FOR RELEASE
2 June 2015

NACHU GRAPHITE PROJECT UPDATE

- **ESIA process started with statutory authority NEMC following acceptance of Scoping Report and Terms of Reference**
- **Metallurgical test work further demonstrates "exceptional" flake thickness**
- **Drilling program underway to support mine planning and project infrastructure**
- **Drilling confirms presence of underground water**
- **Positive developments in government and community relations**
- **Detailed engineering and design of plant and infrastructure continues**

Magnis Resources Limited (ASX: MNS) has made substantial progress on the development of its Nachu Graphite Project.

Important milestones have been achieved on a number of fronts, including government meetings, environmental study progress, mine planning and project engineering and infrastructure design.

ESIA

The process of acquiring a mining license for this project has formally begun with the submission of a Scoping Report and Terms of Reference by consultants MTL and Digby Wells to the National Environment Management Council (NEMC) on 24 April, 2015.

NEMC reviewed these submissions and formally approved proceeding to the Environment and Social Impact Assessment (ESIA) submission stage.

Preparation of the ESIA study by MTL continues to track to schedule with completion expected by the end of this month.

Figure 1 – Recent meeting with district and community leaders

Ministerial and Government Meetings

Presentations have been held with officials in the Tanzania Ministry**.** To date**,** all levels of the government have been very supportive of getting Nachu into operation. Earlier this month a meeting was held with the Deputy Minister for Energy and Minerals and the government indicated it is very supportive of the project and will work with Magnis to achieve all mining approvals.

Metallurgy

Recent metallurgical testing has centred on the generation of data for the specification of process and equipment. The graphite concentrate produced during this work was sent to end users for private evaluation. To date, results from end user evaluations have been consistent with the product grades and flake sizes used in the Pre-feasibility Study. In addition to the large flake size, exceptional flake thickness has been reported. The exceptional flake thickness will lead to a higher selling price.

The metallurgical testing conducted has also resulted in further process improvement. The proportion of Super Jumbo (+500 microns) in the product is now exceeding 11% (previously 9%) at a grade of 98% TGC with overall graphite recoveries averaging over 96%. This highlights the exceptional metallurgy of the Nachu graphite ore as well as the higher revenues that possibly can be achieved.

Significantly decreased inputs of collector and depressant in flotation have been demonstrated. Diesel has been shown to be a viable alternative to kerosene as a collector.

