

26 April 2019

QUARTERLY ACTIVITIES REPORT

Quarter ended 31 March 2019

Graphex Mining Limited (ASX: GPX) ('Graphex' or the 'Company') is pleased to provide its Quarterly Activities report for the March Quarter. During the Quarter, effort was focused on work associated with satisfying conditions precedent to the funding arrangements previously agreed with funds managed by Castllake L.P., which will enable the Company to access a funding package of up to \$80 million for the development of the Chilalo Project (see ASX announcement 29 October 2018).

Progress on resolution of issues relating to Tanzania's mining legislation

During the Quarter, the Government of Tanzania released "*The Mining (Mineral Value Addition) Guidelines, 2019*" ('Guidelines') which provide guidelines on the required in-country value addition in relation to mineral processing. With respect to graphite, the Guidelines state that graphite concentrate with a grade above 65% total graphitic carbon ('TGC') is permitted to be exported after laboratory tests and payment of the applicable royalty.

Given that product from the Company's Chilalo Project will be well in excess of 65% TGC, the Guidelines provide assurance that graphite produced at Chilalo can be exported. The ability to export Chilalo product is a fundamental requirement for project development, and the publication of the Guidelines is an important step that removes the previous uncertainty associated with this requirement.

In February, the Government published "*The Mining (Local Content) (Amendments) Regulations, 2019*", which amended certain key definitions relating to indigenous Tanzanian companies, Tanzanian financial institutions and foreign financial institutions, each of which has had the effect of simplifying compliance with the pre-existing local content requirements.

The Company continues to make good progress in relation to the resolution of key issues raised in the Company's submission that was lodged with the Ministry in August 2018 ('Submission'). The priority issues included in the Submission relate to the export of graphite, the Government free carried interest, bank account arrangements, local content requirements and the ability for the Company to grant security over the Project.

In relation to bank account arrangements, the Company has been working closely with Citibank Tanzania on a structure for bank accounts that is expected to meet the requirements of Castllake, the Ministry for Minerals and the Bank of Tanzania.

Based on the Company's discussions with the Government, the Company is confident that these issues can be resolved to the satisfaction of all stakeholders including Castllake and the Tanzanian Government.

Appointment of Project Manager

The Company has appointed Mr Warren King as Project Manager for Chilalo, with responsibility for delivering the DFS. Mr King has extensive experience in project management of the engineering, design, procurement and construction of mineral processing plants and mine infrastructure, having successfully delivered several projects in Africa, Indonesia and Australia. Mr King holds a Bachelor of Engineering and a Bachelor of Law.

Resource upgrade

In late 2018, a 3,000 metre diamond drilling program was completed. Given the historically favourable conversion rate of Inferred Mineral Resources to Indicated Mineral Resources at Chilalo, the Company is confident that the results of the drilling will provide for an upgrade of the Inferred Mineral Resources to Indicated Mineral Resources, an increase in the Ore Reserve, and an extension of mine life.

Assay results from the drilling program are pending and have taken longer than expected. Owing to issues associated with the preparation of samples by the Geological Survey of Tanzania ('GST'), the Government agency that now has responsibility for sample preparation, some rework has been required which resulted in a delay. The Company has met with the GST to review their procedures and is confident that delays will not be experienced in the future.

Definitive Feasibility Study

During the Quarter, the Company advanced the DFS, with progress including:

- Completion of water-bore drilling and aquifer testing which confirm that the Project will have access to the water required for operations;
- Additional acid rock drainage test work is under way;
- Additional metallurgical testwork on composite samples is being conducted by ALS in Perth; and
- A 40 tonne bulk sample has been collected from the Project site area and is expected to be shortly shipped to SGS Lakefield in Canada for further metallurgical testwork.

All other scopes of work have been agreed between the Company and Castllake via the Project Steering Committee discussed further below.

Appointment of Castllake nominee director

Post Quarter end, Mr Daniel Saint Don was appointed as a non-executive director of the Company. Daniel is the appointed representative of the Castllake Funds and is highly familiar with the Chilalo Project, having visited the Chilalo Project site and been involved in Castllake's due diligence in his previous role with Golder Associates. Dan's experience is complementary to the existing Board and he will play an integral role in ensuring the Company's DFS satisfies the conditions required for the Company to access the Senior Funding Package.

