FOR RELEASE
30 January 2015

MAGNIS QUARTERLY REPORT TO DECEMBER 2014

- **Nachu Graphite Project Pre-Feasibility Study completed**
- **Project NPV of $US1.04b and 84% IRR**
- **Board commits to next stage of development**
- **Binding offtake agreement signed with Sinosteel Liaoning for 100,000 tonnes pa for 10 years with option to extend**
- **Binding offtake agreement signed with SINOMA for 80,000 tonnes pa for 5 years with option to extend**
- **Nachu Graphite Project Maiden Mineral Resource 156 Mt @5.2% TGC**
- **66% of Resource in Measured and Indicated categories**
- **Graphite concentrate samples sent to offtake partners**
- **Samples from bulk testing contained >95% TGC and achieved at a recovery of >96% through simple flotation**
- **Completed $3m capital raising**

Magnis Resources Limited (ASX:MNS) accelerated preparations for the development of its Nachu Graphite Project during the quarter ended 31 December 2014. During the quarter a JORC resource was defined and the Pre-Feasibility Study was completed. Both these milestones demonstrate that the Nachu Graphite Project in Tanzania is shaping up as a world class project. In more detail, the key events announced in the previous quarter include:

1. Completion of the Nachu Graphite Project Pre-Feasibility Study by Australian engineering consultancy firm BatteryLimits Pty Ltd and South African engineering company Logiman. The project financials show an after tax NPV of $US1.04b and 84% IRR (using a discount rate of 10%) and a capital payback period of 1.4 years. The Board made the decision to proceed with development.

   Reference 1: ASX announcement, 29 December 2014, Pre-Feasibility Study

2. China based Sinosteel Liaoning signed a binding off-take agreement with MNS for 100,000tpa for 10 years with an option to extend for a further 5 years. Graphite prices will be linked to market prices under the terms, and Sinosteel will process the graphite for the electric vehicle market.

   The current basket price is over US$2,100 per tonne due to majority of Magnis product being in Super Jumbo (+500 microns), Jumbo (+300 microns) and Large (+180 microns) categories. Based on the current basket price, yearly revenues under this agreement equate to over US$210m or over US$2.1b over 10 years.

Sinosteel has been involved in the graphite industry for decades and has over eight graphite production facilities producing over 220,000tpa.

In the past few months samples were sent to Sinosteel to be tested at its Graphite Processing Plant. These samples were derived from large scale metallurgical work that resulted in an average grade over 95%TGC, with the majority of the product in Super Jumbo, Jumbo and Large categories.

As a precursor to this announcement, on 3 September 2014 an MOU for off-take was signed with a JV between Sinosteel and Dalian InterContinental New Materials Corp, and following delivery of the samples, Sinosteel has entered into the binding off-take with MNS.

Reference 2: ASX announcement, 29 December 2014, Binding Offtake agreement signed with Sinosteel

3. China based SINOMA (a subsidiary of major state owned enterprise China National Materials Group Corporation) has signed a binding off-take agreement with MNS for 80,000tpa for 5 years with an option to extend. Graphite price will be linked to market prices under the terms. Based on the current basket price, yearly revenues under this agreement equate to over US$160m or over $800m over 5 years.

   The agreement follows SINOMA's evaluation of graphite samples sent from MNS and following the MOU for off-take that was signed on 11 July 2014.

   Reference 3: ASX announcement, 16 December 2014, Binding Offtake agreement signed with SINOMA

4. The maiden JORC resource for the Nachu Graphite Project was released in November on schedule. The Mineral Resource Estimate was carried out by independent mining consultancy firm AMC Consultants Pty Ltd.

   Key Points:

   - Mineral Resource Estimate of 156Mt at 5.2% graphitic carbon (Cg) at 3% Cg cut-off grade.
   - Mineral Resource is inclusive of a total of 104Mt Measured and Indicated Resource and represents 66% of Maiden Mineral Resource Estimate to date.
   - Over 8 Mt of contained graphite in the Mineral Resource
   - Mineral Resource derived from only 2% of Nachu tenement land area

   The total Mineral Resource 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).

   CEO Dr Frank Houllis commented: "The maiden Mineral Resource at Nachu is a major milestone for Magnis and adds further weight to its commercial value. With over 8 million tonnes of contained graphite from only 2% of the tenement that includes 66% of the Mineral Resource Estimate in Indicated and Measured categories, cements Nachu as a world leader with the combination of a large deposit with highly desirable Large and Jumbo Flake graphite."

