

25 January 2018

QUARTERLY ACTIVITIES REPORT

Quarter ended 31 December 2017

CHILALO GRAPHITE PROJECT

Offtake and financing

In December 2017, the Company met with CN Docking Joint Investment and Development Co Ltd, a subsidiary of China National Building Materials Group ('CN Docking'), to advance negotiation of the joint venture, financing and offtake arrangements for development of the Chilalo Graphite Project.

Pursuant to that meeting, CN Docking requested to meet with the Tanzanian Government prior to finalising negotiations. Together with Graphex executives, a delegation that includes the Chairman of CN Docking, the Vice President of the Investment Association of China and members of CN Docking's will be in Tanzania over the next week.

This upcoming visit follows a meeting held in November 2017 between Graphex management and the new Minister for Minerals, the Honourable Ms Angellah Kairuki, to discuss various issues raised by amendments to legislation governing the mining industry that were passed in July 2017.

Further evidence of large scale expandable graphite market opportunity

At a graphite industry and graphite building materials conference that was held in Xingshan, Hubei Province, China on 3 December 2017, the Company received further confirmation of the substantial scale of the expandable graphite market opportunity and its use in flame retardants, particularly flame retardant building materials.

The conference was attended by representatives of Graphex's prospective JV partner CN Docking and the keynote speaker was Mr Jiang Yang who is the Group Vice President of China National Building Materials (CN Docking's major shareholder) and is also the President of the China Building Materials Application Technology Research Institute. In his address, Mr Jiang stated that "*China needs 40 million tonnes of fire retardant building materials per annum, which will contain 5% expandable graphite.*" This represents an annual requirement of 2 million tonnes of expandable graphite for building materials alone.

This scale of expandable graphite demand is more than 10 times greater than existing natural graphite demand from the lithium ion battery industry. Such a level of demand has positive implications for the Chilalo basket price estimate of US\$1,217/t that was used in the PFS, with CN Docking having advised that it estimates flake graphite prices to have increased by approximately 50% during 2017.

These estimates of expandable graphite demand relate to the Chinese flame retardant building material industry alone. China's focus on flame retardants has been driven in part by significant property damage and loss of life caused by large scale fires, and resulting amendments to building regulations which now mandate the use of flame retardant building materials in future construction for inner insulation and finishing exterior walls. Expandable graphite is the preferred flame retardant, however with an extreme shortage of coarse flake graphite feedstock for the manufacture of expandable graphite, such regulations have been difficult to enforce.

The requirement for flame retardant building materials is not confined to China. Other large scale fires that have occurred elsewhere, include London (Grenfell Tower), Dubai (Torch Tower) and Melbourne (Lacrosse Building) and in each case, the use of highly flammable cladding has been identified as a key factor in such fires. In the UK, there has been an independent review of building and fire safety regulations, fire safety rules have been amended in the UAE to require fire resistant cladding and in Australia, insurers are warning building owners with highly flammable cladding that their properties may be uninsurable.

CORPORATE

Cash

As at 31 December 2017, the Company had cash of \$1.5 million.

Share capital

During the Quarter, shareholders approved the issue of 300,000 shares to directors pursuant to directors' subscription for shares in a placement that was completed in July 2017. A further 10,350 shares were issued in connection with the exercise of Loyalty Options.

As at 31 December 2017, the Company had 70,267,867 shares on issue, 6,176,292 unexercised Loyalty Options and 13,782,378 unexercised unquoted options.

Annual General Meeting

The Company's Annual General Meeting of Shareholders was held on Tuesday, 21 November 2017. A total of ten resolutions were put to shareholders, all of which were passed.

TENEMENT INTERESTS

Table 1 shows the Company's tenement interests as at 31 December 2017. No tenements were acquired or disposed during the December Quarter.

Table 1. 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

Tenement	Ownership	Project	Location
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.



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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 coarse 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.