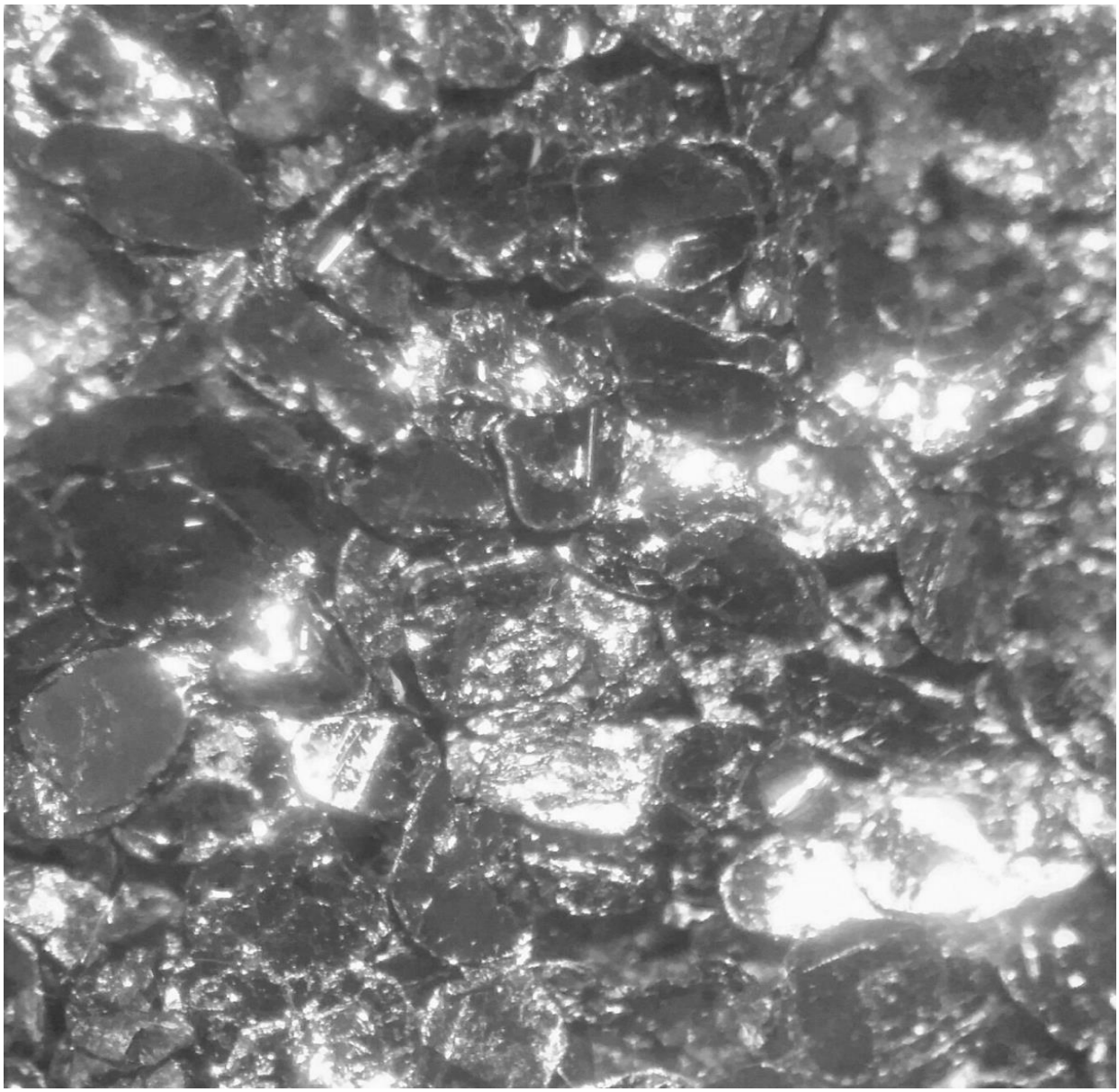

Figure 2 – Jumbo Flake observed under an optical microscope

2015 Drilling Programme

With the conclusion of the wet season, the 2015 drilling program began in the middle of May. This program has a number of objectives including:

- Resource drilling to refine the Mine Plan in preparation for future operations;
- Site preparation drilling including geotechnical drilling for the Tailings Storage Facility and water storage dam; and
- Water bore hole drilling to confirm alternative source to river water for construction and/or operation phases.

Early observations have been very favourable. Potential underground water sites being tested lie within 5 kilometres of major infrastructure and most within 1.5 kilometres.

Figure 3 – Recently completed Water Bore Hole

Current resource drilling includes 823 metres completed from 6 drill holes within the resource area of Block F. Details of completed drill holes are available in Table 1.

