



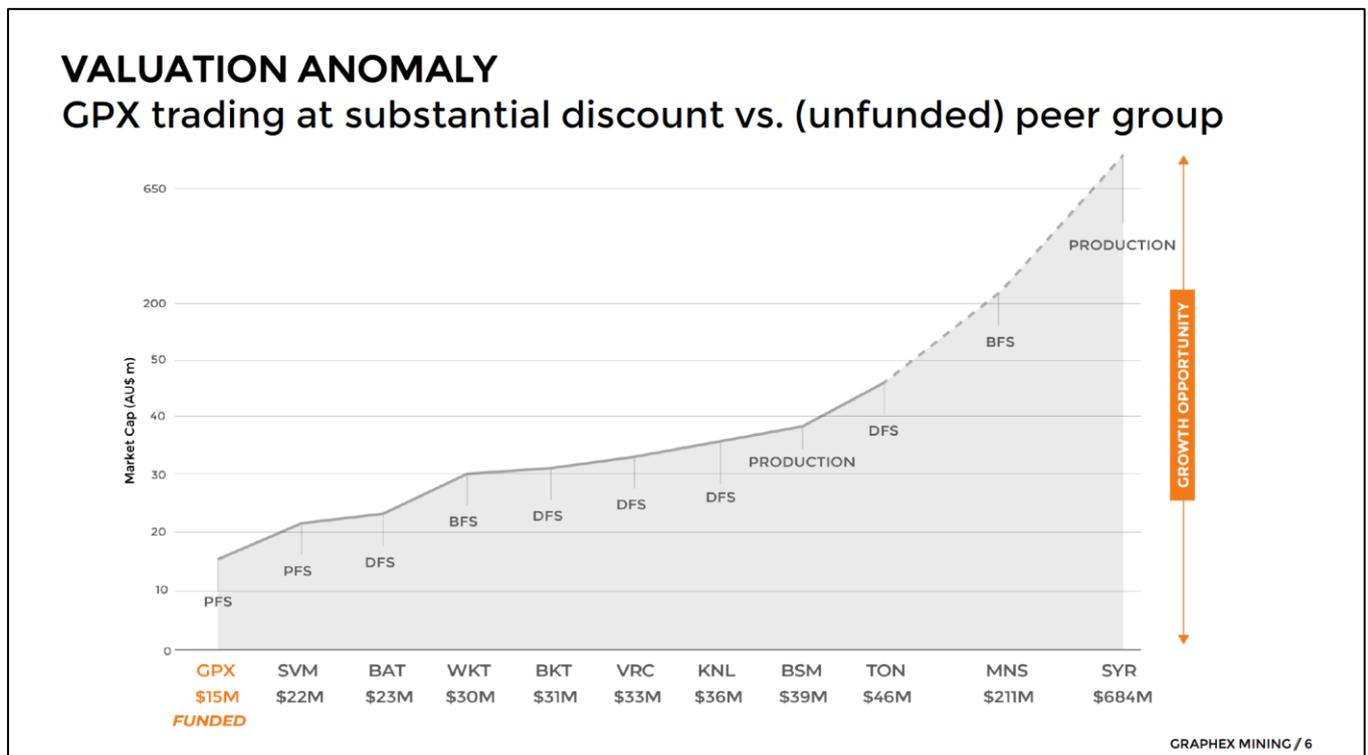
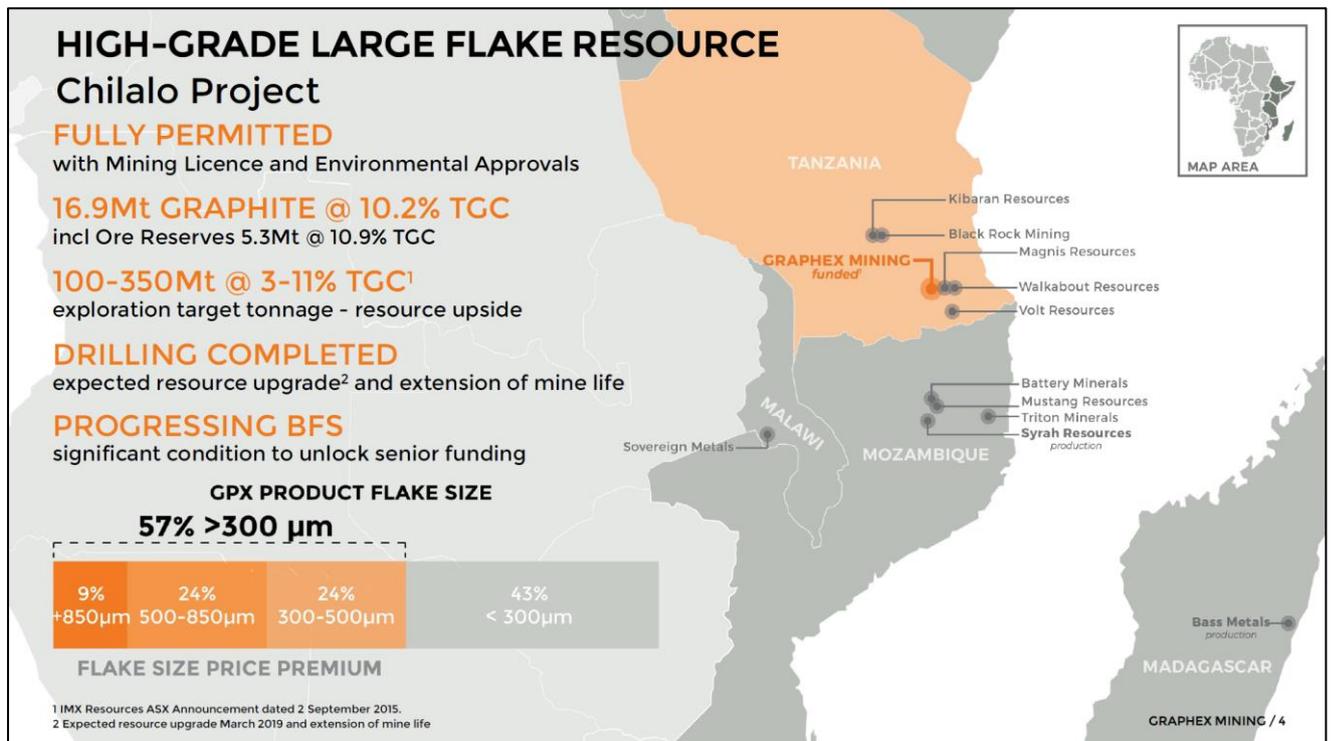
## Graphex Mining Limited (GPX AU, \$0.21, market cap. A\$16.2m)

