

28 April 2017

QUARTERLY ACTIVITIES REPORT

Quarter ended 31 March 2017

SUMMARY

Chilalo Graphite Project – further progress on financing and offtake

During the Quarter, the Company continued to advance discussions with China Gold Group Investment Co. Ltd ('China Gold') and CN Docking Joint Investment & Development Co. Ltd, a subsidiary of China National Building Materials Group ('CNBM') (together 'Project Partners') on the joint venture development of Chilalo.

The key outstanding issues relate to the structure of the Project Partners' investment vehicle and the manner in which the joint venture will be operated. The Company's Managing Director visited China twice during the Quarter, with the focus of discussions and work on joint venture structuring. This work is expected to benefit the proposed joint venture longer term.

The Company's Managing Director is expected to be in China in May 2017 to continue negotiations with the objective of reaching agreement on commercial terms.

Chilalo Graphite Project – 80 % increase in Mineral Resource

- Chilalo's high-grade Mineral Resource increased by more than 80% to 16.9Mt grading 10.2% Total Graphitic Carbon (TGC) for 1.7Mt¹ of contained graphite, comprised of:
 - Indicated Resource of 5.2Mt grading 11.9% TGC for 0.6Mt of contained graphite
 - Inferred Resource of 11.7Mt grading 9.4% TGC for 1.1Mt of contained graphite
- A near doubling of the total Mineral Resource at Chilalo (see Table 1 below) to 53.5Mt grading 5.6% TGC for 3.0Mt of contained graphite
- Increase in the Chilalo Mineral Resource has the potential to significantly extend mine life and therefore improve project economics

Corporate

- Closing cash balance as at 31 March 2017 of \$1.9 million
- Updated research from Red Leaf Securities, The Sophisticated Investor and RM Research

¹ Since announcing the updated Mineral Resource estimate for the Chilao 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.

CHILALO GRAPHITE PROJECT

Offtake and financing

During the Quarter, Graphex and the Project Partners continued to work together on negotiations in relation to the offtake and finance arrangements for the development of the Chilalo Graphite Project.

Significant progress has been made and key parameters of the proposed transaction with the Project Partners 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;
- Arrangements for the sale 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 support development and operation of the project.

Progress on the negotiation of commercial terms followed the completion of comprehensive due diligence by the Project Partners that included a feasibility study that was completed by the Suzhou Design and Research Institute for Non-Metallic Minerals. The feasibility study used the results of the extensive product testwork undertaken by the Project Partners over an extensive period of time to ascertain the flow sheet capable of producing graphite which meets their desired product specifications. The feasibility study contained detailed engineering that refined the capital and operating cost estimates associated with graphite processing.

Increase in Chilalo Mineral Resource

Updated resource modelling, which followed completion in the December Quarter 2016 of a Reverse Circulation drilling program that comprised 13 holes for 1,365 metres, confirmed an increase of over 80 % in the Chilalo Mineral Resource. The details of the updated Mineral Resource are shown in Table 1 below.

The success of this RC drilling program demonstrates the potential for the Chilalo Project to grow well beyond the scope of the initial mining operation proposed in the November 2015 pre-feasibility study.

Table 1. Updated Chilalo Mineral Resource and Ore Reserve

Domain	Classification	Tonnes (Mt)	TGC (%)	Contained Graphite (Kt)
High-grade zone	Probable Reserve	4.7	11.0	517
Total ore reserves	Probable Reserve	4.7	11.0	517
High-grade zone	Indicated	5.2	11.9	622
High-grade zone	Inferred	11.7	9.4	1,100
Total high-grade resource	Indicated and Inferred	16.9	10.2	1,722
Low-grade zone	Inferred	36.6	3.5	1,265
Total resource	Indicated and Inferred	53.5	5.6	2,987

Mineral Resources are inclusive of Ore Reserves. The Mineral Resource was estimated within constraining wireframe solids using a core high grade domain defined above a nominal 5% TGC cut-off within a surrounding low grade zone defined above a nominal 2% TGC cut-off. The resource is quoted from all classified blocks within these wireframe solids. Differences may occur due to rounding.

