in which it appears.

SCHEDULE OF MINERAL TENEMENTS

Tenement Number	Project / Tenement Name	Locality	Group Ownership %
SML550/2015	SML Nachu	Tanzania	100
PL10906/2016	Nachu	Tanzania	100

An aerial photograph of a savanna landscape. A winding dirt road, reddish-brown in color, cuts through a dense forest of green and yellow trees. The ground is a mix of brown soil and sparse vegetation. In the background, there are low hills under a sky filled with large, white, fluffy clouds. The overall scene is bright and natural.

05 Annual Financial Report

YEAR ENDED 30 JUNE 2019

00 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 Limited (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 2019.

DIRECTORS

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

Frank Poullas (Chairman)

Appointed 10 September 2010 (Director), 29 August 2014 (Chairman).

Frank is an information technology consultant and in his personal capacity, a professional investor specialising in the graphite, lithium-ion battery material and uranium sectors. For the past thirteen years he has been involved in various ventures increasing shareholder value in these sectors. Frank has a significant number of share holdings in the Company collective with his pro-active nature of business.

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

None.

Special responsibilities

Frank is the Chairman of the Remuneration Committee and is also a member of the Audit and Sustainability Committees.

Marc Vogts (Managing Director)

Appointed 2 November 2016. Appointed as Managing Director 15 November 2018.

Marc is a project executive with over four decades of experience in the mining industry and over 30 years experience as a Senior Executive in major projects in South Africa, Madagascar, Australia, Canada, Chile, Papua New Guinea and USA.

Marc has held project executive director roles for the likes of BHP Billiton and Rio Tinto during his career. In recent roles Marc was Project Director for the QMM Project in Madagascar for Rio Tinto, Vice President for Project Management for BHP Billiton and Vice President for all Uranium Projects including Olympic Dam for BHP Billiton.

Prior to assuming the Managing Director role at Magnis, Marc was the foundational Chief Executive Officer of the John Grill Centre for Project Leadership at the University of Sydney, a world leading project leadership executive education for value creation and realisation in large-scale projects.

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

None.

Special responsibilities

He became a member of the Remuneration Committee on 20 April 2018.

Peter Tsegas
[Non-Executive Director]

Appointed 16 June 2015

Peter has over 19 years of experience in Tanzania where he has been a resident for the past fourteen years. He has worked to engage both the private and government sectors on a number of projects and was Managing Director of Tancoal Energy Ltd which he successfully took from an exploration company through to a JV with the Tanzanian government and then into production.

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

None.

Special responsibilities:

He became Chairman of the Sustainability Committee from 1 January 2016 and was appointed to the Audit Committee on 11 March 2016.

Johann C Jooste-Jacobs
[Non-Executive Director]

Appointed 27 August 2010

Johann has more than 35 years experience in the resource sector where he has managed established companies, acquisitions, expansions and start-up mining operations in Australia, South Africa and Indonesia. He is currently Executive Chairman of King Island Scheelite Limited and a Non-Executive Director of Erinbar Limited (delisted in January 2016 and previously known as Australian Zircon NL).

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

King Island Scheelite Limited [ASX:KIS]

Special responsibilities:

He is Chairman of the Audit Committee and a member of the Remuneration Committee.

Distinguished Professor
Michael Stanley Whittingham
[Non-Executive Director]

Appointed 4 November 2016

Professor Stanley Whittingham has over four decades of experience in the lithium-ion battery industry and is best known for being a key figure in the invention of the lithium-ion battery technology which earned him a nomination for the Nobel Science Prize.

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 240 pieces of scientific and engineering literature.

Currently, Professor Whittingham is a 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), which is an effort being led by Binghamton University, and includes as partners Rutgers University, Stony Brook University, Cambridge University, MIT, University of Michigan, University of California at Santa Barbara and University of California at San Diego. He was elected a member of the National Academy of Engineering in 2018.

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

None.

Special responsibilities

None.

Directors' Report

Leslie Hosking (Non-Executive Director)

Appointed 5 March 2019.

Les has a long and distinguished career which spans over four decades in Australian business with a strong focus in the energy and the global futures industries. Currently, he is serving as an Independent Non-Executive Director of AGL Energy Limited (ASX: AGL) and is an Adjunct Professor of the University of Sydney John Grill Centre for Project Leadership.

Previously Les was the Chief Executive Officer and Managing Director of the Sydney Futures Exchange, Chairman of Adelaide Brighton Limited (ASX: ABC), Chief Executive Officer of Axiis Australia an Australian Government inward investment agency used to promote Australia as a global financial service and a Director at the Australian Government's Industry Research and Development Board.

In the domestic energy industry, Les has served as the Chief Executive Officer and Managing Director at National Electricity Market Management Company (NEMMCO), Director of the Australian Energy Market Operator (AEMO), The Carbon Market Institute Limited and Innovation Australia Pty Ltd.

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

AGL Energy Limited (ASX:AGL)
Adelaide Brighton Limited (ASX:ABC)

Special responsibilities

Sustainability Committee Member

Hon. Warwick Smith AM (Non- Executive Director)

Appointed 7 September 2018

Warwick has extensive public policy and commercial acumen and a wealth of experience from national and international business relations in a variety of industries including property, financial services, natural resources, energy, transportation, heavy machinery and equipment, health, media, technology and entertainment.

He is Chairman Advisory Board - Australian Capital Equity, holders of interests in Seven Group Holdings, West Australian News, Coates Hire, WesTrac and Caterpillar industrial services and equipment in Western Australia and New South Wales. He is Executive Chairman of AL Capital and Aqualand Australia and Director of Global Strategy, Shanghai Shenglong Investment Group Limited.

Warwick has served as Chairman of the Australia-China Council for over 8 years and has just been announced as Chair of the National Foundation for Australia-China Relations. He concurrently serves as Chairman of the China Leadership Group of the Business Council of Australia. In addition, he is current Global Trustee of the Asia Society and Chairman Emeritus of the Asia Society in Australia; Special Envoy - Trade and Investment Trade and Investment, New South Wales Government - Department of Industry NSW Trade & Investment.

During his Parliamentary career spanning 15 years, Mr. Smith held many portfolios as a Federal Government Minister including Minister of Sport, Territories and Local government along with Minister Assisting the Prime Minister on the Olympic Games in Sydney and Minister of Family Services. Various Shadow Minister roles included Communications, Privatisation, Aboriginal Affairs and Science and Energy and Leader of the House of Representatives.

Previously, Warwick was an Executive Director with the Macquarie Bank Group (ASX: MQG), Chairman New South Wales and Australian Capital Territory and former Senior Managing Director for the ANZ Banking Group Limited (ASX: ANZ), Chairman of E*TRADE Limited, Chairman of the Australian Sports Commission and Australia's first Telecommunications Ombudsman. He has received a Centenary Medal and has twice been awarded an Order of Australia.

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

Seven Group Holdings (ASX:SVW)
Estia Health Limited (ASX:EHE)

Special responsibilities

None.

Dr Ulrich Helmut Bez
[Non-Executive Director]

Appointed 7 February 2017.
Resigned 28 February 2019.

Dr Bez has over four decades of experience in the automotive industry. He is viewed as one of the key figures contributing to the future of the industry in the last 40 years. He had executive roles in some of the world's most recognised luxury car brands, as well as premium and mass car manufacturers.

During his career Dr Bez was the Chairman and Chief Executive Officer for Aston Martin between 2000 and 2014. During that period Dr Bez has been internationally acclaimed for turning Aston Martin into the global luxury brand that it is today.

Dr Bez has played an important role in shaping global powerhouses Porsche and BMW. In Porsche Dr Bez kept the iconic Porsche 911 alive with the 993 development, ignoring the Boards desire to replace the 911. He led the design and development of the 911 Turbo along with many other models while in BMW he created the BMW Technik GmbH division which included the design of the critically acclaimed Z1 model.

Dr Bez has also held director level roles with the likes of Daewoo and has been an advisor of some of the world's largest automotive organisations.

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

None.

Special responsibilities

None.

COMPANY SECRETARY

Doug Richardson
[Company Secretary]

B.Com [Economics & Finance],
Grad Dip. Applied Finance & Investment

Appointed 14 January 2015

Doug Richardson has over 24 years experience in the financial services and resources sectors. His experience has included investment research, analytics and client advising for various organisations including GIO Asset Management, The Australian Prudential Regulation Authority, Suncorp and Philo Capital Advisers.

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	Ordinary Shares	Options over Ordinary Shares
Frank Poullas	15,193,895	1,000,000
Hon. Warwick Smith	650,200	1,000,000
Leslie Hosking	100,000	-
Johann Jooste-Jacobs	5,330,714	1,000,000
Marc Vogts	3,114,759	1,000,000
Stanley Whittingham	-	1,000,000
Peter Tsegas	770,000	1,000,000

Directors' Report

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group has a multi strategy business of lithium-ion battery technology manufacturing in the USA and Australia combined with pre-mine development of its Nachu Graphite project in Tanzania. The Group is committed to minimum expenditure requirements in relation to its Nachu tenements.

Magnis continues to advance its multi strategy business plan of developing:

- As a strategic partner, the rapid advancement of two (2) proposed lithium-ion battery ('LIB') gigafactories in the USA and Australia.
- The mining and processing of high purity natural flake graphite from the Group's 100% owned Nachu Graphite Project

DIVIDENDS

No dividends have been paid during the year (2018: \$NIL). The Directors do not recommend the payment of a dividend for this financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Directors are not aware of any developments that might have a significant effect on the operations of the Group in subsequent financial years that are not already disclosed in this report.

CORPORATE INFORMATION

Magnis Energy Technologies Limited is a Company limited by shares that is 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 scheme are included in the option aggregate.

Details of shares or interests issued during and after the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Total amount paid for shares	Amount unpaid on shares
Magnis Energy Technologies Limited	750,000	Ordinary	\$300,000	\$nil

EMPLOYEES

Magnis Energy Technologies Limited had six employees as at 30 June 2019 (2018: six employees).

Category of employee	Total	Gender	
		Male	Female
All Employees and Board	12	10	2
Senior Executives	5	4	1
Board	7	7	-

Uranex Tanzania Limited had eleven full time employees as at 30 June 2019.

Category of employee	Total	Gender	
		Male	Female
All Employees	11	8	3

CORPORATE

Director Movements

The Hon. Warwick Smith was appointed as Non-Executive Director on 7 September 2018.

Mr Leslie Hosking was appointed as Non-Executive Director on 5 March 2019.

Mr Marc Vogts was appointed as Managing Director on 15 November 2018.

