

25 January 2017

SIGNIFICANT PROGRESS ON EQUITY INVESTMENT AGREEMENT

Graphex Mining Limited (**ASX: GPX**) is pleased to provide the following update regarding the status of its joint venture, offtake and finance discussions with CN Docking Joint Investment & Development Co. Ltd, a subsidiary of China National Building Materials Group (**'CNBM'**) and China Gold Group Investment Co. Ltd (**'China Gold'**) (together **'Project Partners'**).

Graphex and the Project Partners remain in detailed negotiations regarding the key commercial terms relating to the proposed joint venture, offtake and financing for the Chilalo Graphite Project. Negotiations continued in China last week with both parties making significant progress towards finalising a term sheet. The key outstanding issues are the mechanics of the investment structure and how the joint venture will be operated.

Key parameters of the transaction are expected to include:

- A substantial equity investment directly into Graphex's wholly owned Tanzanian subsidiary, Ngwena Tanzania Limited, with the Project Partners receiving a 50% interest in Chilalo via a project-level joint venture;
- Offtake agreement for 100% of Chilalo graphite;
- All parties in the joint venture working together to obtain debt financing with the Project Partners taking primary responsibility for debt negotiations with Chinese banks. If required, both parties are prepared to provide parent company guarantees in order to secure debt;
- Graphex to be the Manager of the joint venture; and
- Provision of technical expertise to the development and operation of the project.

Graphex Managing Director, Phil Hoskins, commented: *"We are pleased with the progress we are making on terms for the joint venture, including offtake and financing arrangements with our Project Partners. I would like to acknowledge the ongoing commitment of senior management time and resources from our Project Partners to our negotiations. This followed their recently completed technical due diligence that included comprehensive metallurgical testwork, a mid-year site visit and finally the completion of an internal feasibility study."*

Following the conclusion of Chinese New Year, the parties expect to continue negotiations with the aim of executing a term sheet. Subject to agreement being reached, the parties will then begin the preparation of detailed documentation. These agreements will require approval from the Group boards of CNBM and China Gold as well as Chinese regulatory approvals customary for overseas investment. However, there is no certainty that a binding arrangement will eventuate.

Commenting on the proposed transaction structure, Mr Hoskins continued: *"We consider the proposed deal structure, where the offtaker invests alongside us as a joint venture partner, to be critically important in ensuring their commitment to the project's success. A transaction of this nature is a strong show of confidence in the quality of our product and project and will provide Chilalo first mover advantage in supplying China, the largest market for expandable graphite. Conclusion of this transaction is expected to ensure the development of the Chilalo project with minimal dilution for shareholders."*



PHIL HOSKINS

Managing Director

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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 large and jumbo flake material. Chilalo graphite possesses outstanding expandability characteristics, making it ideally suited to the rapidly growing expandable graphite market.

Graphex's current focus of effort is on securing offtake and financing agreements for the development of Chilalo. In accordance with an existing MOU, Graphex is working closely with CN Docking Joint Investment & Development Co. Ltd, a subsidiary of China National Building Materials and China Gold Group Investment Co. Ltd. on the negotiation of such agreements.

Graphex has an experienced board and management team with specific skills and extensive experience in African based project development, exploration, mining and processing. Tanzania is a stable democracy, with a globally competitive tax and regulatory regime. The Company has a long and well-established presence in Tanzania.

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