

27 April 2018

QUARTERLY ACTIVITIES REPORT

Quarter ended 31 March 2018

CHILALO GRAPHITE PROJECT

Offtake

During the Quarter, the Company signed five Statements of Sales Intent ('SSIs') for the supply of flake graphite to expandable graphite producers and traders in China. The SSIs cover 80,000 tonnes per year of Chilalo graphite and the Company anticipates that the SSIs will be converted into binding offtake agreements in the near future. The parties to the SSIs are significant participants in the existing expandable graphite market, cover the main graphite production provinces of Heilongjiang and Shandong and provide Graphex with extensive coverage of the expandable graphite market.

Expandable graphite manufacturers in China continue to experience critical issues with the availability of feed stock due to a serious shortage of coarse flake graphite supply. This tightness of supply of coarse flake graphite for the manufacture of expandable graphite is highlighted by the fact that a significant portion of refractory brick manufacturers, who had traditionally used +80 to +100 mesh (150-300 microns) material, are now using -100 mesh (<150 microns) material, as anything coarser than +100 mesh (150 microns) is now being used for expandable graphite.

Owing to the flake graphite supply issues in China, Graphex is confident that there is demand for Chilalo graphite that significantly exceeds the tonnages in these agreements.

Site visit by Chinese delegation

In late January, members of Graphex's Board and Management hosted a delegation led by CN Docking in Tanzania for a final site visit and meetings with Tanzanian Government officials, including with the Tanzanian Ministry of Minerals to discuss key issues arising out of legislation passed in July 2017 and the Mining Regulations introduced in January 2018. This meeting was attended by the Permanent Secretary for Minerals, Professor Simon Msanjila and the Commissioner for Minerals, Professor Shukrani Manyi, who, at the time of the meeting, was also the Acting CEO of the Mining Commission.

In addition to the meetings in Dar es Salaam, the Chinese delegation visited Chilalo and inspected key infrastructure, including:

- Tour of the Mtwara Port and available warehouse space
- Driving the proposed transportation route for Chilalo product
- Tour of the proposed mine site including inspection of trenches and outcrop
- Meetings with local contractors able to work within the new local content requirements

- Meeting with senior representatives from the Ruangwa District
- Meeting with local village leaders

Updated feasibility study

In March, meetings were held with the Suzhou Design and Research Institute for Non-Metallic Minerals ('Suzhou'), at which the flow sheet for the Chilalo processing plant was confirmed. The meetings were attended by the Company's Managing Director and representatives of BatteryLimits Pty Ltd ('BatteryLimits'). BatteryLimits has been re-engaged to update the existing feasibility study to incorporate technical work previously completed by both BatteryLimits and Suzhou (the '**Updated Feasibility Study**').

The Updated Feasibility Study will incorporate material changes from the previous pre-feasibility study that was completed in November 2015. These changes include:

- Finalisation of initial project scale and any subsequent expansion;
- Capital expenditure for the proposed project scale;
- Operating costs for the processing plant;
- The current Chilalo Mineral Resource, which increased by approximately 80% in February 2017 (ASX announcement 2 February 2017)¹;
- Metallurgical testwork results achieved by Suzhou as part of CN Docking's technical due diligence, which generated a substantially higher percentage of coarse flake material than demonstrated by previous metallurgical testwork;
- Revised process flow sheet and plant design; and
- Improvements in flake graphite prices, which, together with the improvements in flake size distribution, result in a basket price of \$1,914, an increase of almost 60% from the previously used basket price.

Engineering, procurement and construction

Graphex and Suzhou have agreed to an industrial trial that will involve processing a minimum of 5 tonnes of Chilalo ore for detailed design purposes and with a view to enabling the engineering, procurement and construction contractor to provide performance guarantees for the targeted throughput and product specifications, including flake size, grade and recoveries.

CORPORATE

Share capital

In March, the Company completed the placement of 8,429,428 fully paid ordinary shares ('**Placement Shares**') at an issue price of \$0.28 per share for proceeds of \$2.36 million before costs ('**Placement**'). The Placement Shares were issued in accordance with the Company's share issuance capacity under ASX Listing Rule 7.1. Directors subscribed for a further 320,572 shares under the Placement, the issue of which is subject to shareholder approval at the Company's next general meeting. Pursuant to the exercise of Loyalty Options, a further 17,499 shares were issued during the Quarter.

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

As at 31 March 2018, the Company had 78,714,794 shares on issue, 6,172,459 unexercised Loyalty Options and 13,782,378 unexercised unquoted options.

Cash

As at 31 March 2018, the Company had cash of \$3.1 million.

Formation of Tanzanian Mining Commission

Post Quarter end, the Government of Tanzania announced the establishment of the Mining Commission in accordance with the Mining Act. This follows announcement by the Honourable Dr John Pombe Magufuli, President of the United Republic of Tanzania, of the appointment of Professor Idris Suleiman Kikula as Chairman of the Mining Commission and the appointment of other Commissioners.

The Mining Commission is a new body with wide ranging responsibilities that was created under the July 2017 legislation. The formation of the Mining Commission, together with the recent return to office by the Honourable Ms Angellah Kairuki, Minister of Minerals, following a period of leave, are positive developments as the Tanzanian Government seeks to restore investor confidence in the mining industry.

TENEMENT INTERESTS

Table 1 shows the Company's tenement interests as at 31 March 2018. During the Quarter, there was no change to the Company's tenement interests.

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 ¹	100%	Chilalo	Tanzania
PL 9929/2014 - Chikwale	100%	Chilalo	Tanzania
PL 9946/2014 - Machangaja	100%	Chilalo	Tanzania
PL 11892/2017 - Noli	100%	Noli	Tanzania
PL 11921/2017 - Noli SE	100%	Noli	Tanzania

1. PL 8628/2012 – the Company's application has been recommended and it is awaiting grant of the exploration licence.



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 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.



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 March 2018

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	(217)	(799)
(b) development	-	-
(c) production	-	-
(d) staff costs	(209)	(678)
(e) administration and corporate costs	(264)	(817)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	183	183
1.8 Other (marketing and business development)	(214)	(742)
1.9 Net cash from / (used in) operating activities	(718)	(2,837)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(24)	(22)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

+ See chapter 19 for defined terms

1 September 2016

Page 1

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	-	-
	(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	(24)	(22)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,384	5,037
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	(12)	(223)
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	2,372	4,814

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,472	1,150
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(718)	(2,837)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(24)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,372	4,814
4.5	Effect of movement in exchange rates on cash held	-	(3)
4.6	Cash and cash equivalents at end of period	3,102	3,102

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	400	312
5.2	Call deposits	2,702	1,160
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)	3,102	1,472

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
105
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

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.		

--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(335)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(210)
9.5 Administration and corporate costs	(261)
9.6 Other (marketing and business development)	(582)
9.7 Total estimated cash outflows	(1,388)

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:
(Director/Company secretary)

Date: 27 April 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.