Dr Ulrich Helmut Bez resigned from his position of Non-Executive Director on 28 February 2019.

Placements

On 4 September 2018, Magnis announced it had secured a \$11.1million investment through the issue of 30,000,000 fully paid ordinary shares at \$0.37 per share to AL Capital Holdings ("ALC"). The investment resulted in a 4.98% equity holding in Magnis and The Hon. Warwick Smith, AO, joining the Board of Directors as representative of ALC.

The funds raised were used to strengthen the balance sheet to allow Magnis to capitalise on current and future growth opportunities in the battery technology sector and to fund the ongoing investment in the future development of the Company's 100% owned Nachu Graphite project.

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

Exercise of Listed Options

There were no listed options that were exercised. No options are currently listed on the market.

Exercise of Unlisted Options

There were 750,000 unlisted options that were exercised during the period. The proceeds from the exercising of these unlisted options amounted to \$300,000.

Company Staffing

Travis Peluso's position as Investor Relations – Director was made redundant on 20 June 2019.

OPERATING RESULTS FOR THE YEAR

The Group incurred an operating loss after tax of \$5,549,553 (2018: \$5,417,885). Refer to Note 1 of the financial statements for accounting policies used. Summarised segment operating results are as follows:

	2019	
	Income \$	Results \$
Lithium-ion Battery investments	43,404	(301,144)
Graphite exploration and development	295,150	(5,248,409)
Intersegment elimination	-	-
Income and losses before tax	338,554	(5,549,553)

The Group has maintained a reduced exploration and evaluation expenditure programme following the announcement in July 2017 of amendments to the Tanzanian Mining and Resources Legislation. The Group has however completed a number of pre-development initiatives during the year such as completing the Compensation Program and minor land clearing works. Exploration costs for the year amounted to \$1,479,190 (2018: \$1,449,655).

The Group has continued to increase its strategic investments in the businesses of lithium-ion battery technology manufacturing in the USA and Australia, via a global consortium Imperium3 Pty Ltd.

Directors' Report

REVIEW OF FINANCIAL POSITION

Liquidity and Capital Resources

The statement of cash flows shows an increase in cash and cash equivalents for the year ended 30 June 2019 of \$305,077 [2018 decrease: \$6,030,109]. During the year the Group raised \$11,100,000 [2018: \$5,000,040] before costs from a share placement and \$300,000 [2018: \$1,051,247] from options exercised. At year end the Group has liquid funds of \$1,829,817 [2018: \$1,523,886] available for future operational use and has no borrowings [2018: \$Nil].

Subsequent event - capital raising

On 27 September 2019, Magnis announced that it had secured a \$8 million investment through the issue of fully paid ordinary shares to Middle East based Negma Group Limited. Negma will provide up to \$8 million over a 12-month period with a maximum monthly subscription of \$700,000. The price of the shares issued will be at an 8% discount to the previous ten day Volume Weighted Average Price ('VWAP'). The Company has the flexibility to call the monthly amounts and can cancel the agreement at any stage. In addition, the Company will issue of 4,000,000 Unlisted Options in the Company at an exercise price of \$0.40 per share with an expiry date of 30 April 2021 subject to shareholder approval.

The funds will be used for working capital and advancing all projects.

Shares and Options Issues

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

- \$11,100,000 [2018: \$5,000,040] from a share placement of 30,000,000 [2018: 12,500,100] ordinary fully paid shares.
- \$300,000 [2018: \$1,051,247] from the exercise of options then subsequent issue of 750,000 [2018: 3,750,000] ordinary fully paid shares.
- A further 7,507,508 fully paid ordinary shares were issued to Charge CCCV LLC ('C4V') at \$0.37 per share as part consideration to complete Magnis' 10% investment in C4V.

Capital Expenditure

Capital expenditure on plant and equipment during the year was \$12,461 [2018: \$65,954].

GROUP PERFORMANCE

Annual Net Income	2019	2018	2017	2016	2015
Consolidated loss after tax	5,549,553	5,417,885	9,756,434	12,026,781	13,244,576

Shareholder Returns	2019	2018	2017	2016	2015
Share price at financial year end [\$]	0.19	0.38	0.515	0.975	0.24
Basic loss per share [cents]	0.92	0.97	2.09	3.42	4.22
Diluted loss per share [cents]	0.92	0.97	2.09	3.42	4.22

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 Board has not established a separate risk management committee but reviewed the major risks to the business with management and has the following processes in place to monitor it:

- The Board has undertaken strategic reviews of its activities and conveyed to management and shareholders its objectives.
- The Board approved operating budgets and at its meetings, 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 levels of Government to maintain awareness as to matters that may affect the Company. The Company has a resident Board member in Africa to assist with the monitoring of sovereign risk for its Tanzanian assets.

The Directors have identified risks associated with our business. Inherently, evaluation, pre-development, technological advancements and competition is a risky undertaking that often provides substantial rewards to investors whenever success is achieved. This is the foremost risk that the Board endeavours to mitigate through its strategic identification of potential mineralisation targets and oversight of management subsequently conducting the respective exploration programmes. The Board is very aware of the financial risks associated with the exploration and mining industry and the technology risks associated with the battery and energy storage industry. The Group presently accesses funds through the capital markets in order to fund its future business needs. The capital markets are subject to prevailing economic conditions so the Directors are attuned to raising funds to meet future needs when circumstances permit.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

None to report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's exploration activities in Tanzania are subject to environmental regulations and guidelines operating 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 2019. The New York lithium-ion battery plant scheduled for operation in the 2020 calendar year will be subject to Environmental and Planning Regulations from various government authorities, that will be strictly managed and adhered to by the consortium members of iM3NY.

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:

	Directors Meeting		Audit Committee		Remuneration Committee		Sustainability Committee	
	A	B	A	B	A	B	A	
Number of meetings attended:								
J C Jooste-Jacobs	8	8	2	2	-	-	*	*
F Poullas	8	8	2	2	-	-	-	-
P Tsegas	4	8	-	2	*	*	-	-
L Hosking	4	4	*	*	*	*	-	-
M Vogts	8	8	*	*	-	-	*	*
W Smith	7	7	*	*	-	-	-	-
MS Whittingham	5	6	*	*	*	*	*	*
U Bez	6	6	*	*	*	*	*	*

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.

The Audit Committee comprised J C Jooste-Jacobs (Chairman), F Poullas, and P Tsegas. The Remuneration Committee comprised F Poullas (Chairman), J C Jooste-Jacobs and M Vogts. The Sustainability Committee comprised of P. Tsegas (Chairman), F. Poullas and L.Hosking. L.Hosking joined the Sustainability Committee in March 2019

REMUNERATION REPORT (AUDITED)

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

Directors' Report

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 amount 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 the mineral exploration industry market place. The Remuneration 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 Committee. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability.

The current maximum aggregate of Non-Executive Directors fees payable is \$650,000; having been approved by members 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 act as Chairman of Committees. Superannuation is based on each individual Director's service agreement.

DIRECTOR AND OTHER EXECUTIVES DETAILS

Listed on pages 20-23 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:

Marc Vogts- Managing Director
Dr Frank Houllis - Chief Executive Officer
Travis Peluso- Investor Relations- Director (to 20 June 2019)

PERFORMANCE BASED REMUNERATION

The Group currently has no performance-based remuneration component built into the Managing Director's or Chief Executive's remuneration package. Bonuses may be payable at the Board's discretion following the annual performance review. The Company does not have policies regarding risk management of flexible components of remuneration packages.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND EXECUTIVES 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 Committee considers the growth in market capitalisation an important parameter. For non-financial measures a range of factors are considered; market position, relationship with a range of stakeholders, risk management, leadership and team contribution.

SHARE OPTION PLAN

Magnis Energy Technologies Limited operates an ownership-based scheme for Directors and Employees of the consolidated entity. In accordance with the provisions of the plan, shares and options are held on behalf of Plan Participants by the Trustee of the Magnis Option Share Trust ("MOST").

During the financial year 1,000,000 options [2018: 7,000,000] on varying terms and conditions were allotted to the Trust under the share scheme.

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements.

Remuneration agreements are set out below:

Mr Marc Vogts - Managing Director

- › No agreement expiry date;
- › Remuneration is \$300,000 per annum including statutory superannuation guarantee;
- › The agreement and the employment created by it may be terminated by either Magnis Energy Technologies Limited or Mr Vogts giving the other party 3 months' notice; and
- › The agreement is subject to annual review.

Dr Frank Houllis - Chief Executive Officer

- › No agreement expiry date;
- › Remuneration is \$300,000 per annum plus statutory superannuation guarantee;
- › The agreement and the employment created by it may be terminated by either Magnis Energy Technologies Limited or Dr Houllis giving the other party 12 months' notice. The agreement also includes a 6 month 'non-compete' clause for Dr Houllis; and
- › The agreement is subject to annual review.

Travis Peluso - Investor Relations- Director, [resigned 20 June 2019]

- › No agreement expiry date;
- › Remuneration is \$250,000 per annum plus statutory superannuation guarantee.
- › The agreement and the employment created by it may be terminated by either Magnis Energy Technologies Limited or Mr Peluso giving the other party 3 month' notice; and
- › The agreement is subject to annual review.

Other transactions with key management personnel

A total of \$744,468 was paid in consultancy fees to related parties of the Non-executive directors during the financial year [2018: \$341,574]. The consultancy services are provided under normal commercial terms and are disclosed in detail under note 24 and note 25.

Directors' Report

Table 1: Remuneration for the year ended 30 June 2019

Non Executive Directors	Salary & Fees \$	Cash Bonuses \$	Termination Benefits \$	Post Employment Benefits ¹ \$	Share Based Payments Options ² \$	Total \$
F Poullas ³	120,000	-	-	11,400	-	131,400
W L Smith (appointed 7 September 2018)	51,879	-	-	4,929	11,400	68,208
J C Jooste-Jacobs ³	70,000	-	-	6,650	-	76,650
L Hosking (appointed 5 March 2019)	21,074	-	-	-	-	21,074
P Tsegas ³	70,000	-	-	-	-	70,000
M S Whittingham	70,000	-	-	-	-	70,000
U Bez (resigned February 19)	43,328	-	-	-	-	43,328
Key management personnel						
M Vogts	195,608	-	-	19,257	-	214,865
F Houllis	300,000	-	-	44,534	-	344,534
T Peluso (resigned 20 Jun 19)	253,337	-	19,231	23,156	-	295,724
	1,195,226	-	19,231	109,926	11,400	1,335,783

¹ Includes superannuation and movements in compensated absences.

