

Magnis Resources

L I M I T E D

FOR RELEASE
29 January 2016

QUARTERLY REPORT TO 31 DECEMBER 2015

HIGHLIGHTS

- **99.8% TGC concentrate achieved by flotation without expensive chemical or thermal purification**
- **Exceptional lithium-ion battery test results (announced post quarter-end)**
- **Mineral Development Agreement finalised with Tanzanian Government**
- **MOU signed with POSCO E&C for project funding and construction**
- **BFS delivery on target**
- **Demerger of uranium assets**
- **Offtake discussions with potential processing partners and end users in North America, Europe and Asia progressing**

Magnis Resources Limited ("**Magnis**" or the "**Company**") (ASX: MNS) is pleased to present its activities report for the quarter ended 31 December 2015 which was focused on the development of its 100% owned Nachu Graphite Project ("NGP") in southern Tanzania.

99.8% TGC concentrate achieved by flotation without expensive chemical or thermal purification

Further refinement of the metallurgical process used to maximise the value of NGP graphite product continues to generate market leading results for TGC purity levels without the requirement for chemical or thermal purification. These techniques utilised by the Company are setting the benchmark for potential low cost production of battery grade graphite.

Throughout the December 2015 quarter and subsequently into the first weeks of 2016, the Company has been able to report improving levels of graphite purity from flotation testwork. TGC levels have increased from 99% TGC to 99.8% TGC in the most recently announced testwork on 20 January 2016 from micronising and coating.

Further to the news of the TGC level improvements, exceptional battery test results were achieved, again without expensive chemical or thermal purification. The most recent test results were initial qualification work on the suitability of NGP graphite as anode material for lithium-ion batteries.

A first cycle efficiency rate of 97.1% was achieved equating to a loss of only 2.9% and is an improvement of 42% over synthetic graphite. A Surface Area (BET) of 4.09 m²/g and Tap Density of 0.87 g/cc combined with the first cycle efficiency demonstrates the exceptional qualities of NGP graphite and confirms its potential for high end energy and power applications like lithium-ion batteries used in the electric vehicle market.

Magnis CEO Dr Frank Houllis commented: "These landmark results are exciting and very unique. To achieve superior results to synthetic graphite without any chemical treatment is quite remarkable. Our product may well have the lowest costs in the industry with the lowest carbon footprint."

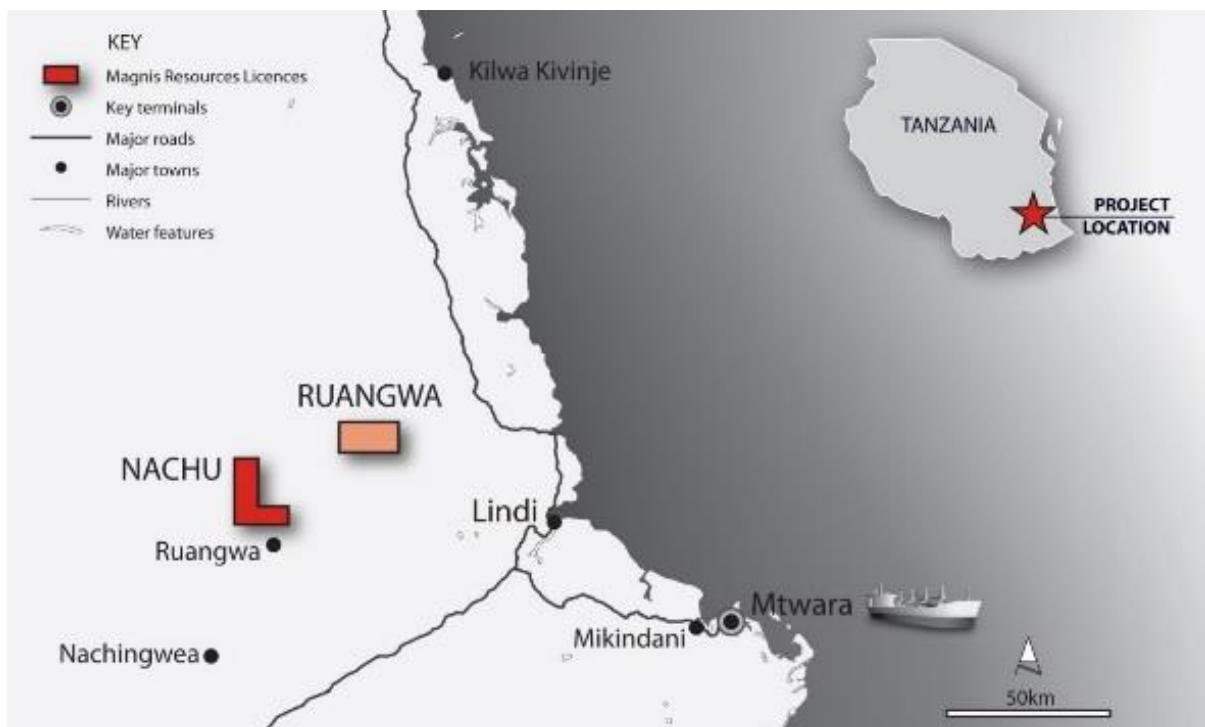


Figure 1: Location of the NGP

MDA Finalised with Tanzanian Government

The Company announced on 23 October 2015 that it had reached agreement with the Tanzanian Government on the terms of the Mineral Development Agreement ("MDA") for the NGP. An MDA is a mechanism within the *Tanzania Mining Act (2010)* for the holders of a Special Mining Licence ("SML") to ensure the rights of both parties are fully defined and protected. The term of the agreement is 10 years.