“The combination of the Mineral Resource, favourable metallurgical results and two binding offtake agreements demonstrate the significance of the high quality Nachu Graphite Project.“

The Nachu tenement covers approximately 199 km^2 in southern Tanzania, Figure 1. The Mineral Resource is split into five deposits (Block B, D, F, FSL & J) with mineralisation hosted in graphitic schist within a sequence of meta-sedimentary schists with minor un-mineralised dolomitic marble and gneisses within the greater Mozambique Metamorphic Belt. All deposits have mineralisation at or near surface. The modelled resource depths vary between deposits with over 85% of the defined total resource less than 150m from surface. The distribution of the deposits within the Nachu tenement is shown in Figure 2 overlying the broader project electro-magnetic (EM) response pattern.

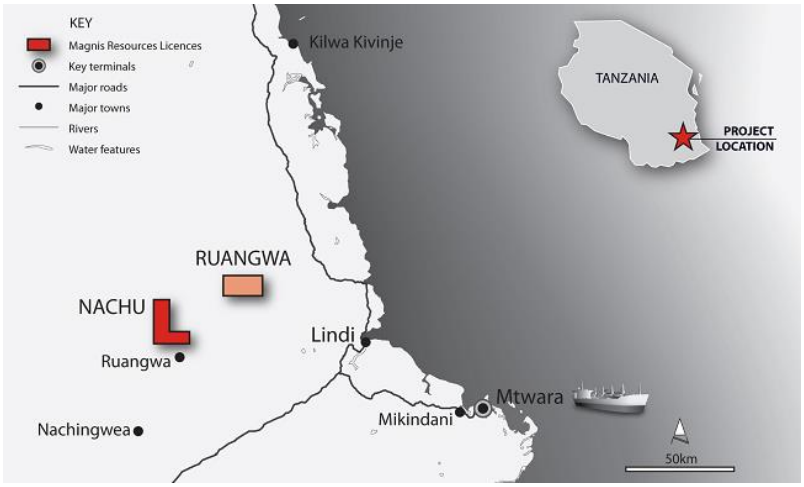

Figure 1: Location of the Nachu Graphite Project within Tanzania

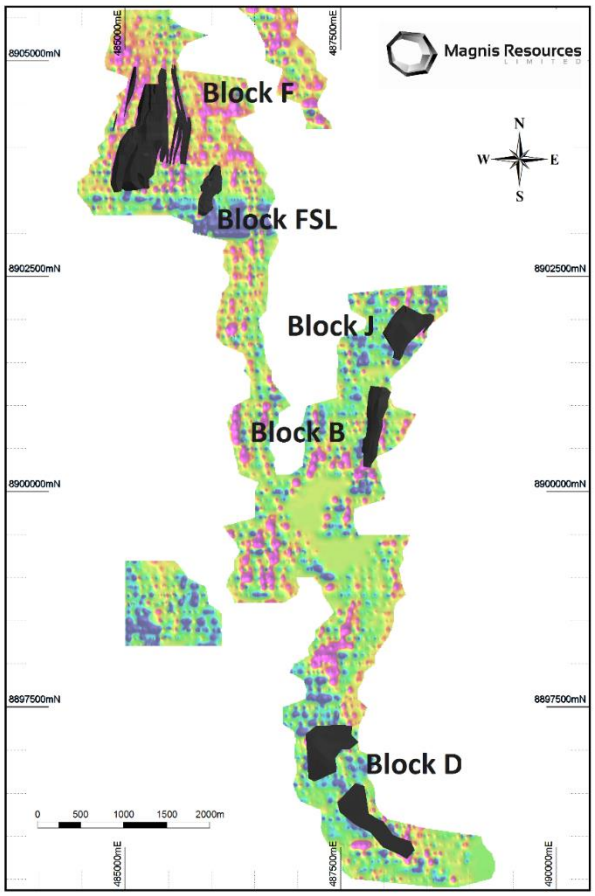

Figure 2: Location of the deposits Block B, D, F, FSL & J within the Nachu Graphite Project overlying the 2014 ground EM response pattern (hot-pink to cold-blue, high EM response to low EM response).