The increase in the Mineral Resource follows the discovery of two new zones of graphite mineralisation located adjacent to the north and south-west of the existing Chilalo Mineral Resource (see Figure 1). One of these is a new and separate zone of graphite mineralisation located approximately 300 metres north and running parallel to the existing Mineral Resource (see Figure 2). The other is located to the south-west (see Figure 3) of the existing Mineral Resource, confirming the continuation of mineralisation along strike. Both new zones remain open along strike.

Figure 1. Chilalo Mineral Resource Plan Projection

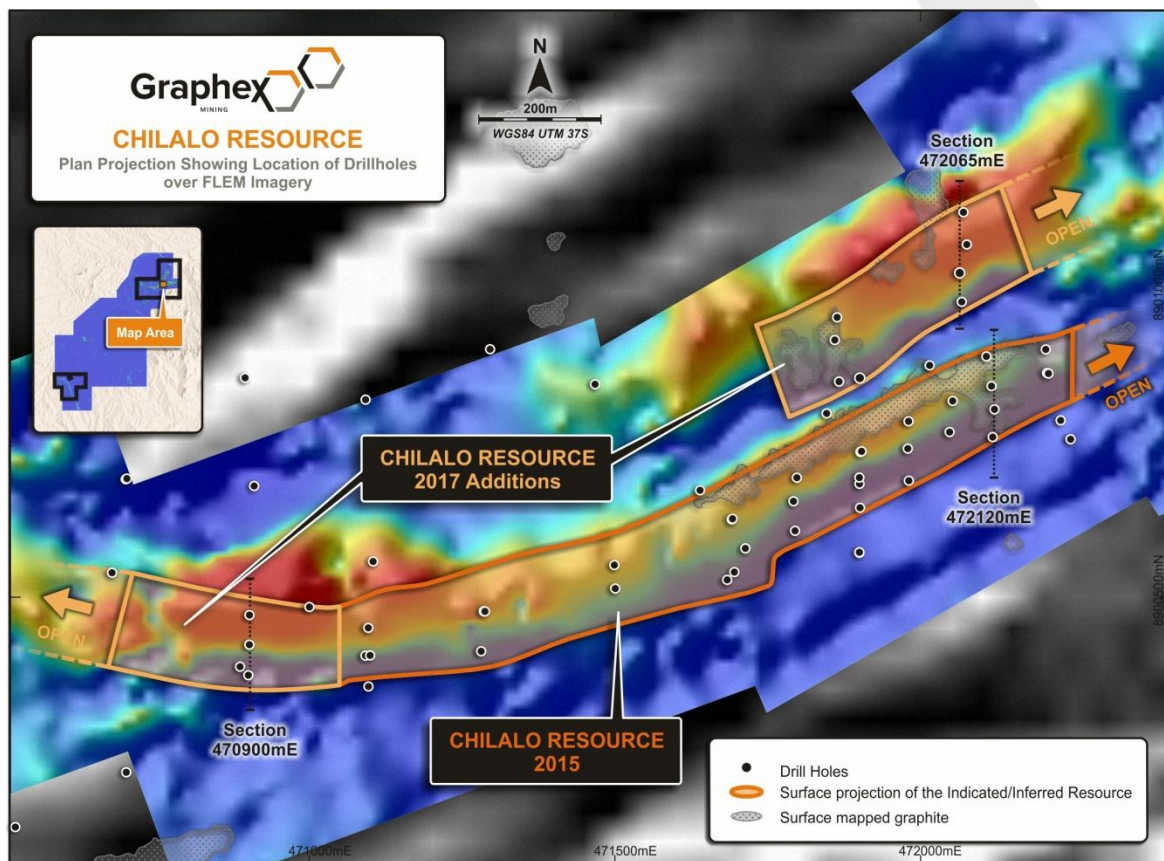


Figure 2. Chilalo cross section 472065mE (new North-East zone)