² Share based payments consist of shares, options and rights issued.

³ Fees paid to related entities.

Table 2: Remuneration for the year ended 30 June 2018

Non Executive Directors	Salary & Fees \$	Cash Bonuses \$	Post Employment Benefits ¹ \$	Share Based Payments Options ² \$	Total \$
F Poullas ³	120,000	-	11,400	-	131,400
J C Jooste-Jacobs ³	70,000	-	6,650	-	76,650
P Tsegas ³	70,000	-	-	-	70,000
M Vogts	65,000	-	-	48,700	113,700
M S Whittingham	70,000	-	-	48,700	118,700
U Bez	64,992	-	-	48,700	113,692
P Sarantzouklis (resigned 16 Apr 18)	51,599	-	-	48,700	100,299
Key management personnel					
F Houllis	295,333	-	43,652	46,500	385,485
T Peluso (appointed 4 Dec 17)	144,178	-	17,498	25,650	187,326
R J Chittenden (resigned 15 Sep 17)	92,078	-	9,441	-	101,519
	1,043,180	-	88,641	266,950	1,398,771

¹ Includes superannuation and movements in compensated absences.

² Share based payments consist of shares, options and rights issued.

³ Fees paid to related entities.

Compensation options granted and vested

During the financial year, the following share-based payments were awarded, vested 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 \$
26-Oct-18	26-Oct-21	0.0114	1,000,000	0.70	11,400
26-Oct-18	26-Apr-20	0.0021	5,000,000	0.70	10,500

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 \$
29-Mar-16	06-Nov-18	0.0977	375,000	0.35	36,638
29-Mar-16	06-Nov-18	0.0754	375,000	0.45	28,275

Table 3: Options 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-15	06-Nov-18	0.1255	1,000,000	0.40	125,500
26-Nov-15	06-Nov-18	0.1004	750,000	0.50	75,300
03-Aug-16	03-Aug-19	0.2789	500,000	0.70	139,450
12-Dec-16	12-Dec-18	0.2357	1,500,000	0.75	353,550
07-Apr-17	07-Apr-20	0.0911	250,000	1.00	22,775
14-Dec-17	17-Nov-19	0.0487	2,750,000	0.70	113,525
22-Jun-18	18-Jun-21	0.031	250,000	0.70	7,750

Directors' Report

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	Balance at start of the year	Granted	Additions	Disposals/ others	Balance at the end of the year
F Poullas	14,501,360	-	611,106	-	15,112,466
W L Smith ¹	-	-	650,200	-	650,200
J C Jooste-Jacobs	5,305,714	-	25,000	-	5,330,714
L Hosking ²	-	-	100,000	-	100,000
P Tsegas	20,000	-	750,000	-	770,000
M Vogts	314,759	-	2,800,000	-	3,114,759
M S Whittingham	-	-	-	-	-
U Bez (resigned 28 Feb 19)	-	-	220,000	(220,000)	-
F Houllis	637,945	-	-	-	637,945
T Peluso (resigned 20 June 19) ³	6,547,000	-	-	-	6,547,000
	27,326,778	-	5,156,306	(220,000)	32,263,084

¹ opening balance as at 7 September 2018

² opening balance as at 5 March 2019

³ at time of resignation as Director/ key management personnel.

Option holding

The number 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	Balance at start of the year	Granted	Additions	Disposals/ others	Balance at the end of the year ¹
F Poullas	1,000,000	-	-	-	1,000,000
J C Jooste-Jacobs	1,000,000	-	-	-	1,000,000
P Tsegas	1,750,000	-	-	(750,000)	1,000,000
M Vogts	1,000,000	-	-	-	1,000,000
M S Whittingham	1,000,000	-	-	-	1,000,000
W L Smith (appointed 7 Sept 18) ²	-	1,000,000	-	-	1,000,000
L Hosking (appointed 5 Mar 19) ³	-	-	-	-	-
F Houllis	1,500,000	-	-	-	1,500,000
T Peluso (resigned 20 June 19) ⁴	750,000	-	-	-	750,000
U Bez (resigned 28 Feb 19)	1,000,000	-	-	1,000,000	-
	9,000,000	1,000,000	-	(1,750,000)	8,250,000

¹ all options vest immediately and are exercisable at anytime

² opening balance as at 7 September 2018

³ opening balance as at 5 March 2019

⁴ at time of resignation as Director/ key management personnel

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	2019 \$	2018 \$
Strong Solutions Pty Limited	Frank Poullas is a related party of Strong Solutions Pty Limited and a director of Magnis Energy Technologies Limited	Consulting fees and P&E purchases	Normal commercial terms	314,568	300,064
Peter Tsegas	Peter Tsegas is a Director of Magnis Energy Technologies Ltd	Consulting Fees	Normal commercial terms	420,000	-
Dr Ulrich Bez HonDTech	Dr Ulrich Bez is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	9,900	25,300
M Stanley Whittingham	M Stanley Whittingham is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	-	16,210

2018 REMUNERATION REPORT

The Remuneration Report received positive shareholder support from members [98%] at the 2018 Annual General Meeting.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Details of unissued shares under option as at 30 June 2019 in Magnis Energy Technologies Limited are:

Number of ordinary shares under option	Class of shares	Exercise price of option \$	Expiry date of option
1,300,000	Ordinary	0.7	Aug-19
3,000,000	Ordinary	0.7	Oct-19
2,000,000	Ordinary	0.7	Nov-19
750,000	Ordinary	0.7	Dec-19
2,000,000	Ordinary	0.7	Jun-21
750,000	Ordinary	1	Apr-20
5,000,000	Ordinary	0.7	Apr-20
1,000,000	Ordinary	0.7	Oct-21

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 attached to the options.

There were 750,000 [2018: 3,750,000] shares issued during the 2019 financial year as a result of exercising of options.

Directors' Report

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. 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 Limited 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 total amount of insurance contract premiums paid is confidential under the terms of the insurance policy.

INDEMNIFICATION AND INSURANCE OF AUDITOR

To the extent permitted by law, the Company has not agreed to indemnify its auditors, BDO East Coast Partnership, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit [for an unspecified amount]. No payment has been made to indemnify BDO East Coast Partnership during or since the financial year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person 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.

SUBSEQUENT EVENTS

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

NON-AUDIT SERVICES

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

- › Taxation services –Australia & Tanzania \$67,489
- › Corporate services- Australia \$8,903

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 21 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.

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.

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 36.

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

A handwritten signature in black ink, appearing to read 'F. Poullas', written in a cursive style.

Non - Executive Chairman

Sydney, 30 September 2019

07 Auditor's Independence Declaration



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Australia

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

As lead auditor of Magnis Energy Technologies Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Gareth Few
Partner
BDO East Coast Partnership

Sydney, 30 September 2019

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Statement of Profit or Loss & Other Comprehensive Income

YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019 - \$	2018 - \$
Income			
Interest received		105,747	25,799
R&D Grant		210,684	241,698
Foreign exchange gain		22,123	96,114
Profit on sale of fixed assets		-	4,988
Other revenue		-	22
Total income		338,554	368,621
Expenditure			
Administration expenses		1,314,104	1,128,561
Depreciation expense		120,901	120,124
Directors fees		552,859	589,955
Employee benefits expense		1,303,271	1,070,023
Legal and consulting expenses		794,738	1,069,408
Share based payment to employees	29(a)	11,400	290,200
Share based payment to non-employees	29(a)	10,500	16,125
Share of net loss of associate accounted for using the equity method	28	301,144	52,455
Exploration and evaluation expenses		1,479,190	1,449,655
Total expenditure		5,888,107	5,786,506
[Loss] before income tax expense		(5,549,553)	(5,417,885)
Income tax expense	5	-	-
Net [loss] for the year		(5,549,553)	(5,417,885)
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign currency translation		240,831	141,762
Other comprehensive income / [loss] for the year, net of tax		240,831	141,762
Total comprehensive income / [loss] for the year, net of tax		(5,308,722)	(5,276,123)
Attributable to non-controlling interests		-	-
Attributable to owners of Magnis Energy Technologies Limited		(5,308,722)	(5,276,123)
Basic loss per share [cents per share]	23	0.92	0.97
Diluted loss per share [cents per share]	23	0.92	0.97

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 2019

	Notes	Consolidated	
		2019 - \$	2018 - \$
Current assets			
Cash and cash equivalents	6, 18(b)	1,829,817	1,523,886
Trade and other receivables	7	307,623	140,969
Loan receivables	8	1,822,647	
Total current assets		3,960,087	1,664,855
Non current assets			
Other receivables	9	-	150,977
Financial assets at FVOCI	10	10,020,084	5,848,713
Investment accounted for using the equity method	28	5,291,105	4,020,647
Development assets	11	5,466,492	5,176,682
Plant & equipment	12	53,298	158,205
Total non current assets		20,830,979	15,355,224
Total assets		24,791,066	17,020,079
Current liabilities			
Trade and other payables	13	590,800	1,025,764
Provisions	14	137,740	127,016
Total current liabilities		728,540	1,152,780
Non current liabilities			
Provisions	14	40,821	33,755
Total non current liabilities		40,821	33,755
Total liabilities		769,361	1,186,535
Net assets		24,021,705	15,833,544
Equity			
Contributed equity	15(a)	124,177,419	110,637,523
Reserves	17	6,396,921	7,036,953
Accumulated Profits/(Losses)		(106,552,635)	(101,840,932)
Total equity		24,021,705	15,833,544

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

10 Statement of Changes in Equity YEAR ENDED 30 JUNE 2019

	Notes	Issued Capital \$	Options \$	Share Based Payment Reserves \$	Foreign Currency Translation Reserve \$	Accumulated [Losses] \$	Non controlling interests \$	Total Equity \$
At 1 July 2018		110,637,523	-	2,171,507	4,865,446	(101,840,932)	-	15,833,544
Loss for the period		-	-	-	-	(5,549,553)	-	(5,549,553)
Other comprehensive income/ (loss)		-	-	-	240,831	-	-	240,831
Total comprehensive income/ (loss) for the year		-	-	-	240,831	(5,549,553)	-	(5,308,722)
Transactions with owners :								
Contributions of equity, net of transaction costs		13,474,983	-	-	-	-	-	13,474,983
Share based payments	29	-	-	21,900	-	-	-	21,900
Forfeiture of share-based payments		-	-	(837,850)	-	837,850	-	-
Reclassification from reserve		64,913	-	(64,913)	-	-	-	-
At 30 June 2019		124,177,419	-	1,290,644	5,106,277	(106,552,635)	-	24,021,705

