

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.