

20 June 2018

COMPANY UPDATE

Further to the announcement on 13 June 2018 regarding an 'equity for drilling' agreement reached with Capital Drilling, the Company provides the following update on project finance initiatives in connection with the development of the Chilalo Graphite Project.

For several months, the Company has been working with alternative potential financiers who have identified Chilalo as a preferred graphite investment opportunity.

This work has included a recent site visit to Tanzania and China. In Tanzania there was an inspection of the proposed Chilalo Project site and infrastructure facilities, including the road and the Mtwara Port. In China, meetings were held with graphite offtakers and included several tours of expandable graphite manufacturing facilities.

The meetings held in China confirmed that there is a shortage of high quality coarse flake graphite due to ongoing supply restrictions and that graphite prices remain strong, especially for coarser flake material. The Company also received consistent feedback that the outlook for the graphite market and graphite prices remains favourable.

In connection with the interest expressed by potential financiers, the Company is undertaking additional work on the Chilalo project. A study is under way to reflect a number of positive changes that have occurred since the results of the Company's Pre-Feasibility Study were announced in November 2015 ('**Updated Feasibility Study**'). These changes include:

- Additional testwork on Chilalo graphite confirming this product to be amongst the coarsest known flake graphite in the world¹;
- Increases in the price of graphite, in particular coarse flake graphite, over the past 18 months²; and
- A significant increase in the Chilalo Mineral Resource³.

The Updated Feasibility Study is targeted for completion by the end of July 2018 and will support technical due diligence currently being undertaken.

In addition, the Company has identified the work required to progress the Updated Feasibility Study to a bankable stage for potential financiers. The drilling that will take place under the 'equity for drilling' arrangement with Capital Drilling (see ASX announcement 13 June 2018) is a critical path work stream and it has been prioritised for commencement as soon as possible.

Last week, the Company met with the Minister of Minerals, the Honourable Angellah Kairuki and senior officials from the Ministry of Minerals to discuss issues associated with changes to the legislative and regulatory framework in Tanzania.

The Company was encouraged by the Minister's willingness to engage on these issues and to consider proposed solutions that would facilitate the financing of the Chilalo Project. In response to feedback from the Minister, the Company has been encouraged to make a comprehensive submission to the Minister proposing a number of solutions to issues raised by financiers.

The Ministry also advised that it is preparing guidelines which are expected to provide further clarity on the Tanzanian Government's free carried interest and greater certainty with respect to specific aspects of the applicable legislation and regulations.



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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, which is the coarsest fake graphite product in the world. 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.

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

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1. See ASX announcement 18 September 2017. Graphex confirms that it is not aware of any new information or data that materially affects the information included in that announcement.
 2. See ASX announcements 18 September 2017 and 5 February 2018. Graphex confirms that it is not aware of any new information or data that materially affects the information included in those announcements.
 3. See ASX announcement 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 estimates in that announcement continue to apply and have not materially changed.