	Notes	Issued Capital \$	Options \$	Share Based Payment Reserves \$	Foreign Currency Translation Reserve \$	Accumulated [Losses] \$	Non controlling interests \$	Total Equity \$
At 1 July 2017		101,278,402	-	3,274,077	4,723,684	(97,502,472)	(72)	11,773,619
Loss for the period		-	-	-	-	(5,417,885)	-	(5,417,885)
Other comprehensive income/ (loss)		-	-	-	141,762	-	-	141,762
Total comprehensive income/ (loss) for the year		-	-	-	141,762	(5,417,885)	-	(5,276,123)
Transactions with owners :								
Contributions of equity, net of transaction costs		9,029,723	-	-	-	-	-	9,029,723
Share based payments	29	-	-	306,325	-	-	-	306,325
Equity transfer on acquisition of share capital in controlled entity		-	-	-	-	(72)	72	-
Forfeiture of share-based payments		-	-	(1,079,497)	-	1,079,497	-	-
Reclassification from reserve		329,398	-	(329,398)	-	-	-	-
At 30 June 2018		110,637,523	-	2,171,507	4,865,446	(101,840,932)	-	15,833,544

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

11 Statement of Cash Flows

YEAR ENDED 30 JUNE 2019

	Notes	Consolidated	
		2019 \$	2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(3,874,219)	(3,808,251)
Payment of exploration expenditure		(1,559,015)	(1,531,310)
Payment for development assets		[425,077]	-
Interest received		62,227	25,799
R&D grant		210,684	241,698
Net cash used in operating activities	18[a]	(5,585,400)	(5,072,064)
Cash flows from investing activities			
Acquisition of plant & equipment		[12,461]	[65,954]
Acquisition of interest in associate		(1,571,602)	(4,073,102)
Acquisition of interest in financial asset		(1,393,592)	(2,599,428)
Payment of loan to related parties		(1,829,073)	-
Net cash flows used in investing activities		(4,806,728)	(6,738,484)
Cash flows from financing activities			
Proceeds from issues/sale of ordinary shares and options		11,400,000	6,051,287
Capital raising expenses		[702,795]	[270,848]
Net cash flows from financing activities		10,697,205	5,780,439
Net increase/[decrease] in cash and cash equivalents		305,077	(6,030,109)
Net foreign exchange differences		854	[990]
Add opening cash and cash equivalents		1,523,886	7,554,985
Closing cash and cash equivalents	18[b]	1,829,817	1,523,886

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

12 Notes to the Financial Statements

YEAR ENDED 30 JUNE 2019

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 Limited and controlled entities ("the Group"). Magnis Energy Technologies Limited is a company, limited by shares, incorporated in Australia whose shares are publicly traded on 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 statement 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 lithium-ion battery technology manufacturing in the USA and Australia combined with pre-mine development of its Nachu Graphite project in Tanzania. The Group is committed to minimum expenditure requirements in relation to its Nachu tenements.

For the year ended 30 June 2019 the Group reported a net loss of \$5,549,553 (2018: \$5,417,885) and net operating cash outflows of \$5,585,400 (2018: \$5,072,064). The operating cash outflows have been funded by cash inflows from equity raisings of \$11,400,000 (2018: \$6,051,287) during the year. As at 30 June 2019 the Group had net current assets of \$3,231,547 (2018: \$512,075) including cash reserves of \$1,829,817 (2018: \$1,523,886).

Subsequent to year end, Magnis announced that it had secured a \$8 million investment through the issue of fully paid ordinary shares to Middle East based Negma Group Limited. Negma will provide up to \$8 million over a 12-month period with a maximum monthly subscription of \$700,000. The agreement includes the option to for an additional \$4 Million subscription on the same terms. The Group's cash reserves are considered sufficient to meet planned expenditure budget, including consortium investment activities, Nachu exploration and development activities, operating and administrative expenditure, for the 12 months to 30 June 2020.

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

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there is material uncertainty that may cast significant doubt 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.

Notes to 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 2019.

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 except as follows:

AASB 15: Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on the allocation of the transaction price. Credit risk is presented separately as an expense rather than an adjustment against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the Group from the adoption of this Accounting Standard is not significant as the Group does not have any revenue from contracts with customers for the period ending 30 June 2019.

(ii) Early adoption of standards

FINANCIAL INSTRUMENTS

The Group elected to apply the following pronouncement from the financial year beginning on 1 July 2017:

➤ AASB 9 'Financial Instruments'

AASB 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement', bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specific dates and solely payments of principle and interest. All other financial instrument assets are to be classified and measured at fair value through profit and loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance against the financial assets measured at amortised cost. Impairment is measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

As at 30 June 2019, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investment in equity instruments and trade and other payables.

Cash and cash equivalents and trade and other receivables previously designated as loans and receivables under AASB 139 are now classified as amortised cost under AASB 9. Trade and other payables are designated as other financial liabilities, which are measured at amortised cost.

Cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to their short-term nature.

The Company classified the fair value of the 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.

The Group has made the irrevocable election on initial recognition of its equity investment in Charge CCCV LLC to present gains and losses in fair value [as it is not held-for-trading] in other comprehensive income [‘FVTOCI’]. The new impairment model under AASB 9 does not apply to this equity instrument.

Impairment of financial assets

AASB 9 replaces the ‘incurred loss’ model in AASB 139 with an ‘expected credit loss’ [“ECL”] model. The new impairment model is applied to financial assets measured at amortised cost, contract assets and debt investments at Fair Value Through Other Comprehensive Income [“FVOCI”], but not to investments in equity instruments.

Under AASB 9, loss allowances are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls [i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive]. ECLs are discounted at the effective interest rate of the financial asset.

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables
- Loan receivables

These financial assets are recognised at amortised cost less expected credit loss allowance.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the expected credit loss is not significant.

The Group has not elected to early adopt any other new standard.

(iii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2019 are outlined in the table below:

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
AASB 16 Leases	January 1, 2019	June 30, 2020

Notes to the Financial Statements

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard include:

- Recognition of a right-to use asset and an associated lease liability excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets];
- Depreciation of right-to-use assets in line with AASB 116: Property Plant and Equipment in profit or loss and unwinding of the liability in principle and interest components;
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- By applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease;
- Additional disclosure requirements.

The Directors initial assessment of the impact of AASB 16 has determined that it will not have a significant impact on the Group's financial statements.

Standard/Interpretation	Effective for the annual reporting period beginning on	Expected to be initially applied in the financial year ending
Interpretation 23- Uncertainty over Income Tax Treatments	January 1, 2019	June 30, 2020

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- whether uncertain tax positions are assessed separately or as a group, and
- whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If yes, the entity should determine its accounting tax position consistent with the tax treatment used or planned to be used in its income tax filings.

If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

Interpretation 23 is not expected to have a significant impact on the financial report of the Group in the year or period of initial application.

There are no other standards that are not yet effective and that would be expected to have a significant impact on the Group in the current or future reporting periods and on foreseeable future transactions.

EXPLORATION AND EVALUATION COSTS

Exploration and evaluation expenditure is expensed directly to profit and loss when incurred. Accounting policies for the Group's development assets are outlined in Note 10 '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.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use a specific asset or assets and the arrangement conveys a right to use an asset

Leases under which the lessor retains substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

GOODS AND SERVICES TAX (GST AND/OR 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.

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.

Notes to the Financial Statements

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, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates 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.

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 29(f).

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 tax authority is disputing the quantum of goods and services tax receivable and withholding taxes payable. Discussions with the relevant tax authority are ongoing. 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 [chief operating decision maker] in assessing performance and in determining the allocation of resources.

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

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

Notes to the Financial Statements

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 2019 as follows:

- › Lithium-ion Battery investments
- › Graphite exploration and development

b) Identification of reportable segments

2019 Segment financial information	Lithium-ion Battery Investment USA \$	Lithium-ion Battery Investment Australia \$	Graphite Exploration & Development Tanzania \$	Consolidated \$
Segment revenue	38,986	4,418	295,150	338,554
Segment loss before tax	(301,144)	-	(5,248,409)	(5,549,553)
Segment current assets	1,343,230	479,418	2,137,439	3,960,087
Segment non-current assets	15,311,189	-	5,519,790	20,830,979
Segment liabilities	-	-	(769,361)	(769,361)

2018 Segment financial information	Lithium-ion Battery Investment USA \$	Lithium-ion Battery Investment Australia \$	Graphite Exploration & Development Tanzania \$	Consolidated \$
Segment revenue	-	-	368,621	368,621
Segment loss before tax	(52,455)	-	(5,365,430)	(5,417,885)
Segment current assets	-	-	1,664,855	1,664,855
Segment non-current assets	9,869,360	-	5,485,864	15,355,224
Segment liabilities	-	-	1,186,535	1,186,535

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 Groups ownership in planned Gigafactories via the Global Consortium Imperium3 Pty Ltd. Graphite exploration and development currently refers to the pre-development operation of the Nachu Graphite Project in Tanzania. The financial performance of these segments are reported to the Board on a monthly 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 is that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments.

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	
	2019 \$	2018 \$
Current income tax		
Current income tax credit/(expense)	1,510,567	1,018,075
Tax losses not recognised as not probable	(1,455,331)	(1,519,547)
	55,236	(501,472)
Deferred income tax		
Relating to origination and reversal of temporary differences	(55,236)	501,472
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	102,708	(18,571)
Deferred tax offset	(102,708)	18,571
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	(5,549,553)	(5,417,885)
At the Group's statutory 30% tax rate (2018: 30%)	1,664,866	1,625,366
Share based payment expense	(3,150)	(4,838)
Movement in temporary differences	(59,547)	87,122
Share of net P & L of associate accounted for using equity method	(90,343)	15,736
Exploration and evaluation expense write off	(229,113)	(104,759)
Non-assessable R&D offset income	63,205	72,509
Deductible option issue costs	113,734	91,481
Other adjustments	(4,321)	(212,619)
Tax losses not brought to account	(1,455,331)	(1,570,209)
Income tax [expense] reported in the Statement of Comprehensive Income	-	-

Notes to the Financial Statements

At the reporting date, the Group has estimated tax losses of \$95,709,965 [2018: \$90,163,829] available to offset against future taxable income subject to continuing to meet relevant statutory tests. 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.

