What is Expandable Graphite?

- Expandable graphite is a compound of graphite that expands or exfoliates when heated
- Manufactured by treating flake graphite with reagents (such as acid, that migrate between the graphite layers) and heat
- When heated (~1,000°C), it rapidly expands to several hundred times its original size (expansion ratio)
- The expansion ratio is the volume of expandable graphite produced per gram of graphite product at a specified temperature – measured in grams per litre (how many grams of graphite required to produce 1L of expandable graphite)
- In general, coarser flake graphite typically has higher expansion ratios than smaller flakes
- Not all graphite is expandable and some graphite expands at greater rates than others
- Unique properties of expandable graphite include high heat resistance, corrosion resistance, softness, compression resilience and radiation resistance

Visit [www.graphexmining.com.au] to view videos of the expandability of Chilalo graphite and the flame retardant properties of expandable graphite
Expandable Graphite Opportunity

- Chinese and South Korean governments recommending use of flame retardant building materials in future building construction, driving strong demand for expandable graphite
- The market for flame retardant building materials is growing rapidly from a small, specialised sector. Future demand could exceed the battery sector

Graphex is perfectly positioned:
- The properties of Chilalo graphite give it the potential to supply the expandable graphite and battery markets
- China has a shortage of coarse flake graphite resources and expansion rates are inferior to Chilalo graphite
- Chilalo graphite has greater expansion rates than current market products – potential for value-in-use premium

www.graphexmining.com.au
Expandable Graphite Products

Graphite Foil

Graphite Foil is a key product manufactured from expandable graphite:

- Widely used in high power LED, smart phones, LCD, tablets, laptops and other electronic products.
- High thermal and electrical conductivity draws damaging heat away from electrical componentry.
- Highly workable, so that it can be cut into any shape and bent many times.
- Produced by rolling and compressing expandable graphite into thin sheets.
- Produced from high quality flake graphite possessing the following qualities:
  - High purity (>95% TGC)
  - Coarse flake size (+50 mesh / +300 micron or better)
  - Good expansion rates
- Premium priced product selling for up to US$50,000 per tonne.
- Demand growth directly linked to growth in demand for electronic devices.
- **Chilalo coarse flake graphite is suitable for the manufacture of graphite foil**

Notes:

1. Expandable graphite produced from high purity, coarse flake, good expandability graphite.

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Graphite Paper / Graphite Sheet

- Graphite paper (flexible graphite sheet) forms the basic material for manufacturing a number of products including sealing gaskets, graphite tapes, packing and reinforced graphite sheets
- Suitable for end uses due to high temperature resistance, corrosion resistance and good elasticity
- Produced by rolling and compressing expandable graphite into thin sheets
- Graphite paper is produced from high quality flake graphite possessing the following qualities:
  - High purity (>92% TGC)
  - Coarse flake size (+80 mesh / +180 micron or better)
  - Good expansion rates
- Graphite paper is a premium priced product
- **Chilalo coarse flake graphite is suitable to the manufacture of graphite paper**

Notes:
1. Expandable graphite produced from high purity, coarse flake, good expandability graphite.

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Expandable Graphite Products

Flame Retardant Polystyrene Insulation Foam

- Exponential demand growth expected for flame retardant building materials due to Chinese government recommendations for use in future construction – market size currently limited by supply shortage of quality flake graphite capable of expandability

- Adding expandable graphite to polystyrene foam:
  - Improves the material’s thermal efficiency assisting with heat retention; and
  - Provides the material with flame retardant properties

- Flame retardant insulation foam is produced from flake graphite possessing the following qualities:
  - Lower purity required than other expandable graphite products (>85% TGC)
  - Finer flake size is acceptable (+200 mesh / +75 micron or better)
  - Reasonable expansion rates

- **Chilalo graphite is suitable to the manufacture of flame retardant building materials – Chilalo’s superior expansion rates are expected to attract a premium due to a higher ‘value in use’**

- Flame retardant polystyrene insulation foam currently sells for US$2,625 per tonne

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**Expandable Graphite**

<table>
<thead>
<tr>
<th>Expandable Graphite¹</th>
<th>Flame retardant insulation foam/board</th>
<th>Installation of polystyrene foam</th>
</tr>
</thead>
</table>

Notes:
1. Expandable graphite produced from lower purity, fine/medium flake, reasonable expandability graphite.

www.graphexmining.com.au
Chinese government recommendations to significantly increase demand.

- China currently produces 80% of the world’s expandable graphite
- Current long lead times in China for expandable graphite (+3 months)
- Chinese government now recommends the use of flame retardant building materials for all new construction and building renovations
- These changes are expected to significantly increase the demand for quality expandable graphite
- The size of the flame retardant building materials market is 5Mtpa with expandable graphite making up 5-50% of those materials
- Graphex is in exclusive negotiations with a dominant building materials player in China (China National Building Materials) under MOU agreed in February 2016

Notes:
1. Discussions with end users.

Expandable graphite supply

Flame retardant properties

Visit www.graphexmining.com.au to view videos of the flame retardant properties of expandable graphite

Source: Benchmark Mineral Intelligence.
www.graphexmining.com.au
Independent third party expandable graphite pricing implies substantial upside to PFS pricing assumptions (implied US$1,577/t sale price)

Environmental pressure on Chinese supply pushing up prices 5-20% in the last 12 months

Certain flame retardants banned in EU from 2017 onwards – potential for increased demand for expandable graphite as replacement
Graphex is perfectly placed to take advantage of the exciting expandable graphite opportunity with the highest expansion ratio amongst its peers and continuing exclusive due diligence and negotiations with dominant industry players.

- Graphex’s Chilalo project is a high grade, coarse flake graphite deposit that has demonstrated excellent expandability.
- Chilalo expansion rates exceed those of Chinese domestic suppliers and other international projects tested by China Gold.
- Graphex is progressing exclusive negotiations to secure partnerships with market-leading organisations:
  - China National Building Materials Group – a dominant company in the building materials industry
  - China Gold Group - expected to be the dominant company in the Chinese graphite industry

**Strong relationships with dominant industry players**

![Image of CNBM and China Gold logos]

**Published Expansion Rates (mL/g)**

<table>
<thead>
<tr>
<th>Company</th>
<th>Expansion Rate (mL/g)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graphex</td>
<td>1,500</td>
</tr>
<tr>
<td>Kibaran</td>
<td>490</td>
</tr>
<tr>
<td>Magnis</td>
<td>434</td>
</tr>
<tr>
<td>Sovereign</td>
<td>345</td>
</tr>
</tbody>
</table>

Chilalo is the market leader in graphite expansion rates.

Ave. China Domestic Supply: 250 mL/g

Mesh Size
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