

25 October 2017

QUARTERLY ACTIVITIES REPORT

Quarter ended 30 September 2017

HIGHLIGHTS

Chilalo Graphite Project

- Product specifications achieved from due diligence testwork completed by CN Docking in 2016 demonstrated that Chilalo graphite is the coarsest flake graphite product in the world:
 - 42% above +35 mesh (500 microns)
 - 13% above +20 mesh (850 microns) – a flake size not produced by any peer group company
- Graphite prices have increased by 50% in 2017, with further upward pressure on prices expected
- Improved product specifications and higher graphite prices are expected to materially improve Chilalo's project economics
- Negotiations with CN Docking on an agreement for the joint venture development of Chilalo continue to be advanced, notwithstanding recent legislative changes in Tanzania

Corporate

- Closing cash balance as at 30 September 2017 of \$2.4 million
- Placement of 12,045,454 ordinary shares to sophisticated and professional investors at \$0.22 per share to raise \$2.6 million (before costs)
- Appointment of new Minister for Minerals and splitting of the former Ministry for Energy and Minerals into two separate Ministries
- Updated research from Pulse Markets and The Sophisticated Investor

CHILALO GRAPHITE PROJECT

Testwork results confirm market leading product

During the Quarter, CN Docking informed the Company of the exceptional testwork results achieved by the Suzhou Design and Research Institute for Non-Metallic Minerals ('Suzhou') on behalf of CN Docking Joint Investment and Development Co Ltd ('CN Docking'), a subsidiary of China National Building Materials. The testwork carried out by CN Docking was part of its technical due diligence undertaken in 2016. Table 1 shows Suzhou's results in comparison to the previously reported specifications for Chilalo product.

Table 1. Chilalo flake size distribution

| Flake Size | Microns | Mesh | Suzhou Mass Distribution (%) | Graphex Mass Distribution (%) | Suzhou Grade (TGC %) | Graphex Grade (TGC %) |
|--------------|-----------|------|------------------------------|-------------------------------|----------------------|-----------------------|
| | > 850 | +20 | 13.0 | - | 92.5 | - |
| Super Jumbo | 500 – 850 | +35 | 29.0 | 3.7 | 90.7 | 98.7 |
| Jumbo | 300 – 500 | +50 | 16.0 | 18.3 | 92.6 | 99.3 |
| Large | 180 – 300 | +80 | 11.0 | 27.0 | 90.2 | 98.7 |
| Medium | 150 – 180 | +100 | 7.0 | 11.6 | 95.8 | 97.4 |
| Small | < 150 | -100 | 24.0 | 39.4 | 94.9 | 97.2 |
| Total | | | 100.0 | 100.0 | | |

Whilst some of the product grades are slightly lower than those achieved in Graphex's own testwork, these grades remain high and both CN Docking and Suzhou have advised they are acceptable to end users. In achieving these results, Suzhou has applied its proprietary technology and processing knowledge acquired over many years of specialising in graphite and other industrial minerals.

These results confirm that with the coarsest flake graphite product in the world, Chilalo product is market-leading and further support the Company's strategy of partnering with the Chinese, given their extensive market knowledge and proven expertise in graphite processing.

Rising graphite prices

CN Docking has also advised the Company that since December 2016, there have been significant improvements in flake graphite pricing, with prices having increased by 50%, driven by a range of factors, including:

- Supply restrictions in the Shandong and Heilongjiang provinces due to mine closures for environmental reasons;
- China's abolition of the graphite export tax on 1 January 2017; and
- Rising costs of production in China caused by low-grade, deep mining operations.

Both CN Docking and Suzhou expect to see ongoing upward pressure on graphite prices.

For some time, the Company has been aware of serious environmental issues that have major implications for the supply of coarse flake graphite in China. Enforcement of Chinese environmental policy has seen the closure of flake graphite mines throughout China, with feedstock for the production of expandable graphite having largely dried up. This is driving higher flake graphite prices and forcing the Chinese to seek feedstock from outside China.

Offtake and financing

The recent Tanzanian legislative changes have added some complexity to discussions with CN Docking and as a result, negotiations have taken longer than anticipated. Constructive negotiations on an agreement for the joint venture development of Chilalo are ongoing and the Company remains confident that an outcome which both supports project development and is favourable to Tanzanians can be achieved.

CORPORATE

Cash

As at 30 September 2017, the Company had cash of \$2.4 million.

In July 2017, the Company completed a placement of 12,045,454 ordinary shares to sophisticated and professional investors at \$0.22 per share to raise \$2.6 million before costs ('**Placement**').

Share capital

As part of the initial public offering of Graphex shares completed in June 2016, the Company issued 55,000,000 ordinary shares and 11,666,502 Loyalty Options. As at 30 September 2017, the Company had 69,957,517 shares on issue and 6,200,308 unexercised Loyalty Options.

During the Quarter, 12,045,454 ordinary shares were issued pursuant to the Placement. Directors subscribed for 300,000 Placement shares, the issue of which is subject to shareholder approval at the upcoming annual general meeting. Including the issue of Placement shares for which directors subscribed, the Company will have 70,257,517 ordinary shares on issue.