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 Limited being the head entity within that group. These entities are taxed as a single entity.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	2019 \$	2018 \$
Cash on hand	6,448	3,779
Cash at bank	1,823,369	1,520,107
	<u>1,829,817</u>	<u>1,523,886</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	
	2019 \$	2018 \$
Accrued interest	1,562	1,445
Goods and services tax recoverable	30,661	24,921
Prepayments and other receivables	231,637	114,603
Less: allowance for expected credit loss	(107,214)	
Security deposit	150,977	-
	<u>307,623</u>	<u>140,969</u>

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 \$107,214 (2018: nil) in profit or loss in respect of the expected credit losses related to trade and other receivables for the year ended 30 June 2019.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2019 \$	2018 \$
Opening balance	-	-
Additional provisions recognised	107,214	-
Receivables written off during the year as uncollectable	-	-
Unused amounts reversed	-	-
Closing balance	<u>107,214</u>	<u>-</u>

Notes to the Financial Statements

8. LOAN RECEIVABLES

	Consolidated	
	2019 \$	2018 \$
Accrued interest	43,404	-
Short-term loan- Charge CCCV LLC	1,354,073	-
Less: allowance for expected credit loss	(49,830)	-
Short-term loan- Imperium3 Townsville	475,000	-
	1,822,647	-

ACCOUNTING POLICIES

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

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The consolidated entity has recognised a loss of \$149,830 [2018: nil] in profit or loss in respect of the expected credit losses related to trade and other receivables for the year ended 30 June 2019.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2019 \$	2018 \$
Opening balance	-	-
Additional provisions recognised	49,830	-
Receivables written off during the year as uncollectable	-	-
Unused amounts reversed	-	-
Closing balance	49,830	-

9. NON CURRENT ASSETS - RECEIVABLES

	Consolidated	
	2019 \$	2018 \$
Security deposit	-	150,977
	-	150,977

10. FINANCIAL ASSETS AT FVOCI

	Consolidated	
	2019 \$	2018 \$
Equity investment in Charge CCCV LLC	10,020,084	5,848,713
	10,020,084	5,848,713

On 29 March 2018, Magnis announced a strategic investment to acquire a 10% interest in leading US based, lithium-ion battery technology group, Charge CCCV LLC ('C4V') and secured an exclusive agreement over selective patents, which will assist in driving the Company's growth in the lithium-ion battery sector.

Under the terms of the Agreement, Magnis acquired a 10% stake in C4V for total consideration of US\$7.5million, comprising an upfront cash payment of US\$2m together with the issue of 6,940,544 ordinary shares in Magnis (representing US\$2.5m in value). A further cash payment of US\$1million was made on 12 September 2018 together with the issue of 7,507,508 ordinary shares in Magnis. As at 30 June 2019, Magnis held a 10% stake in C4V.

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.

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:

Non-current assets	Consolidated	
	2019 \$	2018 \$
Unlisted securities- Charge CCCV LLC	10,020,084	5,848,713
	10,020,084	5,848,713

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.

Notes to the Financial Statements

11. DEVELOPMENT ASSETS

	Consolidated	
	2019 \$	2018 \$
Development assets	5,466,492	5,176,682
	5,466,492	5,176,682

ACCOUNTING POLICIES

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

As at 30 June 2019, 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:

	Development Asset \$
At 1 July 2018	5,176,682
Development costs capitalised during the year	57,087
Currency translation difference	232,723
At 30 June 2019	5,466,492

12. PLANT AND EQUIPMENT

Year ended 30 June 2019	Consolidated						
	Plant and equipment \$	Office equipment \$	Software \$	Office furniture and fittings \$	Office improvements \$	Motor vehicles \$	Total \$
Balance at 1 July 2018 net of accumulated depreciation	58,224	27,015	-	5,020	50,840	17,105	158,205
Additions	-	11,360	-	-	-	-	11,360
Disposals	-	-	-	-	-	-	-
Currency translation differences	51	451	-	226	3,933	945	5,605
Depreciation charge for the year	(58,168)	(19,612)	-	(4,609)	(32,574)	(6,909)	(121,872)
Balance at 30 June 2019 net of accumulated depreciation	107	19,214	-	637	22,199	11,141	53,298
At 30 June 2019							
Cost	427,303	96,689	-	16,025	65,327	35,860	641,204
Accumulated depreciation and impairment	(427,196)	(77,475)	-	(15,388)	(43,128)	(24,719)	(587,906)
Net carrying amount	107	19,214	-	637	22,199	11,141	53,298
Year ended 30 June 2018							
Balance at 1 July 2017 net of accumulated depreciation	135,950	40,526	129	9,551	-	23,005	209,161
Additions	2,507	7,849	-	-	60,842	-	71,198
Disposals	(118,838)	(36,325)	-	-	-	-	(155,163)
Currency translation differences	116,448	36,881	-	136	-	878	154,343
Depreciation charge for the year	(77,843)	(21,915)	(129)	(4,666)	(10,001)	(6,778)	(121,333)
Balance at 30 June 2018 net of accumulated depreciation	58,224	27,015	-	5,020	50,840	17,105	158,205
At 30 June 2018							
Cost	412,861	84,190	717	15,301	60,842	33,982	607,893
Accumulated depreciation and impairment	(354,637)	(57,176)	(717)	(10,281)	(10,001)	(16,877)	(449,688)
Net carrying amount	58,224	27,015	-	5,020	50,840	17,105	158,205

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 associate 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 and loss during the financial period in which they are incurred.

Notes to the Financial Statements

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 the 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

Both assets residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with 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.

13. TRADE AND OTHER PAYABLES

	Consolidated	
	2019 \$	2018 \$
Current		
Trade payables	94,734	81,622
Other payables and accruals	496,066	944,142
	590,800	1,025,764

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. PROVISIONS

	Consolidated	
	2019 \$	2018 \$
Current		
Provision for annual leave [a]	137,740	127,016
	137,740	127,016
Non-current		
Provision for long service leave [a]	40,821	31,641
Provision for lease liability [b]	-	2,114
	40,821	33,755

Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out as follows:

	Lease liability \$
At 1 July 2018	2,114
Additions/(utilised/reversed)	(2,114)
At 30 June 2019	-

[a] 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.

[b] Lease liability

The lease liability for the Company's registered office as per AASB 16 Operating Lease

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.

Notes to the Financial Statements

15. CONTRIBUTED EQUITY

	Number of shares and options	2019 \$
a) Issued capital and options		
Ordinary shares fully paid	611,135,996	124,177,419
	611,135,996	124,177,419
In addition to the above, 15,800,000 unlisted options were not exercised as at 30 June 2019. Please refer to Note 29(d) for further details. Fully paid ordinary shares carry on vote per share and carry a right to dividends. Option holders are not entitled to vote and dividend.		
b) Movements in fully paid shares		
At 1 July 2018	572,878,488	110,637,523
Shares issued	37,507,508	13,877,777
Exercise of unlisted rights and options	750,000	300,000
Transaction costs		(702,795)
Reallocation		64,913
At 30 June 2019	611,135,996	124,177,419

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

- \$11,100,000 [2018: \$5,000,040] from share placements of 30,000,000 fully paid ordinary shares. Transaction costs amounted to \$702,795.
- \$300,000 [2018: \$1,051,247] from the exercise of rights and options, subsequent issue of 750,000 [2018: 3,750,000] ordinary fully paid shares.
- A further 7,507,508 fully paid ordinary shares were issued to Charge CCCV LLC ['C4V'] at \$0.37 per share as part consideration to complete Magnis' 10% investment in C4V.

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 expended provide shareholders with optimal returns. The capital structure is intended to provide the lowest cost of capital available to the Group considering its present phase of operations.

Management is continually reviewing the Group's equity needs. During the financial year the entity raised \$13,877,777 [2018: \$8,249,324] via share placements and \$300,000 [2018: \$1,051,247] via the exercise of unlisted options before transaction costs of \$702,795 [2018: \$270,848].

The Group is undertaking an exploration and evaluation program that requires a significant outlay of funds. Management monitors this expenditure against the budget approved by the Board. A new 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.

Capital risk management

During the previous year the Company used an equity instrument combination of shares and options to raise funds. The group is undertaking 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.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

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	
		2019 \$	2018 \$
Financial assets at FVOCI	3	10,020,084	5,848,713
Investment accounted for using the equity method	3	5,291,105	4,020,647
		15,311,189	9,869,360

Financial assets at FVOCI

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

C4V has expertise and patented discoveries in lithium-ion battery composition and manufacture. C4V has executed 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.

Notes to the Financial Statements

C4V also has a 46.21% strategic investment in a New York lithium-ion battery production plant, Imperium3 New York Inc ("iM3NY"). iM3NY owns battery plant assets located in a planned lithium-ion battery manufacturing facility based at the Huron Campus in Endicott, New York.

Valuation Techniques- Level 3

The Group has utilised a combination of the discounted cash flow (DCF) method together with the fair value of C4V's strategic investment in iM3 NY to calculate the enterprise value of C4V. The DCF involves the projection of a series of cash flows and to this an appropriate market derived discount rate is applied to establish the present value of the income stream. The fair value of C4V's investment in iM3NY has been determined by independent valuation of the plant equipment purchased in 2018.

The valuation of the plant equipment was undertaken in August 2019 by leading engineering firm O'Brien & Gere who assessed of all the items purchased. In its current status and condition the external valuer has attributed a valuation of US\$71.34 Million of which C4V has a direct interest equivalent to US\$33.49 Million.

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

Quantitative information on significant unobservable inputs- Level 3

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

Unobservable inputs	Valuation Method	Nachu Graphite Project	Imperium3 Townsville	Imperium3 New York	Relationship of Unobservable input to fair value
Project Status	DCF	Preliminary [Bankable Feasibility Study]	Preliminary [Feasibility Study]	n/a	The more advanced the project the higher the fair value
Timeline to production	DCF	2 yrs 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\$400M [US\$270M]	AU\$3Billion	n/a	The higher the capital required the lower the fair value
Expected annual volumes	DCF	240,000 tpa	18GWh	n/a	The higher the annual volumes the higher the fair value
Valuation of battery manufacturing equipment	FV	n/a	n/a	AU\$102M [US\$71.34]	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. As a result, the fair value is exposed to various forms of risk. The fair value of as at 30 June 2019 is measured using a number of significant unobservable inputs. Risks specific to these unobservable inputs are detailed below and have been factored into the individual projects through the risk adjusted discount rate applied.

The Group has performed detailed risk analysis using international frameworks on each of the individual projects during feasibility study. In performing this analysis, the Group has identified areas of key risk and has developed risk management and mitigation strategies to implement in order to reduce the likely exposure to these risks.

