

25 January 2018

## QUARTERLY ACTIVITIES REPORT

Quarter ended 31 December 2017

### CHILALO GRAPHITE PROJECT

#### Offtake and financing

In December 2017, the Company met with CN Docking Joint Investment and Development Co Ltd, a subsidiary of China National Building Materials Group ('**CN Docking**'), to advance negotiation of the joint venture, financing and offtake arrangements for development of the Chilalo Graphite Project.

Pursuant to that meeting, CN Docking requested to meet with the Tanzanian Government prior to finalising negotiations. Together with Graphex executives, a delegation that includes the Chairman of CN Docking, the Vice President of the Investment Association of China and members of CN Docking's will be in Tanzania over the next week.

This upcoming visit follows a meeting held in November 2017 between Graphex management and the new Minister for Minerals, the Honourable Ms Angellah Kairuki, to discuss various issues raised by amendments to legislation governing the mining industry that were passed in July 2017.

#### Further evidence of large scale expandable graphite market opportunity

At a graphite industry and graphite building materials conference that was held in Xingshan, Hubei Province, China on 3 December 2017, the Company received further confirmation of the substantial scale of the expandable graphite market opportunity and its use in flame retardants, particularly flame retardant building materials.

The conference was attended by representatives of Graphex's prospective JV partner CN Docking and the keynote speaker was Mr Jiang Yang who is the Group Vice President of China National Building Materials (CN Docking's major shareholder) and is also the President of the China Building Materials Application Technology Research Institute. In his address, Mr Jiang stated that "*China needs 40 million tonnes of fire retardant building materials per annum, which will contain 5% expandable graphite.*" This represents an annual requirement of 2 million tonnes of expandable graphite for building materials alone.

This scale of expandable graphite demand is more than 10 times greater than existing natural graphite demand from the lithium ion battery industry. Such a level of demand has positive implications for the Chilalo basket price estimate of US\$1,217/t that was used in the PFS, with CN Docking having advised that it estimates flake graphite prices to have increased by approximately 50% during 2017.

These estimates of expandable graphite demand relate to the Chinese flame retardant building material industry alone. China's focus on flame retardants has been driven in part by significant property damage and loss of life caused by large scale fires, and resulting amendments to building regulations which now mandate the use of flame retardant building materials in future construction for inner insulation and finishing exterior walls. Expandable graphite is the preferred flame retardant, however with an extreme shortage of coarse flake graphite feedstock for the manufacture of expandable graphite, such regulations have been difficult to enforce.

The requirement for flame retardant building materials is not confined to China. Other large scale fires that have occurred elsewhere, include London (Grenfell Tower), Dubai (Torch Tower) and Melbourne (Lacrosse Building) and in each case, the use of highly flammable cladding has been identified as a key factor in such fires. In the UK, there has been an independent review of building and fire safety regulations, fire safety rules have been amended in the UAE to require fire resistant cladding and in Australia, insurers are warning building owners with highly flammable cladding that their properties may be uninsurable.

## CORPORATE

### Cash

As at 31 December 2017, the Company had cash of \$1.5 million.

### Share capital

During the Quarter, shareholders approved the issue of 300,000 shares to directors pursuant to directors' subscription for shares in a placement that was completed in July 2017. A further 10,350 shares were issued in connection with the exercise of Loyalty Options.

As at 31 December 2017, the Company had 70,267,867 shares on issue, 6,176,292 unexercised Loyalty Options and 13,782,378 unexercised unquoted options.

### Annual General Meeting

The Company's Annual General Meeting of Shareholders was held on Tuesday, 21 November 2017. A total of ten resolutions were put to shareholders, all of which were passed.

## TENEMENT INTERESTS

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

**Table 1. Tenement interests**

Tenement	Ownership	Project	Location
ML 569/2016 - Chilalo	100%	Chilalo	Tanzania
PL 11050/2017 - Chilalo	100%	Chilalo	Tanzania
PL 11034/2017 - Chilalo	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
PL 11892/2017 - Noli <sup>1</sup>	100%	Noli	Tanzania

Tenement	Ownership	Project	Location
PL 11921/2017 - Noli SE <sup>2</sup>	100%	Noli	Tanzania

1. PL 8628/2012 was renewed during the June Quarter and the relinquished area of that tenement is under application as PL 11892/2017.
2. PL 5447/2008 expired during the June Quarter and the area covered of that tenement is under application as PL 11921/2017.



**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 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](http://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 Mining Limited

### ABN

77 610 319 769

### Quarter ended ("current quarter")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(261)	(582)
(b) development	-	-
(c) production	-	-
(d) staff costs	(189)	(469)
(e) administration and corporate costs	(273)	(551)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (marketing and business development)	(188)	(528)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(903)</b>	<b>(2,117)</b>

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	3	2,653
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(211)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>3</b>	<b>2,442</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,376	1,150
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(903)	(2,117)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3	2,442
4.5	Effect of movement in exchange rates on cash held	(4)	(3)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,472</b>	<b>1,472</b>

5. <b>Reconciliation of cash and cash equivalents</b> 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	312	796
5.2 Call deposits	1,160	1,580
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,472</b>	<b>2,376</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	105
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Non-executive Directors fees and Managing Directors salary.

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	Nil
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	(129)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(240)
9.5 Administration and corporate costs	(203)
9.6 Other (marketing and business development)	(278)
<b>9.7 Total estimated cash outflows</b>	<b>(850)</b>

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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: .....  
Company Secretary

Date: 25 January 2018

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.