Annual General Meeting

The Company's Annual General Meeting of Shareholders will be held at 3:30 pm (WST) on Tuesday, 21 November 2017 at the Main Function Room, Celtic Club, 48 Ord Street, West Perth, Western Australia. Details of the resolutions to be put to shareholders are contained in the Notice of Meeting and Explanatory Memorandum that was lodged with the Australian Securities Exchange on 20 October 2017.

Appointment of new Minister for Minerals in Tanzania

On Monday 9 October 2017, the Honorable Angellah Kairuki was appointed as the new Minister of Minerals in Tanzania. Upon her appointment, the new Minister stated that her top priority was to improve relations with investors with a view to both restoring investor confidence and ensuring that the mining sector as a whole contributes to its full capacity to Tanzania's economic growth. The new Minister also sought to confirm that the Tanzanian Government remains ready to receive prospective investors with an open mind.

The appointment of Minister Kairuki comes with the split of the Ministry of Energy and Minerals into two separate Ministries – the Ministry of Minerals and the Ministry of Energy. The Company believes this is a positive development that will allow for more timely consideration of all matters related to minerals exploration, project development and mining by the Ministry of Minerals.

Tanzanian legislation

As announced on 7 July 2017 and reported in the June Quarterly Report, in July 2017, the Tanzanian Parliament passed new legislation with respect to the legal and regulatory framework governing the natural resources sector in Tanzania that included amendments to the Mining Act (the '**Amending Legislation**'). The

Amending Legislation included a range of provisions, including the ability for the Government to acquire a free carried interest of 16% in mining companies undertaking projects and requirements relating to in-country beneficiation, local content and social responsibility measures.

New regulations to support the Government's implementation of the Amending Legislation are under preparation and expected to provide clarification on key aspects of the Amending Legislation. Notwithstanding the pending regulations, the Company is heartened by the recent appointment of the Minister of Minerals and continues to engage constructively with the Government as it aims to become the first graphite mine in Tanzania.

TENEMENT INTERESTS

Table 2 shows the Company's tenement interests as at 30 September 2017. No tenements were acquired or disposed during the September Quarter.

Table 2. Tenement interests

| Tenement | Ownership | Project | Location |
|--------------------------------------|-----------|---------|----------|
| ML 569/2016 - Chilalo | 100% | Chilalo | Tanzania |
| PL 11050/2017 - Chilalo | 100% | Chilalo | Tanzania |
| PL 11034/2017 - Chilalo | 100% | Chilalo | Tanzania |
| PL 6158/2009 - Kiperere East | 100% | Chilalo | Tanzania |
| PL 8628/2012 - Kipendengwa | 100% | Chilalo | Tanzania |
| PL 9929/2014 - Chikwale | 100% | Chilalo | Tanzania |
| PL 9946/2014 - Machangaja | 100% | Chilalo | Tanzania |
| PL 11892/2017 - Noli ¹ | 100% | Noli | Tanzania |
| PL 11921/2017 - Noli SE ² | 100% | Noli | Tanzania |

1. PL 8628/2012 was renewed during the June Quarter and the relinquished area of that tenement is under application as PL 11892/2017.
2. PL 5447/2008 expired during the June Quarter and the area covered of that tenement is under application as PL 11921/2017.



PHIL HOSKINS
Managing Director

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About Graphex

Graphex Mining Limited is an Australian exploration and development company, dedicated to advancing the world class Chilalo Graphite Project, located in south-east Tanzania. Chilalo is host to a high-grade mineral resource and has demonstrated an ability to produce a premium graphite concentrate with a substantial portion of large and jumbo flake material. Chilalo graphite possesses outstanding expandability characteristics, making it ideally suited to the rapidly growing expandable graphite market.

Graphex has an experienced board and management team with specific skills and extensive experience in African based project development, exploration, mining and processing. The Company has a long and well-established presence in Tanzania.

For more information, visit www.graphexmining.com.au.



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Graphex Mining Limited

ABN

77 610 319 769

Quarter ended ("current quarter")

30 September 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (321) | (321) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (280) | (280) |
| (e) administration and corporate costs | (277) | (277) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 5 | 5 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (marketing and business development) | (340) | (340) |
| 1.9 Net cash from / (used in) operating activities | (1,213) | (1,213) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | - | - |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 2,650 | 2,650 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (211) | (211) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | 2,439 | 2,439 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,150 | 1,150 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,213) | (1,213) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 2,439 | 2,439 |
| 4.5 | Effect of movement in exchange rates on cash held | 2 | 2 |
| 4.6 | Cash and cash equivalents at end of period | 2,376 | 2,376 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances | 796 | 142 |
| 5.2 Call deposits | 1,580 | 1,008 |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 2,376 | 1,150 |

| 6. Payments to directors of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2 | 143 |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | Nil |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |

Non-executive Directors fees and Managing Directors salary.

| 7. Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|--|----------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2 | Nil |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3 | Nil |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

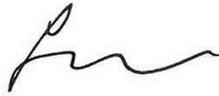
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| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | (220) |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | (244) |
| 9.5 Administration and corporate costs | (258) |
| 9.6 Other (marketing and business development) | (231) |
| 9.7 Total estimated cash outflows | (953) |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 25 October 2017

Print name: Stuart McKenzie

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.