



Magnis Resources

L I M I T E D

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FOR RELEASE

28 April 2017

QUARTERLY REPORT TO 31 MARCH 2017

HIGHLIGHTS

High purity graphite and lithium-ion battery strategy

- MOU signed with ROSATOM for project finance and offtake
- SEZ Licence granted in Tanzania
- Land owner payments and compensation nearer to completion

Subsequent Events

- MOU for battery plant manufacturing plant in Townsville, Australia executed with a global consortium

Corporate

- Cash position for the Company at 31 March 2017 A\$1.54M – excludes funding from option conversions which provides Magnis with the financial flexibility to fund operations in the current quarter
- In excess of A\$1.24M already received in April 2017 and expecting amounts of up to A\$6.8M over the next five weeks as listed options expire
- Key Board appointment of Dr Ulrich Helmut Bez as a Non-Executive Director

Magnis Resources Limited ("**Magnis**" or the "**Company**") (ASX: MNS) is pleased to present its quarterly report for the period ended 31 March 2017.

Magnis continues to focus on progressing the development of its Nachu Graphite Project ("Nachu") in southern Tanzania and has made significant progress in the quarter.

Nachu project background

The high quality and purity of Nachu graphite underpins Magnis' strategy to become a globally significant producer of high value graphite products with a particular focus on supplying the lithium-ion battery market.

For the Nachu project, Magnis has finalised all regulatory and environmental permits, completed a Bankable Feasibility Study (BFS), a power supply agreement and a clearly defined concentrate export route.

As one of the world's most advanced and shovel-ready graphite projects globally, the Nachu project is on target to meet the forecast increase in graphite demand for lithium-ion battery uses as numerous "mega-factories" are commissioned from 2018 onwards.

MOU signed with ROSATOM for project finance and offtake

During the quarter, the Company announced a key milestone in the development of its Nachu Graphite Project in Tanzania with the signing of a Memorandum of Understanding (MOU) with Russia's ROSATOM International Network (ROSATOM) for project financing and offtake of Super Jumbo and Jumbo flake graphite.

This MOU is a significant development for Magnis and positions the Company alongside a highly regarded group that is a world leader in the construction and operating of nuclear reactors with flake graphite being a key material used in nuclear reactors.

Under the agreement, both organisations will work together towards a binding offtake agreement once further negotiations take place and certain milestones are met. Interest revolves around the Super Jumbo (+500 microns) and Jumbo (+300 microns) flake graphite sizes. The larger flake sizes are currently being consumed by ROSATOM in several of its business divisions including nuclear power generation, aerospace and creating composites.

Discussions are continuing with the project financing of the Nachu Graphite Project in tandem with these offtake discussions.

As well as the ROSATOM MoU, Magnis expects to report on other offtake agreements in the near term.

SEZ Licence granted in Tanzania

Magnis received approval to operate within a Special Export Zone (SEZ) in Tanzania which will allow the Company to apply the advanced technologies it has been developing to produce value enhanced graphite products.

SEZ legislation was introduced in Tanzania in 2006. The legislation provides incentives for companies to create value addition and advance employment and development of Tanzania. SEZ licences are issued by the Minister of Industry and Trade

The SEZ legislation required Magnis to register a separate company in Tanzania to hold the SEZ licence and will be held by Magnis Technologies Tanzania Ltd (MTT). The Company's other subsidiary will continue to operate the mining operations and processing plant to produce a graphite concentrate which will then be sold at commercial rates to MTT. MTT will then use the technology Magnis has developed to produce the final advanced products.

Magnis has been actively developing advanced technologies to produce very high quality graphite products for the last two years and this technology is well suited to the SEZ requirements. Magnis has also been very cognisant of the focus of the Tanzanian government on value enhancement of exports and this SEZ development is a result of our commitment to those objectives.

The SEZ will operate on a section of land which will be excised from the existing SML area and therefore no further land acquisition is required.