Establishment of the Project Steering Committee

In addition to his appointment as a non-executive director, Mr Saint Don is also Castllake's representative on the Project Steering Committee. The Project Steering Committee is comprised of representatives of Castllake and Graphex and is responsible for assessing and reviewing overall progress of the Chilalo Project and providing the Graphex board of directors with recommendations on technical matters related to development of the Chilalo Project.

Continued engagement with offtake partners

Securing offtake agreements is a key condition to unlocking the Castllake Senior Funding Package. Over the past four years, the Company has established a comprehensive network of relationships with parties that have expressed an interest in purchasing Chilalo graphite, a number of whom have reaffirmed such interest, encouraged by the Castllake financing and progress in Tanzania. The level of demand expressed by this network of parties is sufficient to ensure that the proposed Stage 1 product will be able to be sold several times over.

In January, the Company's Managing Director spent two weeks in China and again in April, continuing the Company's strong relationships with key graphite market participants.

The Company has identified a priority list of potential offtakers and in the coming months will continue to work with these potential offtakers to refine the terms and conditions for the sale of Chilalo product.

CORPORATE

Share capital

As at 31 March 2019, the Company had 87,320,122 shares on issue, 6,172,459 unexercised Loyalty Options and 12,259,541 unexercised unquoted options.

Cash

As at 31 March 2019, the Company had cash of \$0.4 million. During the Quarter, the Company drew down US\$1 million (before costs) under the Interim Loan Note Facility in place with the Castllake Funds, with US\$3 million remaining undrawn at Quarter end.

Change of registered office

During the Quarter, the Company changed its registered office to Level 1, Emerald House, 1202 Hay Street, West Perth, WA 6005.

TENEMENT INTERESTS

Table 1 shows the Company's tenement interests as at 31 March 2019.

Table 1. Tenement interests

Tenement	Ownership	Project	Location
ML 569/2017 - Chilalo	100%	Chilalo	Tanzania
PL 11050/2017 - Chilalo	100%	Chilalo	Tanzania
PL 11034/2017 - Chilalo	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	100%	Noli	Tanzania
PL 11921/2017 - Noli SE	100%	Noli	Tanzania

During the Quarter, the Company surrendered two tenements held under a Prospecting Licence, Noli and Noli SE. These two tenements are located approximately 100kms south of Chilalo and are not considered to be prospective.

During the Quarter, an application was lodged for a Prospecting Licence, Chikwale North, which is located in close proximity to the Chilalo Mining 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

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 2019

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	(680)	(1,551)
(b) development	-	-
(c) production	-	-
(d) staff costs	(216)	(710)
(e) administration and corporate costs	(218)	(686)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	-	(346)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	183
1.8 Other (marketing, transaction and business development)	(122)	(795)
1.9 Net cash from / (used in) operating activities	(1,236)	(3,901)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(13)	(31)
(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	-	-
	(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	(13)	(31)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	70
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	(8)	(15)
3.5	Proceeds from borrowings	-	3,018
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(600)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(8)	2,473

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,673	1,839
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,236)	(3,901)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(12)	(31)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	2,473
4.5	Effect of movement in exchange rates on cash held	(49)	(12)
4.6	Cash and cash equivalents at end of period	368	368

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	197	1,630
5.2 Call deposits	171	43
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)	368	1,673

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	7,044	2,818
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.		

The facilities are secured Loan Notes issued to funds managed by private equity firm Castlake L.P. as announced 29 October 2018. The Loan Notes have a term of 2 years with an interest rate of 15% and a commitment fee on undrawn funds of 4%. The loan notes are denominated in USD and as at quarter end, the Company has issued US\$2M of the US\$5M total Loan Notes. The numbers in the table above are presented in AUD translated at the AUD/USD rate as at 31 March of 0.71.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,821)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(231)
9.5 Administration and corporate costs	(238)
9.6 Other (Marketing and business development)	(172)
9.7 Total estimated cash outflows	(2,462)

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	PL11198/2018 Noli (Tanzania) PL11224/2018 Noli SE (Tanzania)	Prospecting licenses	100%	-
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: 26 April 2019

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.