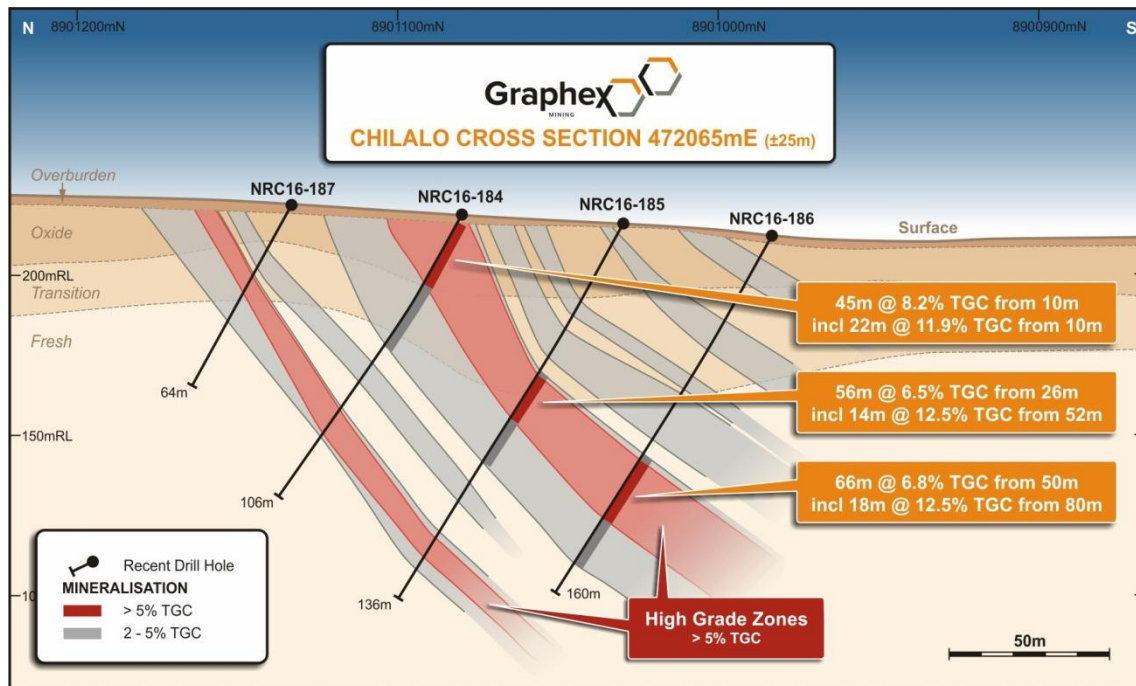
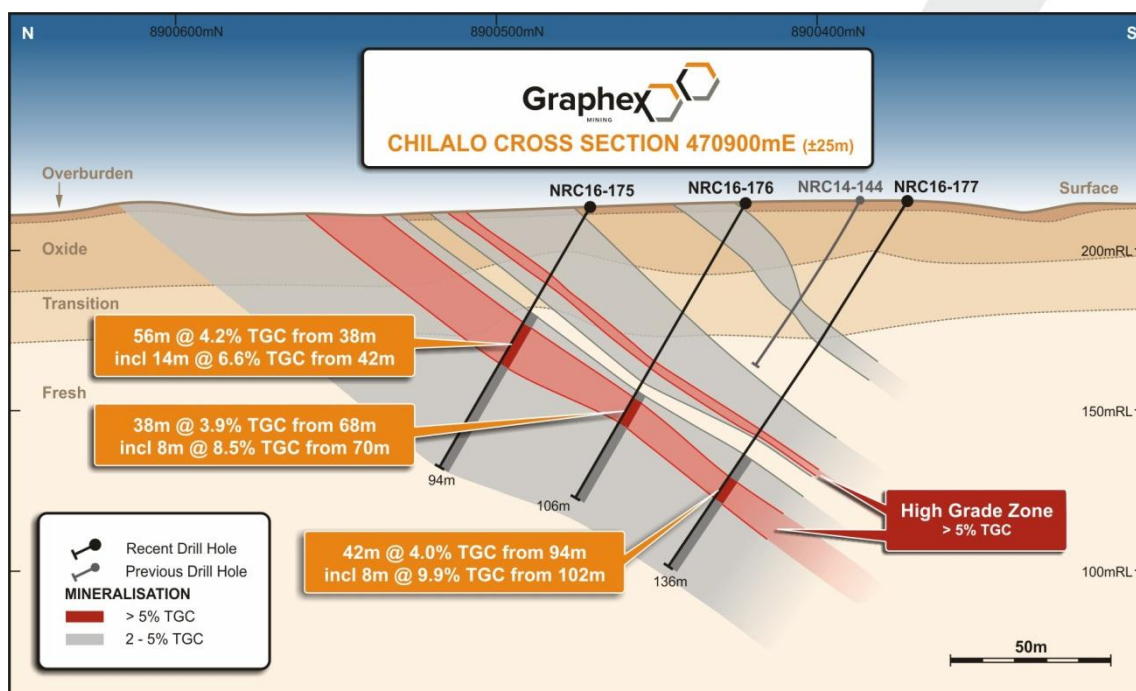