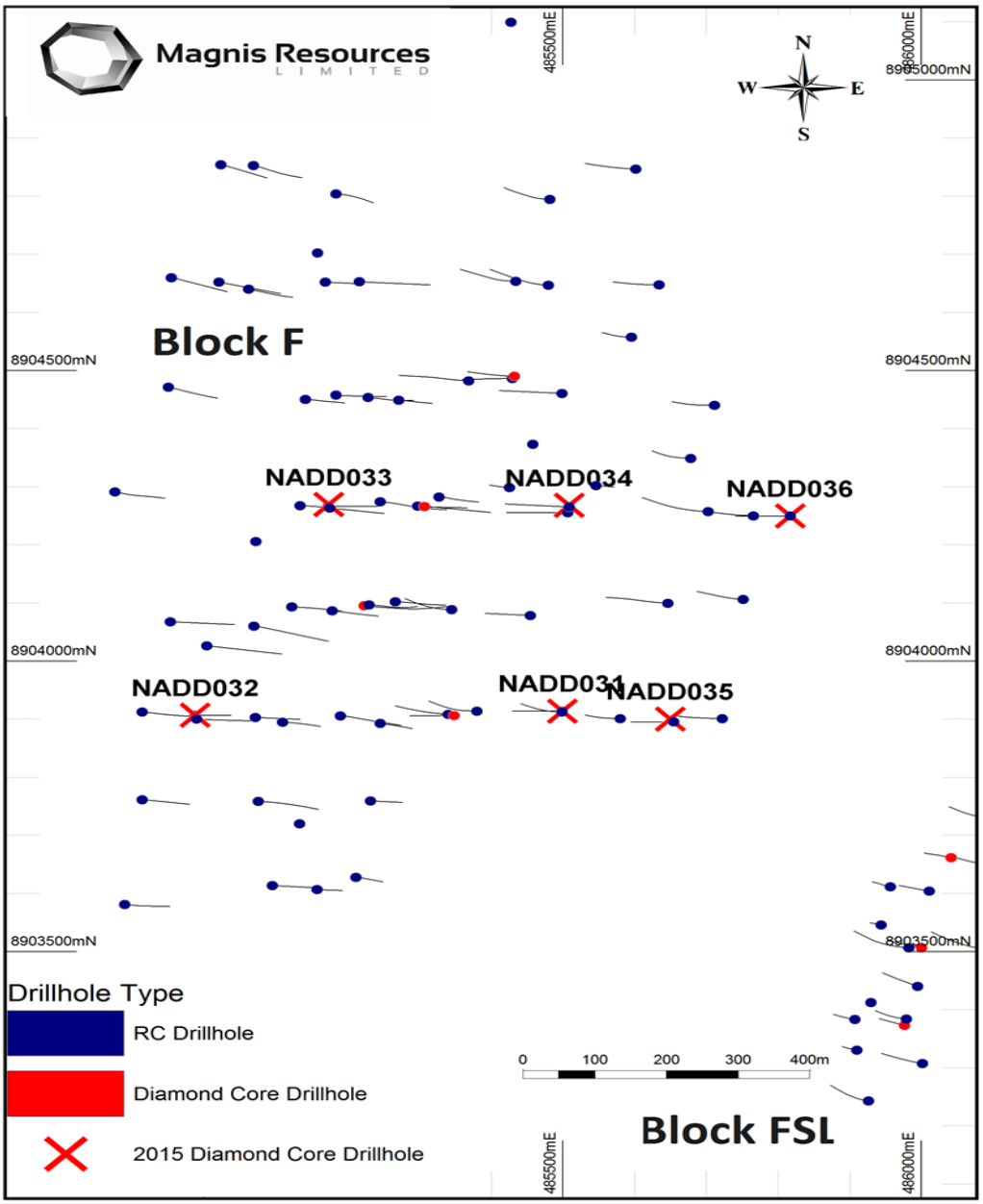

Figure 4 – Recently completed resource diamond drill holes in Main F (marked as X)

Hole ID	Hole Depth	Hole Type	Easting	Northing	Elevation	Azimuth	Dip
NADD031	138 m	Diamond	485493	8903921	261	270	-60
NADD032	93.6 m	Diamond	484984	8903837	241	90	-60
NADD033	147 m	Diamond	485173	8904266	193	90	-60
NADD034	171 m	Diamond	485507	8904255	264	270	-60
NADD035	120 m	Diamond	485655	8903895	263	270	-60
NADD036	153.4 m	Diamond	485817	8904249	220	270	-60

Table 1 – Details of recently completed resource diamond drill holes in Main F

Engineering and Site Infrastructure

Detailed design of the processing plant and associated infrastructure is progressing well with process definition completed and current work focused on equipment supplier engagement.

Mechanical/civil/structural and electrical/instrumentation work packages are in the early stages of development.

In recent months Magnis executives have visited Chinese offtake partners SINOMA and Sinosteel. In addition, SINOMA employees have been to Nachu for a site visit.