Table 1: Nachu Graphite Project Global Mineral Resource Estimate as at 26 November 2014

Deposit	Category	Oxidation	Mt	%Cg
All Blocks >3% Cg	Measured	Oxide	0.2	5.2
		Primary	3.7	5.6
	Indicated	Oxide	4	5.5
		Primary	96	5.1
	Inferred	Oxide	2	5.6
		Primary	51	5.7
Sub Total	All Categories	Oxide	6	5.4
		Primary	150	5.2
All	**All Categories**	**All**	**156**	**5.2**

Notes: 1. Cut-off of 3% graphitic carbon

2. Rounding may result in differences in total and average grades.

Table 2: Nachu Graphite Project Mineral Resource Estimate by Block

Block		B			D		F		FSL		J	
		COG	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade
		%Cg	Mt	%Cg	Mt	%Cg	Mt	%Cg	Mt	%Cg	Mt	%Cg
Measured	**Oxide**	3.0							0.2	5.2		
	Primary	3.0							3.7	5.6		
Indicated	**Oxide**	3.0	0.2	6.5			3	4.8	0.2	5.4	0.7	8.3
	Primary	3.0	6.6	6.3			75	4.7	4.9	5.1	9	8.1
Inferred	**Oxide**	3.0	0.1	5	0.7	5.9	1	5.1	0.01	3.2	0.04	10.1
	Primary	3.0	0.8	5	19.5	5.9	27	5.0	0.9	4.2	3.2	10.2
Sub Total			**7.6**	**6.1**	**20.2**	**5.9**	**106**	**4.8**	**9.8**	**5.2**	**12.9**	**8.6**

Notes: 1. Cut-off of 3% graphitic carbon

2. Rounding may result in differences in total and average grades.

Reference 4: ASX announcement, 25 November 2014, Nachu Maiden Mineral Resource

5. A $3m capital raising was conducted in November through a placement of shares to fund the completion of the maiden JORC resource, the Pre-Feasibility Study and the Environmental Study. The placement consisted of 17,647,058 shares issued at $0.17 per share. Logiman Pty (Ltd) has become a substantial shareholder after subscribing for the majority of the placement.

   Reference 5: ASX announcement, 18 November 2014, Magnis Raises $3m to Advance Nachu Graphite Project

6. Metallurgical testing of the drill core from the 2014 exploration program continued where graphite concentrates were produced using a combination of milling and flotation steps. The scope of the metallurgical program includes ore variability testing, generation of marketing samples and optimisation of processing route and flake size.

   Ore Variability Main Block F

   Metallurgical testing for ore variability test work was extended to the optimised flowsheet to get an indication of process robustness. Ores from Block F South and Main Block F are reported here. **Table 3** summarises key outcomes for each test and demonstrates the consistently high proportion of Jumbo flake graphite produced (ranging 51.8-65.6%) at high graphite recovery (96-97%). Hole locations are shown in **Figure 3**. The results show minor ore variability across the blocks in F for deeper non-oxidised zones of the core. Furthermore, the optimised process flowsheet regularly resulted in a graphite concentrate grade near or above 94% TGC.

Table 3: Size Distributions and Grade of Graphite Concentrate Produced from Metallurgical Testing of Ore Samples from Block F South and Main Block F

Flake Size	Sieve Size		% Distribution by Graphite Mass				
	(microns)	Mesh	Test 126	Test 127	Test 129	Test 130	Test 131
Jumbo	> 300	+ 50	**51.8**	**60.6**	**64.6**	**65.6**	**60.2**
Large	180 – 300	+80, -50	**27.6**	**24.1**	**22.2**	**22.2**	**24.1**
Medium	150 – 180	+100, -80	6.4	4.8	3.8	4.2	3.6
Fine	< 150	- 100	14.1	10.5	9.5	8.1	12.1
Total			100	100	100	100	100

Ore Tested (interval length metres)	NADD015 (24-74m)	NADD028 (19-137m)	NADD029 (11-64m)	NADD029 (104-127m)	NADD029 (218-277m)
% TGC in Graphite Concentrate	**93.1**	**94.8**	**94.8**	**95.2**	**94.3**
% Graphite Recovery to Final Concentrate	**96.2**	**97.0**	**96.3**	**96.7**	**96.1**

