



Magnis Resources
LIMITED

FOR RELEASE: 19 APRIL 2018

Tanzanian Update on Nachu Graphite Project

Magnis Resources Limited (“**Magnis**” or the “**Company**”) [ASX: MNS] is pleased to provide further comment to the ASX announcement released on March 9, 2018 referencing the agreement reached with the Tanzanian Government to progress the Nachu Graphite Project (Nachu) development.

The purpose of this announcement is to clarify some queries that have been raised by Company shareholders and comments made on some media forums on the status of the Special Economic Zone (SEZ) licence and the current situation in Tanzania for the Company. This also assists in clarifying the approach the Company has been taking in the development of Nachu.

The SEZ will be operated by Magnis Technologies Tanzania Ltd (MTT), a 100% owned subsidiary of the Company. The Mining operations will be done by the Company’s other fully owned subsidiary, Uranex Tanzania Ltd (Uranex).

Key clarifications to the recent queries are listed in the points below:

1. On April 12, 2018, a written public notice (“statement”) was made and published in the Tanzanian press. The statement was made by the Export Processing Zone Authority (EPZA) of Tanzania. The statement was made in response to questions raised in Tanzania about the granting of the SEZ licence. In the Company’s view, this published statement clarified the licence approval.
2. The process for applying for the SEZ licence commenced in March 2016 and the initial discussions with the EPZA commenced in June 2016. The formal application for the SEZ was made in November 2016 with approval granted in March 2017. This approach the Company has taken was decided upon well before the changes to the laws regarding the mineral industry in Tanzania were initially announced in July 2017.
3. The initial EPZ application was a result of Magnis’ strategy to export advanced value-added products for use primarily in the Lithium-Ion battery industry including the battery manufacturing plants that Magnis will be a stakeholder. Magnis has been able to demonstrate through its development work both to the market and the Government of Tanzania (GOT), that it can produce the advanced products which satisfies the requirements of the SEZ legislation.

4. Three licences, the SEZ Developers Licence, the EPZ Developers Licence and the EPZ Operators Licence have been **approved** by the EPZA. The SEZ Developers licence and the EPZ Developers Licence have been issued and received by MTT. The EPZ Operators Licence will be issued once the EPZ infrastructure has been developed as per the EPZ legislation. The ten year time frame for the operation of the SEZ commences once the EPZ Operators Licence has been issued. The application for amendments to the original application of the SEZ was announced in March 2018 and approval for the amendment was given following substantial consultation with the GOT.
5. During the various phases of development of Nachu, the Company management conducted several studies looking at the viability of the export of graphite concentrate. Particular attention was focused on what impact would be on the flake graphite market if several other large scale graphite projects commenced operation. Magnis' view was that the potential lower revenue pricing in the market would make any strategy or operation reliant on solely producing graphite concentrate would not be a financially sensible option. Therefore, the Company has been very proactive in optimising the significant advantages of Nachu with its natural large graphite flake size and the ability to easily process the graphite to higher value products. It is these higher value products which will deliver the best value to the shareholders.
6. Following the legislation changes to Acts relevant to the mining industry, the GOT has announced a ban on the export of unprocessed mineral concentrates which includes graphite concentrates. Magnis is not affected by this ban as the Company will be exporting value-added products. As the ban on concentrate export does not concern Magnis, the Company has not been involved in any lobbying of the GOT to revise its stance on the export of concentrates.
7. In reference to Uranex and its future mining operations, the Company is in the same situation as many other companies in Tanzania. Negotiations with the Government need to be finalised following the initial July 2017 legislation changes and once the Mining Commission is in full operation. However, the Company believes that Uranex will be able to operate successfully under the new legislation where the Government will have a free carried interest in the future Nachu mine.
8. Magnis management will continue to focus on what it views as the best options for the development of Nachu along with the battery manufacturing plants. The Company will not be distracted by the issues affecting other companies. In recent times, misinformation about the Nachu Graphite Project have been made against the Company and management via some forums. The Company would normally not respond to the false misinformation or allegations, however, the significant number of questions raised in recent times has made it necessary to respond. We assure shareholders that the Board and management have acted honestly and professionally in all aspects of the development of Nachu.
9. Since the announcement of the approval of the SEZ licence, the Company has received a number of expressions of interest from large financial institutions for the funding of infrastructure to support the project. This interest includes gas pipelines, power supply and roads. The Company continues to

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look at these expressions of interest as well the options for the financing of the overall project development.

10. The appointment of members to the Mining Commission in Tanzania were announced overnight. Eight members comprise the Commission and as mentioned in point [7] above, the Company can continue with negotiations with the GOT given the recent legislation changes and now with the members of the Commission having been established.

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