A LiDAR (Light Detection and Ranging) survey, to provide accurate topographical data and an aerial photographic survey has been completed on the site. Knight Piesold has begun a test work program associated with the Tailings Storage Facility.

Along with drilling, these programs provide important input into the development of plant and infrastructure work packages.

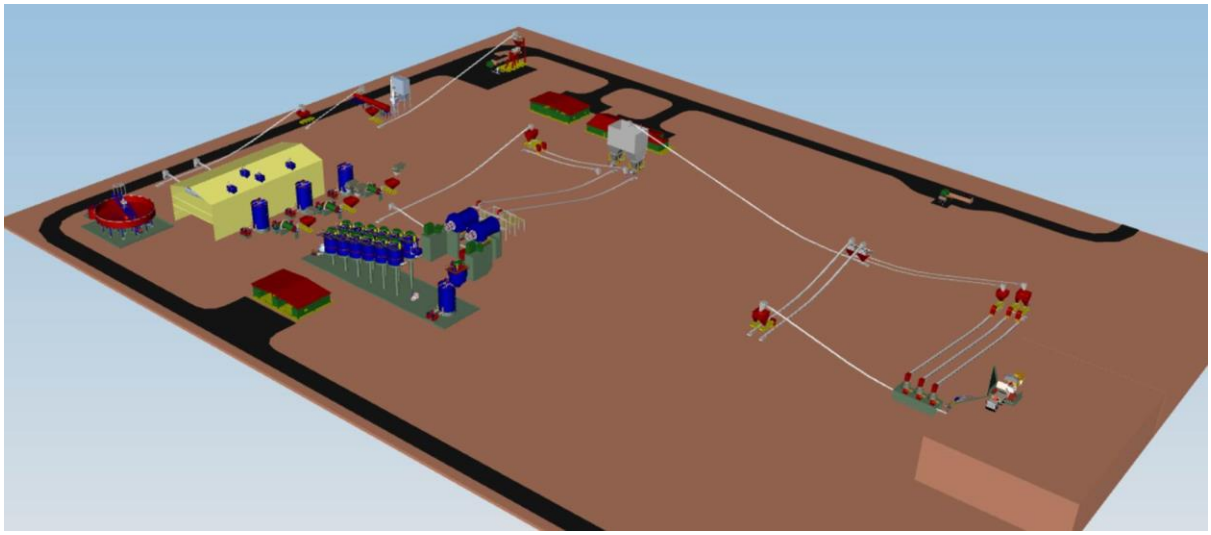

Figure 5– Draft 3D Mechanical Layout of 250,000 tpa graphite concentrate plant

Local Community Update

Community engagement has been a high priority for Magnis. Meetings have been held regularly with all stakeholders to explain the company's activities at each stage of the project. Good lines of communication with all stakeholders and transparency with the community has resulted in a mutually respectful relationship.

Magnis has made several contributions to various local village projects including the improvement of a primary school and the construction of a medical clinic. A comprehensive Corporate Social Responsibility (CSR) program is being developed with local stakeholders that will concentrate on long term sustainable benefits to the whole community, including water supplies, health and education.

Figure 6 – Building materials supplied for the construction of the Namikulo Primary school

Figure 7 – Building materials supplied for Mihewe Dispensary

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Information in this report that relates to Exploration activities and Exploration results is based on information compiled by Mr Brent Laws, a Competent Person who is a registered member of the Australasian Institute of Mining & Metallurgy. Mr Laws is a full time employee of Magnis Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results. Mr Laws consents to the inclusion of the data in the form and context in which it appears.