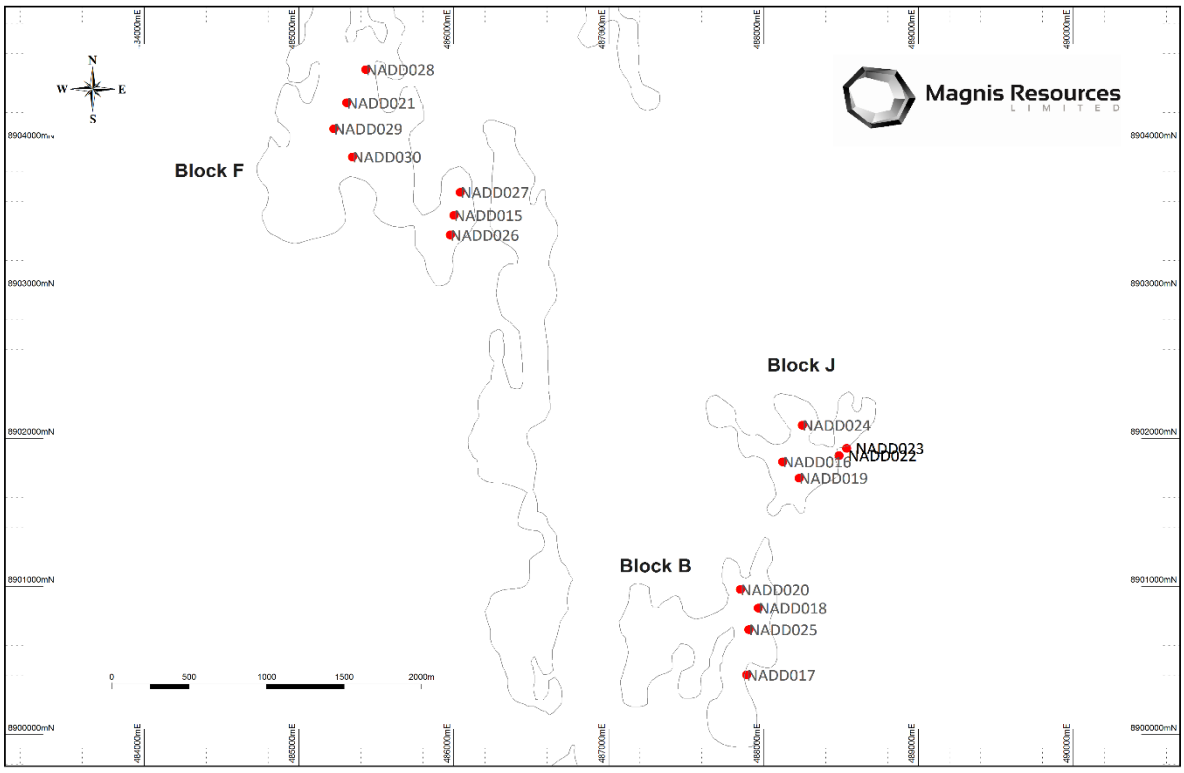

Figure 3: Map of Drill Core Locations

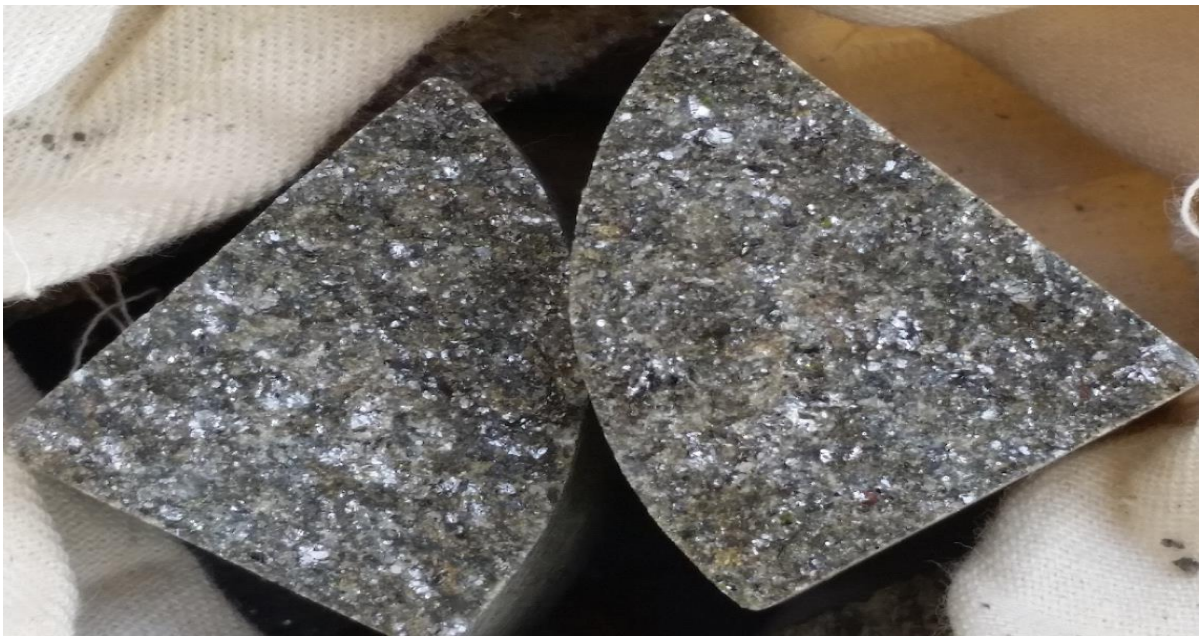

Figure 4: Cross-section of as-received quarter core from Block F South with visible graphite flakes

