

27 April 2018

## QUARTERLY ACTIVITIES REPORT

Quarter ended 31 March 2018

### CHILALO GRAPHITE PROJECT

#### Offtake

During the Quarter, the Company signed five Statements of Sales Intent ('SSIs') for the supply of flake graphite to expandable graphite producers and traders in China. The SSIs cover 80,000 tonnes per year of Chilalo graphite and the Company anticipates that the SSIs will be converted into binding offtake agreements in the near future. The parties to the SSIs are significant participants in the existing expandable graphite market, cover the main graphite production provinces of Heilongjiang and Shandong and provide Graphex with extensive coverage of the expandable graphite market.

Expandable graphite manufacturers in China continue to experience critical issues with the availability of feed stock due to a serious shortage of coarse flake graphite supply. This tightness of supply of coarse flake graphite for the manufacture of expandable graphite is highlighted by the fact that a significant portion of refractory brick manufacturers, who had traditionally used +80 to +100 mesh (150-300 microns) material, are now using -100 mesh (<150 microns) material, as anything coarser than +100 mesh (150 microns) is now being used for expandable graphite.

Owing to the flake graphite supply issues in China, Graphex is confident that there is demand for Chilalo graphite that significantly exceeds the tonnages in these agreements.

#### Site visit by Chinese delegation

In late January, members of Graphex's Board and Management hosted a delegation led by CN Docking in Tanzania for a final site visit and meetings with Tanzanian Government officials, including with the Tanzanian Ministry of Minerals to discuss key issues arising out of legislation passed in July 2017 and the Mining Regulations introduced in January 2018. This meeting was attended by the Permanent Secretary for Minerals, Professor Simon Msanjila and the Commissioner for Minerals, Professor Shukrani Many, who, at the time of the meeting, was also the Acting CEO of the Mining Commission.

In addition to the meetings in Dar es Salaam, the Chinese delegation visited Chilalo and inspected key infrastructure, including:

- Tour of the Mtwara Port and available warehouse space
- Driving the proposed transportation route for Chilalo product
- Tour of the proposed mine site including inspection of trenches and outcrop
- Meetings with local contractors able to work within the new local content requirements

- Meeting with senior representatives from the Ruangwa District
- Meeting with local village leaders

### Updated feasibility study

In March, meetings were held with the Suzhou Design and Research Institute for Non-Metallic Minerals ('Suzhou'), at which the flow sheet for the Chilalo processing plant was confirmed. The meetings were attended by the Company's Managing Director and representatives of BatteryLimits Pty Ltd ('BatteryLimits'). BatteryLimits has been re-engaged to update the existing feasibility study to incorporate technical work previously completed by both BatteryLimits and Suzhou (the '**Updated Feasibility Study**').

The Updated Feasibility Study will incorporate material changes from the previous pre-feasibility study that was completed in November 2015. These changes include:

- Finalisation of initial project scale and any subsequent expansion;
- Capital expenditure for the proposed project scale;
- Operating costs for the processing plant;
- The current Chilalo Mineral Resource, which increased by approximately 80% in February 2017 (ASX announcement 2 February 2017)<sup>1</sup>;
- Metallurgical testwork results achieved by Suzhou as part of CN Docking's technical due diligence, which generated a substantially higher percentage of coarse flake material than demonstrated by previous metallurgical testwork;
- Revised process flow sheet and plant design; and
- Improvements in flake graphite prices, which, together with the improvements in flake size distribution, result in a basket price of \$1,914, an increase of almost 60% from the previously used basket price.

### Engineering, procurement and construction

Graphex and Suzhou have agreed to an industrial trial that will involve processing a minimum of 5 tonnes of Chilalo ore for detailed design purposes and with a view to enabling the engineering, procurement and construction contractor to provide performance guarantees for the targeted throughput and product specifications, including flake size, grade and recoveries.

## CORPORATE

### Share capital

In March, the Company completed the placement of 8,429,428 fully paid ordinary shares ('**Placement Shares**') at an issue price of \$0.28 per share for proceeds of \$2.36 million before costs ('**Placement**'). The Placement Shares were issued in accordance with the Company's share issuance capacity under ASX Listing Rule 7.1. Directors subscribed for a further 320,572 shares under the Placement, the issue of which is subject to shareholder approval at the Company's next general meeting. Pursuant to the exercise of Loyalty Options, a further 17,499 shares were issued during the Quarter.

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<sup>1</sup> Since announcing the updated Mineral Resource estimate for the Chilalo Project on 2 February 2017, Graphex confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the updated Mineral Resource estimate announced on 2 February 2017 continue to apply and have not materially changed.

As at 31 March 2018, the Company had 78,714,794 shares on issue, 6,172,459 unexercised Loyalty Options and 13,782,378 unexercised unquoted options.

## Cash

As at 31 March 2018, the Company had cash of \$3.1 million.

## Formation of Tanzanian Mining Commission

Post Quarter end, the Government of Tanzania announced the establishment of the Mining Commission in accordance with the Mining Act. This follows announcement by the Honourable Dr John Pombe Magufuli, President of the United Republic of Tanzania, of the appointment of Professor Idris Suleiman Kikula as Chairman of the Mining Commission and the appointment of other Commissioners.

The Mining Commission is a new body with wide ranging responsibilities that was created under the July 2017 legislation. The formation of the Mining Commission, together with the recent return to office by the Honourable Ms Angellah Kairuki, Minister of Minerals, following a period of leave, are positive developments as the Tanzanian Government seeks to restore investor confidence in the mining industry.

## TENEMENT INTERESTS

Table 1 shows the Company's tenement interests as at 31 March 2018. During the Quarter, there was no change to the Company's tenement interests.

**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 <sup>1</sup>	100%	Chilalo	Tanzania
PL 9929/2014 - Chikwale	100%	Chilalo	Tanzania
PL 9946/2014 - Machangaja	100%	Chilalo	Tanzania
PL 11892/2017 - Noli	100%	Noli	Tanzania
PL 11921/2017 - Noli SE	100%	Noli	Tanzania

1. PL 8628/2012 – the Company's application has been recommended and it is awaiting grant of the exploration licence.



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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](http://www.graphexmining.com.au).

