



# Magnis Resources

L I M I T E D

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## AMENDMENTS TO THE TANZANIAN MINING & RESOURCES LEGISLATION

Magnis Resources Limited (“**Magnis**” or the “**Company**”) (ASX:MNS) herewith provides an update on the legislative amendments to the legal framework governing the mining and natural resources sector in Tanzania.

Three supplementary Bills were passed by the Tanzanian parliament last week and the Company understands that the three passed Bills have received Presidential acceptance and have been officially signed so that the Bills have become Acts and operate as law.

The three Bills can be found on the Tanzanian Parliament website as draft copies and are as follows:

- The Natural Wealth and Resources Contracts (Review and Re-Negotiation of Unconscionable Terms) Bill 2017;
- The Natural Wealth and Resources (Permanent Sovereignty) Bill 2017;
- The Written Laws (Miscellaneous Amendments) Bill 2017.

The Company has reviewed and received initial legal advice on the new legislation and its impact on the Company’s activities in Tanzania. The legal advice confirms the in-country management and Board’s assessment that further clarity is required before an appropriate assessment of the impacts can be made on the Nachu Graphite Project (the “Project”). The Government is yet to release the new regulations and mining code which are expected to provide the framework for the implementation of the new legislation. Until these new regulations are reviewed, the Company and legal advisors cannot make sufficiently detailed statements to shareholders and the market at this time.

### **Magnis’ Current Structure in Tanzania**

The new legislation appears as though it will impact Magnis’ wholly-owned subsidiary, Uranex Tanzania Ltd (“UTZ”), that plans to conduct the graphite mining operations and the production of a graphite concentrate. The level of impact requires further clarification given that the Project holds a Special Mining Licence (SML) that was referred to in the Australian Securities Exchange (ASX) announcement on 8 September 2015 and Mineral Development Agreement (MDA) that

was referred to in the ASX announcement on 23 October 2015. In particular, The Written Laws (Miscellaneous Amendments) Bill 2017 will require clarification on its potential impact on UTZ, as the Company notes the inclusion of section 10 of the Bill referencing not less than 16 percent non-dilutable free carried interest in shares of the mining company (UTZ in this case) in comparison to the 5 percent free carried shareholding in the Project for the Government of Tanzania as was originally agreed upon.

The Natural Wealth and Resources Contracts Act, 2017 mentions Government re-negotiation of unconscionable terms that will need to be investigated further and require clarification for the Company.

In addition to the free carried interest shares in UTZ, the government can acquire up to 50 percent of the shares in the mining company commensurate with the total tax expenditures incurred by the Government or tax incentives in favour of the mining company. One of the key terms agreed to in the MDA was a tax rate of 30%, thus no special tax concessions were applicable given the current tax rate in Tanzania already is 30%.

A production royalty of 3% was also agreed to in the original MDA and this remains unchanged when the new legislation applies.

An amendment to the Mining Act in section 90 has occurred whereby an inspection fee of 1% of the gross value of exportation of mineral or minerals shall apply. This is a new inclusion that will have an impact on the Project however the extent of this has yet to be fully determined.

Magnis is in ongoing discussions with Tanzania Government and is seeking advice on these legislative changes, particularly with reference to the existing SML and MDA and will provide further updates to shareholders and the market when received.

### **Special Economic Zone**

The Company has been advised by the Export Processing Zone Authority (EPZA) that the new legislation will not have impact on the subsidiary, Magnis Technologies Tanzania Ltd ("MTT") which will utilise Magnis' developed technology in the Special Economic Zone (SEZ) for processing of graphite concentrate to final products. It should be noted that the SEZ was approved by the current government and announced to the ASX on 29 March 2017.

The approval to operate within a SEZ allows 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 and provides incentives for companies to create value addition and advance employment and development of Tanzania. The SEZ licences are issued by the Minister of Industry and Trade.

UTZ will be conducting the mining operations and processing plant operations to produce a basic graphite concentrate which will then be sold to MTT at commercial rates. MTT will then use the technology the Company has developed to produce the final advanced products.

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

## **Summary**

The new mining regulations are to be released, and until such time, a high level of uncertainty and speculation remains within the Tanzanian mining framework. Until this uncertainty abates, the Company will remain in voluntary suspension from trading on the ASX. Once the new legislative changes become Acts and further clarification is provided on the status of the SML and MDA on the Project, the Company and its advisors will assess the impact of these changes and update shareholders and the market.

The Company's Board and Management have always acted in the best interests of all stakeholders in the Project and have been respectful in our dealings with the Government of Tanzania and will continue to develop that relationship with authorities. The Company respects the Government's ambition to amend the mining legislative laws to provide the country with a structured framework for the industry going forward.

The Company expects the voluntary suspension will continue until 28 July 2017 or until the release of an announcement by the Company in relation to the new Tanzanian mining regulations and code.

The Company is not aware of any reason why the extension to the voluntary suspension should not be granted.

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