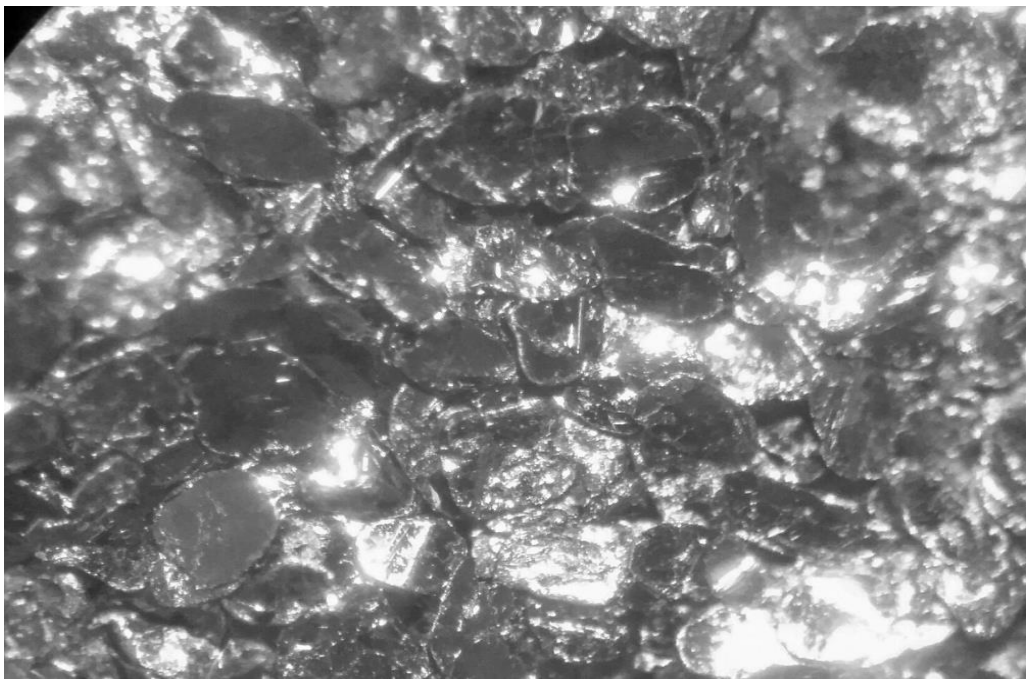

Figure 5: Image of graphite flake under an optical microscope

Reference 6: ASX announcement, 14 November 2014, Exceptional Flake Graphite Metallurgical Results Continue

Environment Impact Assessment

The Environmental Impact Assessment (EIA) has commenced and is on track for completion in June 2015. Both the PFS and EIA are imperative in gaining government mining approvals.

- Digby Wells Environmental, a well-respected environmental consultancy based in South Africa and with Africa-wide experience, has been appointed to help the company manage the EIA process and ensure compliance with international standards.

Nachu Project Development and Funding Discussions

The Measured and Indicated Mineral Resource as defined in the maiden JORC resource for the Nachu Graphite Project released in November last year will be converted to Probable Reserves during this quarter.

The fast tracking process of this project continues as the Pre-Feasibility Study was performed to a higher standard with an emphasis on infrastructure. This, combined with the two binding offtake agreements, puts the Company in a strong position to secure project funding and construction partners. Discussions will continue in the first quarter of 2015 with domestic and overseas parties from multiple continents in regards to working capital and long-term funding for the Nachu Graphite Project.

Other Tenements

MNS has discovered a new separate tenement demonstrating multiple graphite grades. The Ruangwa tenement (prospecting licence PL7377/2011) is approximately 35km north east of the Nachu Graphite Project covering approximately 168km^2. The exploration program is likely to require a ground electro-magnetic program run in conjunction with extended geological mapping and sampling programs prior to any drill testing of the graphite anomaly.

Minimal field work was completed on other tenements during the quarter.

The EL 25165 Alligator Rivers tenement in the Northern Territory was relinquished during the quarter.

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