Figure 3. Chilalo cross section 470900mE (South-West zone)

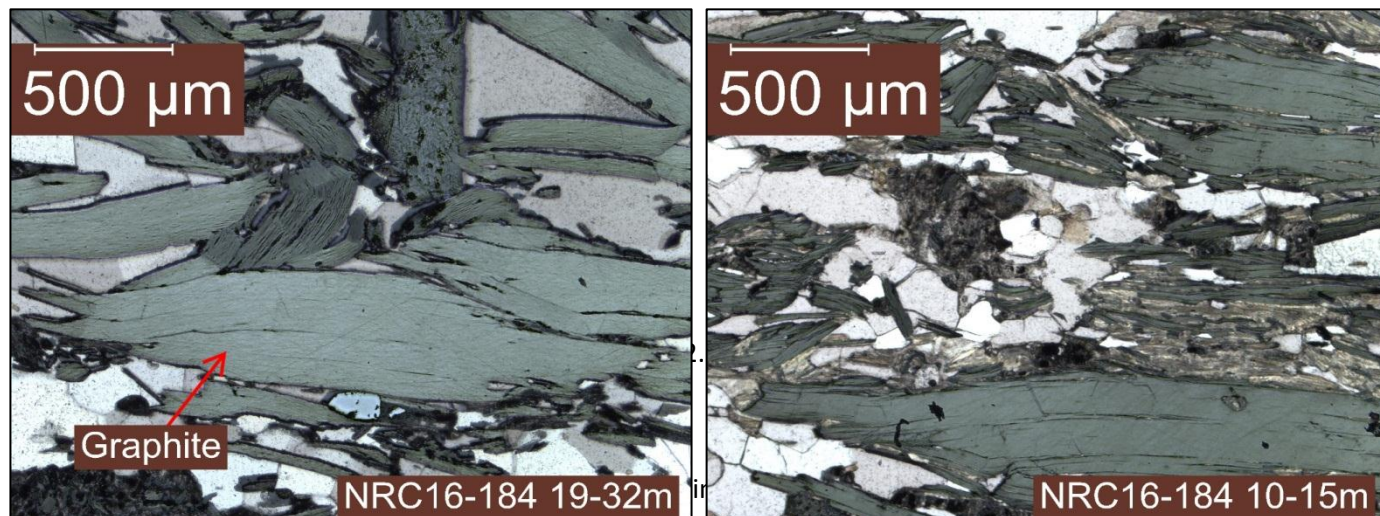


Petrography confirms coarse graphite flake from the new North-East Mineral Resource