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1m samples from which 3 kg was pulverised to produce a 30g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Sampling is by Reverse Circulation (RC) and HQ3 Diamond (DD) drill holes. Some DD have twinned existing RC holes for lithology and grade verification, and structural data. • RC samples collected at 1m intervals and riffle split to obtain an A sample for analysis and a B sample for QAQC verification. • Samples are submitted for LECO analyses as well as for ICP Multi-element analyses. The recovered DD core was cut lengthwise with a rock saw to produce 1m samples. Where lithological boundaries did not fit the 1m geometry, the sample length was to be a minimum of 0.5m or a maximum of 1.5m. Core was halved for normal analyses. In the case of duplicate analyses (5 % of samples submitted), the core was quartered. The remaining core is retained in stratigraphic sequence in the core trays.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	• The RC drilling was completed at 5 ½ inch diameter using two Schramm 450 drill rigs. • The core drilling was completed with a Christensen CS -1400 drilling rig. The drilling equipment was HQ3 (triple tube) sized. • All core holes if not vertical are orientated to facilitate structural measurements. • Drilling is planned to optimally intersect the target horizon as close as possible to perpendicular.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between*	• RC samples are weighed as recovered and after splitting to assess the reliability of the splitting process. • RC chip specimens are collected in chip trays. • Core recovery measurements are recorded for every borehole. • To date no discernable loss has been noted with

Criteria	JORC Code explanation	Commentary
	sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	sample recovery processes.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	• All drill holes drilled are logged in full and sampled by the site geologists. • All the logged information which includes depth, lithology, mineral assemblage, Cg mineralisation (laboratory data), collar survey and geologist are recorded in a strip-log which is generated from the field logging sheets. • The entire core is recorded in sequence in digital photograph format.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• RC samples are routinely being taken in 1m intervals via a dry and regularly cleaned cyclone and 1/8th split using a riffle splitter in order to obtain an A sample for analysis and a duplicate B sample. • The core is split by saw and half core is submitted for analyses generally as 1m samples. When a duplicate sample is submitted, the core is quartered. • Samples are submitted for LECO analyses as well as for ICP Multi-element analyses. • Within the total samples dispatched a random sequence of 5% each of standards, blanks and duplicates were included. Sample preparation is done by ALS in Mwanza (Tanzania), before the prepared samples are shipped to ALS in Brisbane for content determination. • Sampling procedure include drying, crushing, splitting and pulverising such that 85% of the sample is 75 micron or less in size. A split of the sample was analysed using a LECO analyser to determine carbon in graphite content.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	• All samples are labelled with a unique sequential number with a sample ledger kept with all samples recorded. • Samples are analysed under the ALS code C-IR18 (Graphitic Carbon by LECO, Brisbane). For the RC cuttings the multi-element analysis is coded ME-ICP41 (35 Element Aqua Regia ICP AES, Brisbane). • QA/QC samples are included in a random sequence at a frequency of 5% each for standards, blanks and duplicates. Results indicate acceptable levels of accuracy are achieved. • The laboratory uses internal standards in addition to the standards, blanks and duplicates inserted by Magnis Resources Limited and parties related to Magnis Resources Limited. • The standards are supplied by an external and independent third party. The blanks are made from non-graphitic rock outcrop in the vicinity of the project area. The duplicates are a B sample selected from within the drilling sequence.

Criteria	JORC Code explanation	Commentary
		• The detection limits are deemed sufficient for the purpose of future resource estimation.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• External oversight of Magnis Resources Limited and parties related to Magnis Resources Limited field geologists is by external consultant to regularly assess on site standards and practices to maintain best practice. • Exploration drilling is on blocks identified using EM targets to expand on known mineralisation and expand into previously unexplored areas. • The twinning of some RC boreholes by DD was completed and will continue to verify sampling validity. • The primary data is collected using a logging and sampling data collection system allowing full security of collected data stored in company offices in Dar Es Salaam, Adelaide, and Sydney. • Previous assay data has not been adjusted, and is released to the market as it is received from the laboratory
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• A hand-held GPS was used to site the drill holes (xy horizontal error of 5 metres) and reported using ARC 1960 grid and UTM datum zone 37 south. • All drill holes have had the location verified and surveyed using an independent surveyor with a differential GPS (Trimble R8 GNSS instrument). • Topographic control is good due to the DTM survey that was completed by Terratec, as part of the EM survey. • The dip and azimuth of the DD holes were measured using a Reflex ACTII down-hole survey tool.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• The spacing of RC drilled holes is a nominal grid of 100m x 100m or up to 200m x 200m for tabular zones of mineralisation • Future drilling programs will require some closer spacing in order to confirm and increase confidence in geological continuity, structure and mineralisation. • Compositing to 1m was applied to exploration data.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• From surface mapping regional foliation dipped at low angles of between 5 and 15 degrees to the west. • 3D modelling of the 2014 EM highlighted greater structural domains allowing greater accuracy in drilling orientation. • EM survey modelling had Block D interpreted as shallow angled rolling horizons. Vertical drill holes are appropriate to target mineralisation in Block D • EM survey data modelling for Blocks B, F & J have interpreted antiform structures with steeper dipping horizons away from the hinge zone. 2014 holes were orientated with a dip and azimuth to