Project status

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

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

Detailed implementation plans have been established for each of the individual projects. The implementation plan identifies areas that are critical to the successful advancement of the projects. Strategies to mitigate and manage risk associated with project success have been documented in detail for implementation. This includes pre-finance testing and market development work. Establishment of strategic partnerships with creditable industry professionals such as engineering, procurement and construction contractors, original equipment manufacturers, and financing professionals such as National Australia Bank 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 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. As there is no prior history of manufacture at scale, there is also a risk that finance may be on less favourable terms.

There is also risk that battery cell offtake agreements will not be secured for each of the three stages or that the price will be less than estimated. This could impact the projects ability to repay project finance and result in a lower fair value.

To mitigate these risks, iM3TSV has appointed National Australia Bank ['NAB'] in the capacity of financial advisor to jointly develop the Project funding strategy as part of this feasibility study. In the role of financial advisor, NAB brings 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 cost of the Nachu Graphite Project is AUD\$400M [US\$270M]. This is also considered a significant amount of capital. This is compounded by the sovereign risk of developing a graphite mine in Tanzania. There is a risk that the capital required is not secured or that the funding will be on less favourable terms. The Group has identified target funding partners with experience in Tanzania, who have in-depth appreciation and understanding of developing a large-scale resource projects in a jurisdiction with high sovereign risk.

Expected annual production

Project development of iM3 TSV has been phased into three stages of 6GWh each. The benefit of a stage approach is to reduce the upfront capital requirement but also to allow for the project expansion to occur in line with market development.

However, there is a risk that capital for the second or third stage may not be secured or that changes in global competition and technological advancement over construction and the first stage may impact the viability of expansion.

Notes to the Financial Statements

There is also a risk that the project will achieve lower battery cell production yields than forecast.

To mitigate these risks an extensive product development and testing program will be undertaken by iM3 TSV prior to securing Stage One funding. Such testing programs once fully implemented can be utilised to train employees prior to construction and commissioning to ensure an inexperienced workforce does not delay ramp up.

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

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

Royalties & Reservation Fee

C4V has executed binding agreements to receive royalty income from the exclusive use of both its patented anode chemistry and its cobalt and nickel free cathode chemistry. C4V also retains the right to receive a once off reservation fee upon the granting of exclusive use of its patented IP at each of the approved iM3 battery plants.

The royalty income is dependent upon the successful development of three key projects which involves either the 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 iM3 NY

Realising the recoverable amount of C4V's investment in iM3 NY is dependent on proceed of sale equalling the estimated US\$71.34 Million. There is a risk that there may be significant advancements in state of the art equipment and that buyers will become increasingly difficult to identify. The valuation of the battery manufacturing equipment does not factor in the cost of relocating the equipment from iM3 NY to the buyer[s]. In the event that iM3 NY was unsuccessful in assigning these costs to the buyer, the fair value would be reduced.

There is also a risk that C4V's investment in iM3 NY may be diluted as iM3 NY seeks the capital required to commence recommissioning of the plant. This would lower the fair value.

Interest rate risk

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

iM3 TSV has mitigated this risk by appointing NAB to advise of the most advantageous mix of achievable funding sources and target funding partners to reduce the amount of funding exposed to interest rate risk. This includes sourcing equity partners and government grants to reduce the quantum of project financing required.

The Group is targeting potential funding partners for the Nachu Graphite Project who have an in-depth knowledge and experience in Tanzania to reduce the probability of significant risk premiums being added to interest rates. Targeting

funding via engineering, construction and procurement contractors who have a vested interest in the success of the project is one strategy the Group believes will mitigate the risk of attracting finance with substantial risk premium embedded in the interest rate.

Currency rate risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. Adverse foreign currency fluctuation can add significant additional costs to the estimated construction costs of the project.

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

In order to protect against exchange rate movements, the Group will consider entering into simple forward foreign exchange contracts.

Risk adjusted discount rate

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

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\$0.033M/ [AU\$0.041M]
	Risk adjusted discount rate	5% change would increase/ [decrease] fair value by AU\$2.104M [AU\$1.381M]
	Expected annual volumes	5% change would increase/ [decrease] fair value by AU\$0.415M/ [AU\$0.415M]
	Valuation of battery manufacturing equipment	5% change would increase/ [decrease] fair value by AU\$2.41M/ [AU\$2.41M]

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

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

Valuation Techniques- Level 3

The Group has determined the fair value of its strategic investment in iM3 NY by obtaining a third- party valuation of the recoverable amount of the battery plant equipment purchased in 2018.

The valuation of the battery plant equipment was undertaken in August 2019 by leading engineering firm O'Brien & Gere who assessed of all the items purchased. In its current status and condition the external valuer has attributed a valuation of AU\$101.4 Million [US\$71.34 Million] of which MNS has a direct interest equivalent to AU\$52.71 Million [US\$36.41 Million].

Notes to the Financial Statements

Quantitative information on significant unobservable inputs - Level 3

Description	Valuation technique	Unobservable inputs	Imperium3 New York	Sensitivity
Investment accounted for using the equity method	FV	Valuation of battery manufacturing equipment	AU\$102M [US\$71.34M]	5% change would increase/ [decrease] fair value by AU\$2.65m/ [AU\$2.65m]

17. RESERVES

a) Reserves

	Consolidated	
	2019 \$	2018 \$
Foreign currency translation	5,106,277	4,865,446
Share based payment	1,290,644	2,171,507
	6,396,921	7,036,953

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.

18. STATEMENT OF CASH FLOWS

a) Reconciliation of the net loss after income tax to the net cash flows from operating activities

	Consolidated	
	2019 \$	2018 \$
Operating activities		
Net loss	(5,549,553)	(5,417,885)
Non cash and non operating items		
Depreciation of non current assets	120,901	120,124
Accrued interest	(43,521)	
[Profit]/ Loss on sale of assets	-	(4,988)
Share based payments	21,900	306,325
Share of associates net loss accounted for using the equity method	301,144	52,544
Net foreign currency translation gain [loss]	(23,030)	144,437
Changes in assets and liabilities		
[Increase]/decrease in trade and other receivables	34,724	207,378
[Increase]/decrease in prepayments	3,851	(100,527)
[Increase]/decrease in security bonds		11,049
[Increase] in development assets	(3,635)	(190,282)
Increase/(decrease) in trade and other payables	(461,338)	(102,293)
Increase/(decrease) in provisions	13,157	(97,946)
Net cash outflow from operating activities	(5,585,400)	(5,072,064)
b) Reconciliation of cash and cash equivalents		
Cash at bank		
Cash at bank and in hand	1,829,817	1,523,886
	1,829,817	1,523,886

19. COMMITMENTS

a) Investment commitments

As announced to the ASX on 12 September 2018, the Company completed its investment in US lithium-ion battery technology group Charge CCCV LLC. Pursuant to a deed of amendment, the Group completed its investment by way of US\$1,000,000 cash payment and by the issue of 7,507,508 fully paid ordinary shares at \$0.37 per share.

	Consolidated	
	2019 \$	2018 \$
Not later than one year	-	4,052,411
	-	4,052,411

Notes to the Financial Statements

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	
	2019 \$	2018 \$
Not later than one year	88,229	83,608
	88,229	83,608

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

a) Leasing

Operating lease commitments – the Group as lessee

The Group has commercial leases on commercial property in Australia and Tanzania.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2019 are as follows:

	Consolidated	
	2019 \$	2018 \$
Within one year	73,775	156,044
After one year but not more than five years	-	52,910
Total minimum lease payment	73,775	208,954

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2019. The Group has guarantees for property leases and banking finance facilities of \$150,977 (2018: \$150,977).

21. SUBSEQUENT EVENTS

On 27 September 2019, Magnis announced that it had secured a \$8 million investment through the issue of fully paid ordinary shares to Middle East based Negma Group Limited. Negma will provide up to \$8 million over a 12-month period with a maximum monthly subscription of \$700,000. The price of the shares issued will be at an 8% discount to the previous ten day Volume Weighted Average Price ('VWAP'). The Company has the flexibility to call the monthly amounts and can cancel the agreement at any stage. In addition, the Company will issue of 4,000,000 Unlisted Options in the Company at an exercise price of \$0.40 per share with an expiry date of 30 April 2021 subject to shareholder approval.

The funds will be used for working capital and advancing all projects.

22. AUDITORS' REMUNERATION

	Consolidated	
	2019 \$	2018 \$
The auditor of Magnis Energy Technologies Limited in the current year is BDO East Coast Partnership.		
a) Amounts received or due and receivable by Magnis Group Auditor's [Australia] for:		
An audit or review of the financial report of the entity and any other entity in the consolidated Group	62,978	68,500
Other services in relation of the entity and any other entity in the consolidated Group		
Group – Taxation services	67,489	36,495
– Corporate services	2,595	2,596
	133,062	107,591
b) Amounts received or due and receivable by related practices of Magnis Group Auditor's [Australia] for:		
An audit or review of the financial report of the entity and any other entities in the consolidated Group	13,201	12,900
Other services in relation of other entities in the consolidated Group		
– Taxation compliance services	6,308	32,251
	19,509	45,452

23. LOSS PER SHARE

	Consolidated	
	2019 \$	2018 \$
a) Reconciliation of earnings to profit or loss		
Net loss – Loss used in calculating basic loss per share	5,549,553	5,417,885
b) Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share		
Weighted average number of ordinary shares used in calculating basic loss per share	604,634,745	558,359,897

c) Effect of dilutive securities

For the year ended 30 June 2019 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.

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, dividend 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 take into account the 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.

Notes to the Financial Statements

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	
	2019 \$	2018 \$
Short-term employee benefits	1,214,457	1,043,180
Post-employment benefits	109,926	88,641
Share-based payments	11,400	266,950
	1,335,783	1,398,771

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	
				2019 \$	2018 \$
Strong Solutions Pty Limited	Frank Poullas is a related party of Strong Solutions Pty Limited and a director of Magnis Energy Technologies Limited	Consulting fees and P&E purchases	Normal commercial terms	314,568	300,064
Peter Tsegas	Peter Tsegas is a Director of Magnis Energy Technologies Ltd	Consulting Fees	Normal commercial terms	420,000	-
Dr Ulrich Bez HonDTech	Dr Ulrich Bex is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	9,900	25,300
M Stanley Whittingham	M Stanley Whittingham is a Director of Magnis Energy Technologies Limited	Consulting Fees	Normal commercial terms	-	16,210

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

	2019 \$	2018 \$
Assets and liabilities		
Current liabilities		
Trade and other payables	26,160	22,009
Total liabilities	26,160	22,009

25. RELATED PARTY DISCLOSURES

PARENT ENTITY

Magnis Energy Technologies Limited 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 Limited 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 LIMITED controls 8.35% of the ordinary shares in Magnis Energy Technologies Limited (2018: 8.9%).

