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DEVELOPMENT OF CHILALO GRAPHITE PROJECT ENHANCED BY INFRASTRUCTURE ADVANCES

Graphex Mining Limited (**ASX: GPX**) is pleased to announce that improvements to key infrastructure in south-east Tanzania provide further support for the development of the Chilalo Project and have the potential to materially improve the economics of what is already an attractive project. The infrastructure improvements, which relate to potential access to grid-connected power supply, an expansion of the Mtwara Port facility and upgrade of the road from Nanganga to Ruangwa, are being undertaken by the Tanzanian Government and referenced in the respective Ministers' 2017/18 budget speeches.

Power supply

The Tanzanian Government, through the Tanzania Electric Supply Company Limited ("**TANESCO**"), a parastatal organization under the Ministry of Energy and Minerals with responsibility for the generation, transmission, distribution and sale of electricity, has commenced negotiations with the Government of Japan through the Japan International Cooperation Agency on the implementation of a project to generate 300 MW of electricity by using natural gas in Mtwara. The proposed project involves the supply and installation of a power generation plant, a 400kV transmission line from Mtwara to Somanga Fungu. TANESCO is also constructing sub-stations in Mingoyo and Nanganga. The planned power supply route to Ruangwa, and its proximity to Chilalo, are shown in Figure 1.

A detailed feasibility study is currently under preparation and is expected to be followed by technical and financial negotiations for construction of the power plant, while work on the sub-station at Mingoyo has already started. This project is targeted for completion in 2020.

The Company has held preliminary discussions with TANESCO regarding the opportunity for Chilalo to access power supplied from the Mtwara power plant and the arrangements under which this may take place. TANESCO has followed up this discussion with a site survey visit. Accessing grid-connected power would result in substantial operating cost savings compared to diesel-generated power currently assumed in the existing project economics.

Mtwara Port

The Tanzanian Government has recognised the importance of expanding and modernising the Mtwara Port in order to more effectively handle resources and agricultural products cargo from the Southern Tanzania development corridor and from neighbouring countries of Malawi and Zambia. As a result, construction of four new berths and the establishment of specialised terminals for handling different types of cargo has been approved by the Tanzanian Government. Construction of Berth No. 2, which is 350 metres long and designed for mixed cargo, has commenced since March 2017. Separate to the work being undertaken at Mtwara Port, the World Bank has provided a US\$345 million loan to fund a major expansion of port facilities in Dar es Salaam.

Road upgrade

Following completion of a feasibility study and detailed design, an upgrade of the road from Nanganga to Ruangwa is under way. The Nanganga-Ruangwa road is initially being upgraded to a high-quality gravel road and progressively sealed with bitumen from Ruangwa. This would mean that all but approximately 35 kilometres of the route from Chilalo to Mtwara Port will eventually be bitumenised (see Figure 1).

Managing Director, Phil Hoskins, commented, “We are encouraged by the commitment of the Tanzanian Government to such infrastructure improvements in south-east Tanzania. These improvements will not only deliver improved living standards for local Tanzanians, but also have the capacity to significantly improve the economics of our Chilalo Project. We will continue to engage with the Tanzanian Government to ensure that Chilalo is positioned to both assist with, and participate in, these infrastructure improvements.”

Figure 1. Chilalo Graphite Project: Existing and proposed infrastructure





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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 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.