FOR RELEASE
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QUARTERLY REPORT TO 30 SEPTEMBER 2016

HIGHLIGHTS

Spherical graphite and Lithium-ion battery strategy

- Key Lithium-ion Battery Developments
- Land owner compensation process, re-settlement and land clearance
- FEED study underway with Ausenco

Corporate

- Cash position for the Company at 30 September 2016 A$6.1M
- Inclusion into S&P/ASX 300

Magnis Resources Limited ("**Magnis**" or the "**Company**") (ASX: MNS) is pleased to present its quarterly report for the three months ended 30 September 2016.

Magnis continues to focus on progressing the development of its Nachu Graphite Project ("Nachu") in southern Tanzania in a timely manner. Magnis is targeting the commencement of pre-construction site works in mid 4Q CY16 prior to onset of the Tanzanian wet season in January.

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.

The Nachu project 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.

FEED study progressing

During the quarter, Front End Engineering and Design was initiated with Ausenco. The first phase of the FEED program involved vendor testing to finalise equipment selection. As equipment is confirmed, optimisation work on the processing plant footprint at Nachu will be undertaken. The FEED study is expected to be completed towards the end of Q1 2017 consistent with the targeted timeline of commencing full scale construction at Nachu post the conclusion of the wet season in April 2017.

Nachu site based progress

Magnis is well advanced in the Nachu landowner compensation process including re-settlement of approximately 55 basic dwellings in the Nachu project area. During the quarter community consultation and education programs continued regarding the Nachu project development including the land valuation process and verification of asset valuations.

Bush clearing is expected to begin shortly at the designated resettlement area, allowing for the construction of an eco-village resettlement housing development. Shortly thereafter on the Nachu project area, clearing activities for site access and a construction camp will commence.

A number of water bores have been previously identified and successfully drilled to assess and confirm the quantity, suitability and sustainability of the water bores to provide construction water through the development phase of the Nachu project.

Key spherical graphite developments

During the quarter, Magnis updated the market on its spherical graphite production along with an escalation in resources devoted to its Lithium-ion Battery (LIB) commercial anode development programs. These resources include additional downstream technical expertise, industry leading battery test facilities to allow for full cells and battery fabrication development utilising Nachu anode material.

Building on previously released battery results, Magnis is demonstrating that Nachu flake concentrate has significant flexibility in the production of spherical graphite for a range of applications in the rapidly evolving LIB industry.

Exclusivity Agreement with Charge CCCV ("C4V") as a core advisor for battery anode development

During the quarter Magnis and C4V entered into a formal collaboration to continue the development of natural graphite anode material. The agreement covers the

development of both spherical graphite anode material and silicon/graphite anode material that has the potential to deliver a significant step change in battery mileage.

C4V is located in New York, USA and specialises in developing advanced materials for the LIB market. C4V is located in a facility at Binghamton University, that jointly houses Professor M. Stanley Whittingham the inventor of lithium-ion batteries as well as an extensive analytical facility staffed by leading experts.

As a result of private and Government support, facilities in the field of battery technologies at the world leading Binghamton University and C4V labs have been recently upgraded to allow more precise fabrication and testing of LIBs. This includes the capability to build full 18650 and multi-layer pouch cells. This will assist in the speed of product research development capabilities to fully capture the value of Nachu high performance anode material.

Spherical Graphite Update

As announced during the quarter, Magnis produced uncoated spherical graphite utilising commercially available milling equipment in Europe to perform the spheronisation step with high purity Nachu flake concentrate. Importantly no chemical or thermal purification was used in the production of the spherical graphite.

Yields in the region of 75% are consistently achieved when starting with >99% TGC Nachu graphite concentrate, which is significantly higher than existing spherical graphite production.

Results have also demonstrated flexibility in particle engineering to produce anode powder to suit a wide range of end-user applications with BET ranging between 1.5 to 6m^2/g and tap density between 0.9 to 1.2 g/cc.

Particular emphasis was given to the shape and size distribution of spheroids in order to maximise packing density at the electrode level by ensuring maximum particle to particle contact and optimum porosity to achieve high cell performance. The flexibility in production methods and their performance outputs have resulted in fine control over battery performance and full cell data from Nachu graphite. The range of outputs being produced from Nachu flake graphite allows Magnis to target both power and energy intensive applications in the LIB market.

The highly ordered crystal structure and minimum disorder of Nachu flake graphite allows for high level of control and consistency through the spheronising process. This is not the case for the fine and thin natural graphite material utilised in existing production of spherical graphite from China which results in high losses in the production of spherical graphite to meet end user specification.

The high yield and the avoidance of toxic purification are expected to result in significantly lower costs in the spheronisation process.

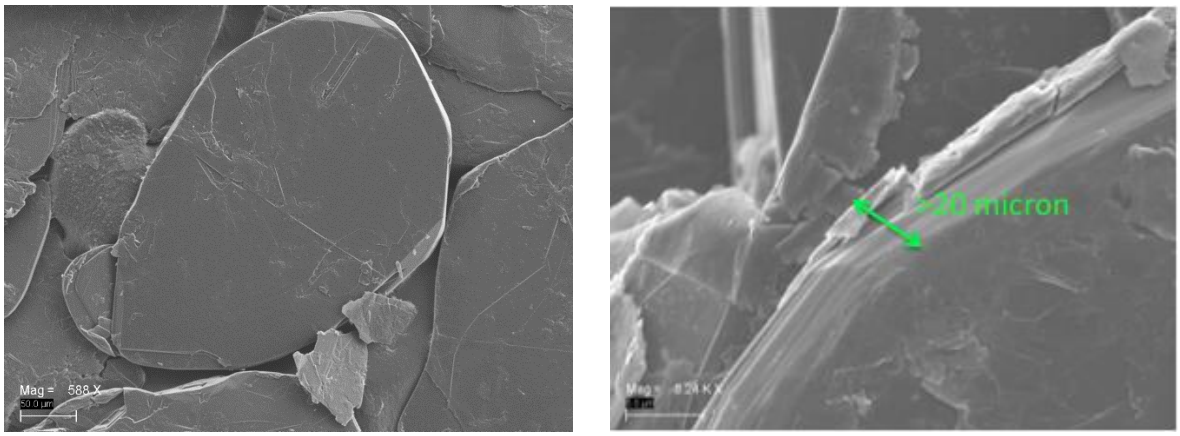

Figure 1: Scanning Electron Images Showing Large and Thick Crystals of Nachu Graphite

Offtake Discussions

During the quarter Magnis met with potential customers in North America, Europe and North East Asia to discuss product development and potential offtake opportunities. These discussions continue to evolve with Magnis focused on securing an agreement that will allow full value capture for the high purity Nachu ore body in the rapidly growing battery anode market.

S&P/ASX 300 Index Inclusion

On 2 September, S&P Dow Jones Indices announced the September 2016 quarterly rebalance of the S&P/ASX Indices. At this rebalance the S&P/ASX 300 Index was reviewed. Magnis' debut in the S&P/ASX 300 Index occurred upon market close on the 16 September 2016.

This followed swiftly from the March 2016 inclusion for the Company into the All Ordinaries Index.

Funding

Cash position for the Company at 30 September 2016 was A$6.1M.

Other Tenements

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

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

PL7377/2011	Ruangwa	(100%)
PL8697/2012	Rutamba North	(100%)
PL8696/2012	Lihehe East	(100%)
SML550/2015	SML Nachu	(100%)

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