AL CAPITAL HOLDING PTY LTD controls 5.76% of the ordinary shares in Magnis Energy Technologies Limited (2018: 0%).

26. PARENT ENTITY INFORMATION

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

	Parent	
	2019 \$	2018 \$
Statement of profit or loss and other comprehensive income		
Profit after income tax	(6,018,146)	(5,442,822)
Total comprehensive income	(6,018,146)	(5,442,822)
Statement of financial position		
Total current assets	3,843,292	1,581,353
Total assets	19,171,407	11,679,246
Total current liabilities	436,150	429,791
Total liabilities	476,971	463,546
Equity		
Issued capital	124,177,418	110,637,523
Equity settled employee benefits reserve	1,290,645	2,171,508
Retained profits	(106,773,627)	(101,593,330)
Total equity	18,694,436	11,215,700

Notes to the Financial Statements

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Plant and equipment

The parent entity had no capital commitments for plant and equipment at as 30 June 2019 and 30 June 2018.

Remuneration commitments

The parent entity has a remuneration commitment of \$549,896 as at 30 June 2019 [2018: \$567,319].

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	
			2019 %	2018 %
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
Faru Resources Limited	Tanzania	Ordinary	100	100
Juhudi Minerals Limited	Tanzania	Ordinary	100	100
Investor Resources Services Pty Ltd ²	Australia	Ordinary	-	100

¹ percentage of voting power is in proportion to ownership.

² Investor Resources Services Pty Ltd was deregistered on 16 January 2019

ACCOUNTING POLICIES

Principles of consolidation

The consolidation financial statements are those of the consolidated entity, comprising Magnis Energy Technologies Limited [the parent entity], special purpose entities and all entities which Magnis Energy Technologies Limited 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 and investee if and only if the Group has:

- › Power over the investee [i.e. existing rights that give it the current 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-assess 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

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. INVESTMENT IN ASSOCIATES

A) INFORMATION ABOUT PRINCIPLE ASSOCIATES

During the financial year, Magnis continued to increase its strategic investment in a New York Lithium-Ion Battery production plant, Imperium3 New York Inc [‘iM3NY’]. The plant has initial planned production of 1GWH per annum. The investment was made partly through a global lithium-ion battery consortium named Imperium3 Pty Ltd [‘iM3AU’].

Imperium3 New York Inc has share capital consisting of ordinary shares and redeemable preference shares. The proportion of ordinary shares held indirectly by the Group through Australian Holding Company, Imperium3 Pty Ltd, equals the voting rights held by the Group.

Name of Entity	Classification	Place of business/ incorporation	Ownership *		Measurement Method	Carrying amount	
			2019 %	2018 %		2019 %	2018 %
Imperium3 New York, Inc.	Associate	New York, USA	31.00	31.00	Equity Method	5,291,105	4,020,647

* Proportion of Ordinary Share Interests/ Participating Share held through Australian Holding Company Imperium3 Pty Ltd

In addition to the ordinary shares held indirectly through Imperium3 Pty Ltd, Magnis has made a direct investment in iM3NY by way of the acquisition of 3,241,331 redeemable preference shares for total consideration of US\$4,317,500. The preference shares give rights to dividends, liquidation preferences and redemption rights. They do not carry voting rights.

As at 30 June 2019, Magnis' total direct and indirect interest equates to 50.86% of the entire share capital of iM3NY.

Notes to the Financial Statements

B) MOVEMENTS IN EQUITY ACCOUNTED CARRYING VALUES

	2019 \$	2018 \$
Carrying amount at 1 July 2018	4,020,647	-
New investments during the period	1,571,602	4,073,102
Share of losses after income tax	(301,144)	(52,455)
Equity accounted carrying amount at 30 June 2019	5,291,105	4,020,647

C) COMMITMENTS AND CONTINGENT LIABILITIES IN RESPECT OF ASSOCIATES

im3NY leases its Endicott, New York facility on a month to month basis. The lease is for an area of up to 200,000 square feet of commercial space for a discounted annual rate of US\$2.99 per square foot for the initial two years of the lease. Subject to the execution of a long-term lease agreement, the lessor reserves the right to recover the discounted rent and fifty percent of the waived expenses which total approximately US\$4.40 per square foot. At June 30, 2019, the Company leased approximately 85,000 square feet. Additional space will be utilised as operations develop.

D) SUMMARISED AUDITED FINANCIAL INFORMATION FOR ASSOCIATES

Set out below is the summarised financial information for the Group's material investments in associates. The disclosed information reflects the amounts presented in the Australian- Accounting Standards financial statements of the associate including adjustments made by the Group when applying the equity method and adjustments for any differences in accounting policies between the Group and the associates.

	Imperium3 New York	
	2019 \$	2018 \$
Statement of profit or loss and other comprehensive income (unaudited)		
Loss after income tax	(971,433)	(169,198)
Total comprehensive income	(971,433)	(169,198)
Group's share of associate's loss recognised	(301,144)	(52,455)
Statement of financial position		
Total current assets	6,033	159,866
Total non-current assets	11,734,155	8,299,564
Total current liabilities	230,849	686,968
Total non-current liabilities	-	-
Equity		
Issued capital	12,686,135	7,949,490
Equity settled employee benefits reserve	(18,828)	(7,830)
Retained profits	(1,157,968)	(169,198)
Total equity	11,509,339	7,772,461

ACCOUNTING POLICIES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decision of the entity but is not control or joint control of these policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss and other comprehensive income is included in the consolidated financial statements.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payment on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Key estimate and judgements

Recoverable value of investments in associate

The recoverable amount of investment in equity accounted associates is reviewed at each reporting date after taking into consideration any applicable impairment indicators. Significant judgement is used when assessing impairment and the reversal of previously recognised impairment for equity accounted associates.

Impairment

At each reporting date, the Group reviews the carrying values of its investment in associates 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.

As at 30 June 2019, no impairment to the carrying value of the investment in associates has been deemed necessary.

29. SHARE-BASED PAYMENT PLANS

A) RECOGNISED SHARE-BASED PAYMENT EXPENSES

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

	Consolidated	
	2019 \$	2018 \$
Expense arising from the issue of options (employees)	11,400	290,200
Expense arising from the issue of options (non-employees)	10,500	16,125
Total expense arising from share-based payment transactions	21,900	306,325

The share-based payment plans are described below.

B) TYPES OF SHARE-BASED PAYMENT PLANS FOR EMPLOYEE

Employee share option plan (ESOP)

Share options are granted to Directors, other Key Management Personnel (KMP) and other employees. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares. Under the ESOP, the exercise price of the options is set by the Board on the date of grant.

The life of options to KMP and other employees granted are for 3 years but these must be exercised within 3 months of the option holder ceasing employment with Magnis Energy Technologies Limited. There are no cash settlement alternatives.

C) SHARE-BASED PAYMENT PLANS FOR NON-EMPLOYEE (CONSULTANT OPTIONS)

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.

Notes to the Financial Statements

D) SUMMARIES OF OPTIONS AND RIGHTS GRANTED UNDER SHARE-BASED PAYMENT

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

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
Outstanding at the beginning of the year	17,550,000	0.68	19,750,000	0.52
Granted during the year	6,000,000	0.70	7,750,000	0.70
Exercised during the year	(750,000)	0.40	(3,750,000)	0.28
Expired during the year	(7,000,000)		(6,200,000)	
Outstanding at the end of the year	15,800,000	0.71	17,550,000	0.68
Exercisable at the end of the year	15,800,000	0.71	17,550,000	0.68

The range of exercise prices for rights and options outstanding at the end of the year was between \$0.70 and \$1.00 (2018: \$0.35 and \$1.00).

E) WEIGHTED AVERAGE REMAINING ESTIMATED LIFE

The weighted average remaining estimated life for the share options outstanding as at 30 June 2019 is 0.83 years (2018: 1.39 years).

F) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of options granted during the year was \$0.00365 (2018: \$0.04).

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 taking into account 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 2019;

	2019
Dividend yield [%]	Nil
Expected volatility [%]	36
Risk-free interest rate [%]	1.87 - 1.98
Expected life of option [years]	1.5-3
Option exercise price [cents]	70
Weighted average share price at measurement dates [cents]	29.5
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) acquired and was issued with 1,000,000 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’].

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 [i] the extent to which the vesting period has expired and [ii] 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.

30. 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.

Notes to the Financial Statements

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 functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
US dollars	3,941,559	3,953,862	183,230	535,228
	3,941,559	3,953,862	183,230	535,228

The Group had net assets denominated in foreign currencies of \$3,758,329 (assets of \$3,941,559 less liabilities of \$183,230) as at 30 June 2019 [2018: \$3,418,634 (assets of \$3,953,862 less liabilities of \$535,228)]. Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% [2018: weakened by 5%/strengthened by 5%] against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$375,833 lower/\$187,916 higher [2018: \$170,932 lower/\$170,932 higher] and equity would have been \$375,833 lower/\$187,916 higher [2018: \$170,932 lower/\$170,932 higher]. 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 gain for the year ended 30 June 2019 was \$96,114 [2018: loss of \$182,410].

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	
	2019 \$	2018 \$
Cash and cash equivalents	1,829,817	1,523,886

The weighted average interest rate for the Group at reporting date was 2.50% [2018: 2.49%].

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 2019 and 2018.

30 June 2019	Carrying Amount	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Loss \$	Equity \$
Consolidated Entity					
Financial asset					
Cash and cash equivalents	1,829,817	[18,298]	[18,298]	18,298	18,298
30 June 2018					
Consolidated Entity					
Financial asset					
Cash and cash equivalents	1,523,886	[15,239]	[15,239]	15,239	15,239

The sensitivity is higher in 2019 than 2018 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 monitor cash flow monthly 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 2019.

Notes to the Financial Statements

The remaining contractual maturities of the Group entity's financial liabilities consisting of trade and other payables are:

	Consolidated	
	2019 \$	2018 \$
On demand	-	-
Less than 1 year	590,800	1,025,764
1-5 years	-	-
> 5 years	-	-
	590,800	1,025,764

E] NET FAIR VALUES

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

13 Directors' Declaration

In accordance with a resolution of the Directors of Magnis Energy Technologies Limited, 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 2019 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 2019.

On behalf of the board



F Poullas

Non - Executive Chairman

Sydney, 30 September 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of Magnis Energy Technologies Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Magnis Energy Technologies Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 *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, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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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 of the current period. 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.