Criteria	JORC Code explanation	Commentary
		intersect the mineralisation perpendicular to strike and across the dip of the mineralisation.
Sample security	• *The measures taken to ensure sample security.*	• The samples are split and packed at the drill site and sealed prior to daily transport to the field office in Ruangwa which has 24 hour security prior to transport by locked commercial truck carrier to ALS Mwanza. ALS ships the sealed samples after preparation, to Brisbane. • The remaining B samples and core are kept at the manned site sample storage facility and the Ruangwa office.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• The 2014 resource was undertaken by independent consultants AMC Consultants who have completed a site visit. The sampling protocol was observed to conform to industry standards.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.*	• The prospecting license PL 9076 was granted (renewal) on the 12 of April 2013 and is current to April 2017 upon which the standard renewal process will be required. The area covered by the prospecting license is 198.57 km^2. The PL is situated in the Ruangwa District of south-east Tanzania. • The PL is held by Uranex Tanzania Ltd. and is not subject to joint venture agreements, third parties, royalties or partnerships. The surface area is administered by the Government as native title. The area is rural, with wilderness areas and subsistence farming occurring on the PL. • The tenements are in good standing with no known impositions.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No exploration for graphite has been done by other parties in this area. Some gemstone diggings for tourmaline are present in the PL.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Nachu project is situated in graphitic schist with associated dolomites and gneisses. • The majority of EM modelling and geological intercepts indicate open folded anticlines with various steepness to fold limbs in each resource Block. • The graphite mineralisation is mostly associated with the schist, and is metamorphic (meta-sedimentary) in origin.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *easting and northing of the drill hole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* o *dip and azimuth of the hole*	• No material information has been deliberately excluded. • Table of drill holes used in the Mineral Resource estimation is available in Appendix 2 including coordinates, dip and azimuth.

Criteria	JORC Code explanation	Commentary
	○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• Significant intercepts are reported based on a 5% cut-off with a minimum length of 5m which has an allowable maximum 2m of internal low grade material. All significant intercepts are generated using Micromine softwares automated advanced grade compositing function. • Higher grade significant intercepts are reported based on a 10% cut-off with a minimum length of 2m with no internal low grade material. All significant intercepts are generated using Micromine softwares automated advanced grade compositing function.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').*	• The majority of EM modelling and geological intercepts indicate folded anticlines of various limb steepness in each key resource Block. • Holes were vertical or orientated towards an azimuth so as to intersect the mineralisation in a perpendicular manner.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• Block plans show the distribution of the RC and DD boreholes respectively.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Any and all reported intervals are downhole intervals from drilling aimed at being as perpendicular to mineralisation as practical.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical*	• The electro-magnetic survey has been processed with data used to target mineralisation in the most efficient and representative manner. • The regional mapping was combined with the lithological and quality information from the drill holes, to provide a structural framework around which mineral envelopes were modelled.

Criteria	JORC Code explanation	Commentary
	test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	• Metallurgical testing is ongoing with test work assessing a spread of locations across all resource Blocks using representative downhole composites of similar lithological composition, grade and mineralisation characteristics.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Further drilling possible with aim to extend known extents of mineralisation. More than 800 Ha of potential target area has been identified. • Umpire samples have been routinely dispatched to a third party laboratory. • The samples for metallurgy have been sent to the laboratories and interested parties.