Petrographic examination of RC chip samples from the high-grade domain of the North-East Mineral Resource zone confirmed that it exhibits similar flake graphite dimensions to the 2015 Mineral Resource (Figures 4 and 5). Testwork on the 2015 Mineral Resource confirmed that Chilalo ore is amenable to the production of high-grade graphite concentrates, at coarse flake sizes, using simple flotation processes. Further testwork has shown that Chilalo graphite has exceptional expandability characteristics and it is this

combination of coarse flake and outstanding expandability that has led to Chilalo graphite receiving the seal of approval from potential offtakers.

Figures 4 and 5. Graphite flakes from the North-East Mineral Resource*



*Scale bar on photomicrographs = 500 micron (0.5mm). Photos were taken using plane polarised reflected and transmitted light sources. It is cautioned that visual estimates of flake size provide no definitive information regarding the size or purity of liberated graphite flakes that may be extracted by metallurgical processes

CORPORATE

Cash

As at 31 March 2017, the Company had cash of \$1.9 million.

Share capital

As part of the initial public offering ('IPO') completed in June 2016, the Company issued 55,000,000 ordinary shares and 11,666,502 Loyalty Options. An additional 12,365,316 unquoted options were issued to advisors to the IPO, directors and employees.

The Loyalty Options were issued to subscribers under the IPO and vested on 14 September 2016 ('Vesting Date') subject to the number of shares held by subscribers on the Vesting Date. As at 31 March 2017, 6,499,467 Loyalty Options are unexercised, with 2,499,585 having lapsed on the Vesting Date and a further 2,684,116 having been exercised since the Vesting Date.

During the Quarter, 1,139,095 ordinary shares were issued pursuant to the exercise of Loyalty Options. As at 31 March 2017, the Company had 57,796,626 issued and outstanding ordinary shares.

TENEMENT INTERESTS

Table 1 shows the Company's tenement interests as at 31 March 2017. No tenements were acquired or disposed during the March Quarter.

Table 1. Tenement interests

Tenement	Ownership	Project	Location
ML 569/2016 - Chilalo	100%	Chilalo	Tanzania
PL 11516/2016 - Chilalo	100%	Chilalo	Tanzania
PL 5447/2008 - Noli SE	100%	Chilalo	Tanzania
PL 6158/2009 - Kiperere East	100%	Chilalo	Tanzania
PL 8628/2012 - Kipendengwa	100%	Chilalo	Tanzania
PL 9929/2014 - Chikwale	100%	Chilalo	Tanzania
PL 9946/2014 - Machangaja	100%	Chilalo	Tanzania



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

Media

Michael Weir & Richard Glass – Citadel-MAGNUS
Tel: +61 8 6160 4900

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 China Gold Group Investment Co. Ltd. and CN Docking Joint Investment & Development Co. Ltd, a subsidiary of China National Building Materials on the finalisation 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.

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 Resources Limited

ABN

77 610 319 769

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(532)	(1,707)
(b) development	-	-
(c) production	-	-
(d) staff costs	(231)	(607)
(e) administration and corporate costs	(181)	(1,150)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	42
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	17	17
1.8 Other (Business Development)	(56)	(183)
1.9 Net cash from / (used in) operating activities	(973)	(3,588)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	7	7
	(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	(7)	(3)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	298	671
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(247)
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	298	(424)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,593	5,075
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(973)	(3,588)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	7	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	298	424
4.5	Effect of movement in exchange rates on cash held	(17)	-
4.6	Cash and cash equivalents at end of period	1,908	1,908

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	653	841
5.2 Call deposits	1,255	1,752
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)	1,908	2,593

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
72
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	(584)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(201)
9.5	Administration and corporate costs	(235)
9.6	Other (Business Development)	(45)
9.7	Total estimated cash outflows	(1,065)

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:  Date: 28 April 2017
(Director/Company secretary)

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.