Equity investment in Charge CCCV LLC

Key audit matter	How the matter was addressed in our audit
<p>Refer to Notes 10 and 16 of the financial report for a description of the accounting policies and significant estimates and judgements applied in determining the fair value of the 10% equity investment in Charge CCCV LLC ('C4V') which is an early stage investment.</p> <p>C4V has secured exclusive rights over selective patents associated with the production of lithium - ion batteries. C4V derives its value from holding an investment in Imperium3 Pty Limited (iM3) which will pay royalties to C4V based on production from planned battery Giga factories in New York (USA) iM3NY and Townsville (Australia) iM3TSV.</p> <p>The Giga factories are at an early planning stage and require significant investment (in excess of AUD\$3Bn) to become productive and pay a royalty stream to C4V. In addition to the Giga Factories, C4V has an agreement with Magnis to receive a royalty on each tonne of Graphite produced from the planned Nachu Graphite Mine in Tanzania. The Group needs to raise AUD\$400M to develop the mine as well as overcome regulatory hurdles in Tanzania in order for C4V to earn its production royalty.</p> <p>In accordance with AASB 13 Fair Value, AASB 9 Financial instruments and AASB 7 Financial instruments: Disclosure there are numerous judgements and estimates as well as disclosure considerations that are required in</p>	<p>Our procedures, amongst others, included:</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 • Engaging internal valuation experts to assess the appropriateness of the valuation models and discount rates • Evaluating the competence, capability and objectivity of management's third party valuation expert and evaluating their assessment of the fair value of the purchased battery manufacturing equipment held within iM3NY • Gaining an understanding of quantum of funds required to ensure Nachu, iM3NY and iM3TSV progress to through development and into production to produce the royalty cash flows to C4V • Reviewing the mandate with NAB to act as financial advisor in seeking funding • Issuing Group instructions for the audit of iM3NY as at 30 June 2019 and evaluating the results of procedures to ensure there was no impairment on the independent valuers assessment of the carrying value of equipment

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relation to management's assessment of the fair value of C4V.

As a result we consider the Group's investment in C4V to be a key audit matter.

- Evaluating the accuracy and completeness of the disclosures in accordance with AASB 9, AASB 13 and AASB 7.

Carrying value of the investment in Associate

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Refer to Notes 16 and 28 of the financial report for a description of the accounting policies and significant estimates and judgements applied in determining the carrying value of iM3NY which is an equity accounted investment.</p> <p>iM3NY is an early stage investment, which is in the process of developing a 1Gwh battery plant in New York, USA.</p> <p>iM3NY requires additional funding before commercial operations commence.</p> <p>Due to the value carried on the balance sheet as at 30 June 2019 and the number of judgements and estimates used by management the carrying value of iM3NY is a key audit matter.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> • Issuing Group instructions for the audit of iM3NY as at 30 June 2019 and evaluating the results of procedures to ensure there was no impairment on the independent valuers assessment of the carrying value of equipment • Reading board meeting minutes to identify indicators of impairment • Evaluating the competence, capability and objectivity of management's third party valuation expert and evaluating their assessment of the fair value of the purchased battery manufacturing equipment held within iM3NY • Evaluating the completeness and accuracy of the disclosures in accordance with AASB 128 and AASB 13 and AASB 7.

Going concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>For the year ended 30 June 2019 the Group used \$5.6M cash in operating activities and \$4.8M in investing activities. As at 30 June 2019 the Group had cash of \$1.8M.</p> <p>The availability of funding sufficient for the Group to meet its operation cash outflows and continue to develop its strategy of developing its Graphite Mine and Battery operations are significant aspects of our audit.</p>	<p>Our procedures, amongst others, included:</p> <ul style="list-style-type: none"> • Obtaining and evaluating management's assessment of the group's ability to continue as a going concern • Evaluating management's cash-flow forecasts and challenging key assumptions applied by management • Reviewing conditions of the funding arrangement finalised on 27 September 2019, and its adequacy to meet operational cash flow



The Directors have determined that the use of the Going Concern basis of accounting is appropriate in preparing the financial report.

The assessment of Going Concern is largely based on forecasts made by management and the Directors. These forecasts include assumptions about future cashflows which are uncertain in timing and amounts.

The Group's use of the Going Concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of Going Concern including any events or conditions that may cast significant doubt on their ability to continue as a Going Concern.

requirements for the period 12 months from the date of signing the financial report.

- Assessing the mathematical accuracy of management's forecast model and agreeing to underlying assumptions.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 has no realistic alternative but to do so.

Independent Auditor's Report



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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Magnis Energy Technologies Limited, for the year ended 30 June 2019, complies with section 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.

BDO East Coast Partnership

A handwritten signature in black ink that reads 'Gareth Few'. Above the signature, the letters 'BDO' are written in a smaller, handwritten style.

Gareth Few
Partner

Sydney, 30 September 2019

15 Additional Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 August 2019.

A) DISTRIBUTION OF EQUITY SECURITIES

The numbers of shareholders, by size of holding, in each class of share are:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	401	187,390
1,001 - 5,000	1,271	3,767,463
5,001 - 10,000	813	6,774,669
10,001 - 100,000	1,875	68,045,328
100,001 and over	652	532,361,146
	5,012	611,135,996
The number of shareholders holding less than a marketable parcel of shares are:	1,044	1,409,733
	Ordinary shares	

B) DISTRIBUTION OF OPTION SECURITIES

The numbers of option holders, by size of holding are:

	Options	
	Number of holders	Number of Options
1 - 50,000	1	50,000
50,001 - 100,000	1	100,000
100,001 - 500,000	8	3,050,000
500,001 - 1,000,000	8	8,000,000
1,000,001 and over	2	3,300,000
	20	14,500,000

Additional Shareholder Information

C) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares are:

Name	Options	
	Number of Shares	% of Ordinary Shares
MAZZDEL PTY LIMITED	51,003,853	8.35
CITICORP NOMINEES PTY LTD	49,909,757	8.17
UBS NOMINEES PTY LTD	35,372,343	5.79
BNP PARIBAS NOMINEES PTY LTD	23,801,977	3.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,619,406	2.72
MR FRANK POUILLAS	15,193,895	2.49
MR MATTHEW JOHN BOYSEN	11,903,974	1.95
MR JURGEN BEHRENS	8,379,333	1.37
CHARGE CCCV LLC	8,249,702	1.35
CONG MING LIMITED	5,594,677	0.92
FINMIN SOLUTIONS PTY LTD	5,330,714	0.87
GIBBS PLUMBING SERVICES PTY LTD	5,030,000	0.82
MR MARLON PATHER	5,000,000	0.82
MISS HAZEL DARCY	4,089,462	0.65
MAXMA PTY LTD	4,000,000	0.70
MR MARK ANTHONY O'SULLIVAN	3,900,987	0.64
MS RUIE YAO	3,815,801	0.62
NATIONAL NOMINEES LIMITED	3,576,000	0.59
MR EMMANUEL POUILLAS	3,486,993	0.57
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,951,504	0.48
	267,210,378	43.72

D) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Fully Paid Number of Shares	Percentage %
MAZZDEL PTY LIMITED	51,003,853	8.35
AL CAPITAL HOLDING PTY LTD	35,202,299	5.76

Voting rights

All ordinary shares carry one vote per share without restriction.

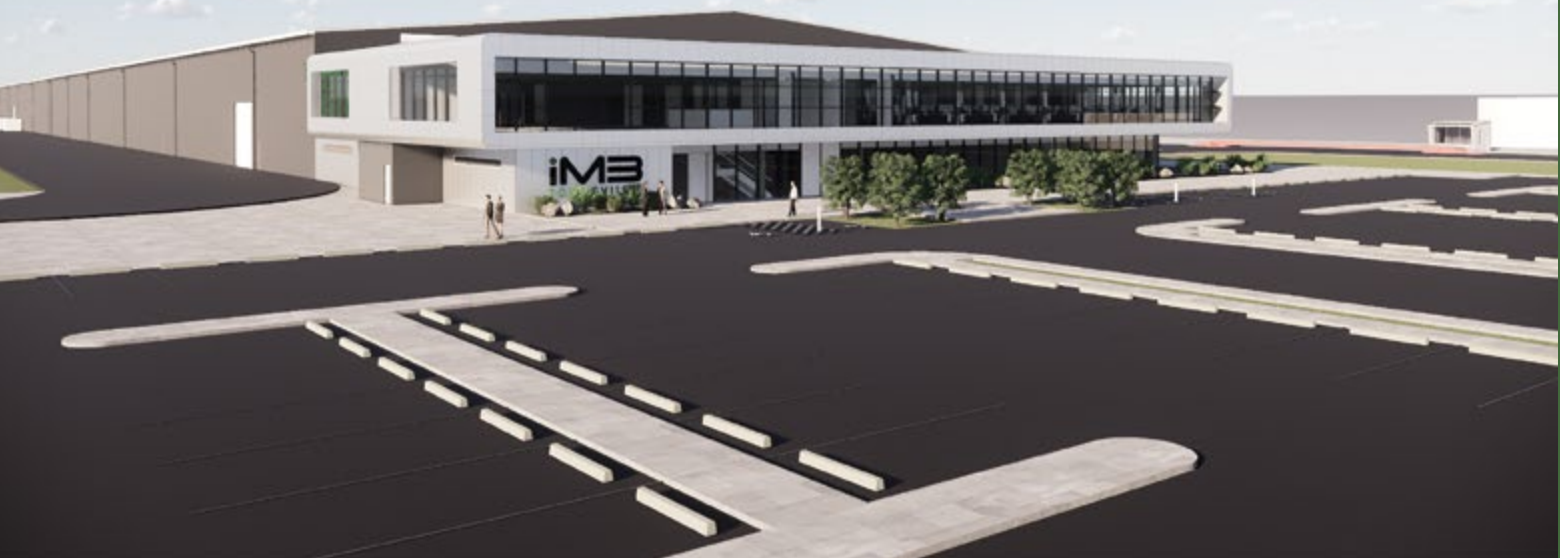
E) STOCK EXCHANGE LISTING

Magnis Energy Technologies Limited is listed on the Australian Stock Exchange.

The Company's ASX code for ordinary shares is MNS.

“ We are in the early stages of the lithium-ion battery revolution and the year ahead will see us make great progress towards production. Apart from the projects announced we remain confident in the coming year of announcing further opportunities which will be advanced. We believe our technologies give us an advantage today and we will keep our focus on driving these through to fruition.”

Chairman, Frank Poullas





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ENERGY TECHNOLOGIES

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