

30 July 2018

QUARTERLY ACTIVITIES REPORT

Quarter ended 30 June 2018

CHILALO GRAPHITE PROJECT

Updated feasibility study

An updated feasibility study ('**Updated Feasibility Study**') is currently being finalised, with the results expected to be available in August. The Updated Feasibility Study will incorporate material changes from the previous pre-feasibility study that was completed in November 2015 ('**2015 PFS**'). These changes include:

- Finalisation of initial project scale and any subsequent expansion;
- The current updated Chilalo Mineral Resource, which increased by approximately 80% in February 2017 (ASX announcement 2 February 2017)¹;
- Metallurgical testwork results 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.

The Updated Feasibility Study is expected to support ongoing engagement with an alternative financier that has emerged as a potential financier of the Chilalo Project.

Diamond drilling commenced

The Company recently commenced a diamond drilling program of 2,960m to 3,600m at Chilalo. The drilling includes:

- Resource drilling to both upgrade the Mineral Resource classification and increase the Ore Reserve from the February 2017 Mineral Resource and Ore Reserve;
- Geotechnical drilling at the locations proposed for the open pit and tailings storage facility; and
- Sterilisation drilling at the location proposed for the tailings storage facility.

¹ 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.

This diamond drilling program will enable the Company to advance the Updated Feasibility Study to a bankable study in a shorter time frame than otherwise. The Company had previously intended for this drilling, and associated technical work, to be completed following the commencement of a joint venture with CN Docking Joint Investment & Development Co. Ltd ('**CN Docking**'), however has chosen to undertake this work now, given the requirements of the alternative financier.

With the cost of the drilling program to be met by the issue of shares (ASX announcement 13 June 2018), there is minimal impact on the Company's cash reserves. Graphex expects to issue approximately 3,800,000 shares (at \$0.28 per share) upon completion of the diamond drilling program, the final number of shares dependent upon the actual number of metres drilled.

Negotiations with CN Docking

Previous discussions with CN Docking on financing the development of Chilalo under a joint venture were based on the 2015 PFS and on CN Docking's own study as part of its technical due diligence. Owing to changes to legislation governing the minerals industry in Tanzania that were introduced in July 2017 (ASX announcement 7 July 2017), a joint venture arrangement with CN Docking has not been concluded. CN Docking retains its interest in financing and offtake for Chilalo, however negotiations cannot progress further until there is a satisfactory resolution to issues associated with the July 2017 Tanzanian legislation.

CORPORATE

Share capital

As at 30 June 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 30 June 2018, the Company had cash of \$1.8 million.

Tanzanian Government

Pursuant to the Presidential appointment of Professor Idris Suleiman Kikula as Chairman of the Mining Commission and the appointment of other Commissioners, the Government of Tanzania announced the establishment of the Mining Commission in April.

In June, the Company met with the Minister of Minerals, the Honourable Angellah Kairuki. At that meeting, the Company stepped through key issues associated with legislation passed in 2017 and regulations published in 2018. The Company was encouraged by the Minister's willingness to engage on these issues and to consider proposals that would facilitate the financing of the Chilalo Project. A comprehensive submission to the Minister is now being prepared which proposes a number of solutions to key issues including independent expert advice, case studies of implementation and comparisons with other jurisdictions.

Post Quarter end, the Mining Commission issued the Mining Commission (Guidelines for Submission of Local Content Plan) 2018 ('**Local Content Guidelines**'). All companies that hold mineral licences (including Mining Licences and Prospecting Licences) are required to submit a local content plan and The Local Content Guidelines set out the required format of the local content plan and information to be included.

In addition, the Government issued the Mining (Integrity Pledge) Regulations 2018 ('**Integrity Pledge Regulations**') in July. Among other things, the Integrity Pledge Regulations define the principles, obligations, responsibilities and prescribed form of the Integrity Pledge.

The Company considers these initiatives to be positive developments as the Tanzanian Government seeks to provide greater certainty on the legal and regulatory framework and to restore investor confidence in the mining industry.

TENEMENT INTERESTS

Table 1 shows the Company's tenement interests as at 30 June 2018.

Table 1. Tenement interests

Tenement	Ownership	Project	Location
ML 569/2017 - Chilalo	100%	Chilalo	Tanzania
PL 11050/2017 - Chilalo	100%	Chilalo	Tanzania
PL 11034/2017 - Chilalo	100%	Chilalo	Tanzania
PL 6158/2009 - Kiperere East ¹	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	100%	Noli	Tanzania
PL 11921/2017 - Noli SE	100%	Noli	Tanzania

1. PL 6158/2009 – the Company's application has been lodged with the Mining Commission.



PHIL HOSKINS

Managing Director

**For further information, please contact:
Phil Hoskins – Managing Director
Tel: +61 8 9200 4960**

**Stuart McKenzie – Commercial Manager and
Company Secretary
Tel: +61 8 9200 4960**

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.

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 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(352)	(1,152)
(b) development	-	-
(c) production	-	-
(d) staff costs	(216)	(892)
(e) administration and corporate costs	(259)	(1,077)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	183
1.8 Other (marketing and business development)	(264)	(1,006)
1.9 Net cash from / (used in) operating activities	(1,086)	(3,923)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(21)	(43)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(21)	(43)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	5,037
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	(162)	(385)
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	(162)	4,652

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,102	1,150
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,086)	(3,923)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(21)	(43)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(162)	4,652
4.5 Effect of movement in exchange rates on cash held	6	3
4.6 Cash and cash equivalents at end of period	1,839	1,839

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	279	400
5.2 Call deposits	1,560	2,702
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)	1,839	3,102

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

105

Nil

Non-executive Directors fees and Managing Directors salary.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Nil

Nil

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	(222)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(210)
9.5 Administration and corporate costs	(189)
9.6 Other (marketing and business development)	(358)
9.7 Total estimated cash outflows	(979)

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:
(Director/Company secretary)

Date: 30 July 2018

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.