Whilst there are a number of commercial matters covered by the MDA, the key terms agreed are as summarised below:

- a) A 5% free carried shareholding in the NGP for the Government of Tanzania;
- b) An option for the Government to purchase an additional 10% of the NGP at “fair market value” as determined by an internationally recognised valuer;
- c) Fiscal stability which ensures all taxation, royalties and duties are fixed for the term of the MDA;
- d) A tax rate of 30% and a 3% production royalty;
- e) Provisions that prevent any form of nationalisation of the NGP.

These terms are considered beneficial to the Company and will provide a great deal of certainty to those parties interested in financing the development of the NGP. Furthermore, in relation to other jurisdictions and countries, the terms are considered to be very competitive and it greatly assists the NGP to be economically attractive to investors and all other stakeholders.

The MDA was finalised following considerable discussions with the Government's negotiating team and approval from the Mining Advisory Board. The Ministry of Energy and Minerals issued a letter to the Company confirming the agreement.



Figure 2 – Magnis Resources representatives and members of the Tanzanian Government negotiating team

MOU for Project Funding

The Company signed a Memorandum of Understanding ("MOU") with South Korean industry leader POSCO E&C outlining the basis for co-operation on the procurement of funding and construction of the NGP.

Key roles and responsibilities outlined in the MOU are as follows:

- a) POSCO E&C is mandated for arranging senior loans through its association with financial institutions;
- b) Magnis is responsible for arranging subordinate debt and equity and the overall co-ordination of NGP funding;
- c) Magnis to update resource/reserve estimates and deliver a bankable feasibility study ("BFS") to the satisfaction of lenders;
- d) POSCO E&C to develop a fixed price lump sum for project execution by 2nd quarter 2016;
- e) Magnis, with the support from POSCO E&C, to advance the construction contract in parallel to the funding process.

The Company remains in discussions with SINOMA who has signed a term sheet for the provision of a processing plant at the NGP. These negotiations continued over the quarter, while the MOU with POSCO E&C remains in operation to ensure the construction of the NGP proceeds in a timeframe satisfactory to Magnis.

BFS delivery on target

In relation to one of the key deliverables in the POSCO E&C MOU, resource and reserve definition drilling is now complete with results expected in coming weeks. The updated Mineral Resource estimate is being completed by AMC Consultants whilst Orelogy Group is undertaking the mine planning and Ore Reserve estimate, all of which will feed into the BFS to satisfy the requirements of potential financial institutions looking to contribute funding for the NGP. Sedgman were selected to lead the delivery of the Nachu BFS with the majority of process engineering and detailed design already completed by Logiman. Sedgman in partnership with Logiman are currently incorporating this work into the BFS.

Unlocking Value from Uranium Tenements

During the quarter, Magnis announced plans to divest the Company's non-core assets. In recent times, the Board has fielded a number of proposals for its uranium assets which has provided an opportunity to unlock additional value for shareholders while maintaining a strong focus on the development of its world class graphite project.

The Board maintains the opinion that Magnis' current share price attributes minimal value to its non-core assets and that failing a suitable sale price of these uranium assets, shareholders would gain benefit through a demerger of the assets into another vehicle with all shares received by Magnis as consideration being distributed to shareholders via an in specie distribution.

Full details of any potential demerger are yet to be finalised with further developments expected in the coming weeks.

Offtake(s)

Discussions are advancing with potential offtake, processing partners and end users partners from South Korea, Japan, North America and Europe.

Capital Raising and Funding

On 12 October 2015, the Company announced a placement of 10,000,000 shares at \$0.40 per share to raise \$4.0M to fund the feasibility work for the development of the NGP. The offer was subscribed by sophisticated and institutional investors based locally and overseas.

Negotiations with overseas cornerstone investors are nearing completion for further funding, to enable the NGP to be fast tracked into production.

Director Resignation

On 14 December 2015, Mr Stephen Hunt resigned as a Non-Executive Director of the Company to pursue other business interests.

Other Tenements

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

The following tenement was relinquished.

- PL5726/2009

A handwritten signature in black ink, appearing to read 'Dr. Houllis', with a small dot at the end.

Dr Frank Houllis
Chief Executive Officer
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