The Key benefits of a Special Economic Zone include the exemption from payment of corporate tax for 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.

Nachu site based progress – Land Valuation and Compensation

As per the Corporate Update announcement to the ASX on 30 January 2017, Magnis completed the land valuation process during the December 2016 quarter and the second phase of the compensation process was completed in January 2017. Final stage of the compensation process is expected soon together with the advancement in the Nachu landowner re-settlement and village building process, paving the way forward for construction of the mine.

Over 720 people have been compensated following the most recent payment process while 58 residents who are affected by the SML have been offered and accepted resettlement to the new village area.

The Ruangwa District Council is now in the process of issuing the documentation for surface rights to the Company. Extensive community involvement has been conducted throughout the process with community working group meetings beginning in late 2014. IFC principles and guidelines have been used throughout the whole process with affected

residents being resettled into new accommodation to an equivalent or better standard. The new resettlement village proposed by the company will exceed these guidelines.

Land has been purchased for the re-settlement of homeowners. The land has been cleared with construction activities beginning after the completion of the wet season for a new housing village set to be completed in the second half of 2017.

The cost of both the compensation and re-settlement is consistent with estimations within the Bankable Feasibility Study.

Termination of Sinosteel and SINOMA Offtake Agreements

The Company notified Sinosteel Liaoning and China National Materials Import and Export Corporation (SINOMA) that it has terminated both offtake agreements. The original agreements signed, gave both parties the right to execute terminations, if desired, on conditions of operational precedents.

Port Agreement extension

The Tanzanian Port Authority has notified the Company that progress is being made towards the execution of a lease for land adjacent to Mtwara Port. This is an important development for Magnis given the land is critical for future logistics once the Nachu mine is in production.

Subsequent Events

The Company announced last week (21 April 2017) that it had entered into part of a global consortium led by Boston Energy and Innovation (BEI) which has signed an exclusive MOU with Townsville City Council in North Queensland, Australia to investigate building a 15GWh lithium-ion battery manufacturing plant in Townsville.

BEI is chaired by well-respected and highly regarded Australian businessman and philanthropist Mr Bill Moss AO and consists of New York Stock Exchange listed Eastman Kodak Company (NYSE:KODK), C4V and C&D Assembly, both leaders in the lithium-ion battery space and based in New York. Under the MOU, Magnis will have both ownership in the plant and be providing anode materials and technologies using its high quality graphite from the Nachu Graphite Project in Tanzania.

Consortium members are currently progressing this MOU and further details will be released when available.

Funding

Cash position for the Company at 31 March 2017 was A\$1.54M. Estimated cash outflows for the next quarter is A\$2.44M per the Appendix 5B Quarterly Report. The estimated deficit of A\$0.9M has been funded in this first month of the current quarter as over A\$1.24M of funds via listed option conversions have been received. The Company received in excess of A\$1.85M during the March 2017 quarter from proceeds of share options.

Working capital is expected to be funded further via option conversions, particularly given the expiry date of 31 May 2017 is less than five weeks away from the current date for the ASX listed MNSO with an exercise price of A\$0.09533 and given the current share price is well above A\$0.60. As at 28 April 2017, over 75M MNSO remain listed on the market eligible for conversion and in addition to this, unlisted options with varying exercise prices and expiry dates remain. As an example, if 75% of the MNSO securities are exercised before expiry, the Company will receive a further A\$5.3M in funds.

Key Board Appointment

Magnis significantly strengthened its Board of Directors with the appointment of globally recognised automotive sector expert Dr Ulrich Helmut Bez as a Non-Executive Director.

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.

Tenements

The following is the Schedule of Mineral Tenements held by the Company:

PL7377/2011	Ruangwa	(100%)
SML550/2015	SML Nachu	(100%)
PL10906/2016	Nachu	(100%)



Dr Frank Houllis, Chief Executive Officer

Magnis Resources Limited

+61 2 8397 9888