### One step closer: Graphex now cleared to export graphite concentrate GPX valuation remains A\$1.69/share

- Graphex has revealed details of new Tanzanian Government guidelines which will allow the export of a graphite concentrate from the Chilalo mine. This is a very important advance for GPX. The new Tanzanian Mining Act specifically prohibited the export of “mineral concentrate”, which may have included the export of processed graphite.
- These details emerged during “conference week” in Cape Town. It was quite clear from our meetings with others that GPX management remains ahead of its peers in staying abreast of the new Mining Act. This says to us that GPX is well positioned to advance Chilalo through final approvals and into production.
- The Chilalo plant is expected to concentrate Chilalo ore from reserve grades of ca. 10% to a concentrate grade ranging from 85 to 95% (driven by customer specification). This will be well over the 65% minimum total graphitic carbon specified under the new guidelines.
- GPX also reports that it has had fruitful discussions with the Government concerning outstanding issues such as sovereign equity ownership, local and offshore banking arrangements, and local equity requirements. A formal response is expected shortly.
- Of key importance is the outcome of negotiations regarding Government equity in the project. It is generally believed that the Government will require a 16% equity interest in Chilalo. Finalisation of this issue is one of the key conditions precedent for the Castl lake funding proposal. The deal is as follows. (See our October report for more details).
  - US\$5m of debt to be issued immediately to fund completion of the Chilalo BFS and for general working capital. Castl lake will become a 2% shareholder in GPX and will be entitled to a single board position. We understand this facility has already been partly drawn to assist with the funding of the BFS.
  - Up to US\$40m of debt capacity.
  - Up to US\$40m of equity in GPX.
- Fully diluting for a new equity issue of approximately A\$40m and the issue of warrants and shares to Castl lake (assuming GPX’s final equity in the project is 84%), our fully funded valuation for GPX is now A\$1.69/share, a substantial premium to the present share price. Note that this assumes that new equity will be issued at around 24c (a 10% discount to the share price at the time of finalisation of the debt).
- We see a progressive rerating of GPX towards this NAV as critical hurdles are passed. Key milestones include completion of the BFS, resolution of the Tanzanian situation, finalisation of offtake agreements and a move to project construction.
- We are starting to see light at the end of the tunnel regarding the new Tanzanian Mining Act. We are told that there will need to be revisions to the Act, but redrafting should happen fairly quickly. It’s possible the high-profile Acacia Mining issue will be resolved within weeks.

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Key slides from the GPX 121 Conference presentation, February 2019, Cape Town



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Dr Chris Baker, an authorised representative of BCP, certifies that the advice in this report reflects his honest view of the company. He has 29 years investment experience in wholesale capital markets. He worked as a mining analyst for brokers BZW and UBS for 11 years and has a further 16 years' experience as a mining analyst and portfolio manager with Colonial First State and Caledonia Investments. He now provides independent financial advice on a part time basis. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares and options in GPX. He is remunerated by BCP but is not paid a specific fee for providing this report. BCP are Corporate Advisors to GPX and receive fees from GPX for services provided. BCP, its directors and consultants may own shares and options in GPX and may, from time to time, buy and sell the securities of GPX.