

6 June 2019

GRAPHEx RECEIVES OFFICIAL TANZANIAN GOVERNMENT RESPONSE TO SUBMISSION

Graphex Mining Limited (**ASX: GPX**) (**'Graphex'** or the **'Company'**) is pleased to advise that it has received an official written response from Tanzania's Ministry of Minerals to the Company's submission that was lodged in 2018 (**'Submission'**). Importantly, the letter confirms the Tanzanian Government's free carried interest is set at 16% for all Mining Licences.

Managing Director Phil Hoskins commented on the official written response, *"This is an important step forward for Graphex as we seek to obtain the certainty in Tanzania's legal and regulatory framework required to secure construction financing with Castllake. I would like to thank all involved at the Ministry of Minerals, in particular the Honourable Minister Mr Doto Biteko, for his leadership and open communication. It follows a period of extensive engagement with the Tanzanian Government, with Graphex playing an industry leading role in working to resolve the issues."*

The key issues addressed by the Submission and official response relate to the ability to obtain project finance and are not related to receiving the permits required for project development. The Company was granted a Mining Licence in 2016 and the required environmental approvals are in place. The key issues, including the level of the Government's free carried interest, are not unique to Graphex and are faced by all mining companies in Tanzania seeking the certainty required to secure construction finance for a mining project.

A summary of the key issues is set out below including relevant extracts from the letter.

ABILITY TO EXPORT GRAPHITE CONCENTRATE
The letter states that <i>"Chilalo's beneficiated graphite can be exported per The Mining (Mineral Value Addition) Guidelines, 2019 ('Guidelines') which was published on 25 January 2019."</i> 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. As product from the Company's Chilalo Project will be well in excess of 65% TGC, the Guidelines and the letter provide assurance that graphite produced at Chilalo can be exported.
GOVERNMENT FREE CARRIED INTEREST ('FCI')
The letter states that <i>"The free carried interest is currently charged at 16% for all Mining Licences."</i> Graphex is confident that legislative certainty to confirm this will be provided by the Government.

OFFSHORE BANK ACCOUNTS

Suitable bank account security arrangements are a requirement of project financiers. The Company has worked closely with Citibank Tanzania over the past 12 months to develop a structure for its bank accounts that is expected to meet the requirements of the Bank of Tanzania, the Mining Commission and the Company's financier, Castlelake L.P. The letter from the Ministry has directed the Company to agree the proposed arrangement with the Bank of Tanzania and the Mining Commission, a process which is under way. Draft documentation to underpin the proposed bank account structure has been prepared and will be completed in parallel with the construction finance documentation.

FISCAL STABILISATION AGREEMENTS

While the legislation appears to provide some scope for stabilisation agreements, the letter from the Ministry states that *"stabilisation arrangements that entail freezing of laws and contracting away the Sovereignty of the Country are discouraged."*

While Graphex continues to discuss the concept of a stabilisation agreement with the Government, the Company considers that effective engagement with local communities, local government and key stakeholders, a commitment to in-country capacity building and the implementation of meaningful social development programs is more likely to secure continuity of operations in the absence of a fiscal stabilisation agreement.

Graphex is yet to confirm whether the spirit and intent of the official letter will be captured by the publication of supporting regulations and guidelines and will continue to engage with its project financiers Castlelake as to whether any further clarifications are sought.

Many of the other key issues on which the Company has sought clarification, including operation of the integrity pledge and the use of mineral data have been clarified by the letter. The letter also provides a clear pathway for resolution of issues associated with the local content requirements and the Company is confident that these lower level issues will not inhibit project development.



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.