

29 July 2016

QUARTERLY ACTIVITIES REPORT

Quarter ended 30 June 2016

HIGHLIGHTS

Chilalo Graphite Project

- Declaration of maiden Ore Reserve – 5.1 Mt grading 11.9% TGC for 613,800 tonnes of contained graphite
- Successful site visit by Chinese delegation materially advances due diligence in connection with financing and offtake
- Due diligence activity by China Gold Group Investment Co. Ltd (**'China Gold'**) and CN Docking Joint Investment and Development Co. Ltd (**'CN Docking'**) progressing
- Submission of mining licence application – expected to be granted in August 2016
- Independent testing produces a grade of 99.93% Total Graphite Carbon (TGC), confirming potential to produce 'battery-grade' graphite

Corporate

- Successful completion of spin out of Graphex Mining Limited (**'Graphex'** or the **'Company'**) from IMX Resources Limited (**'IMX'**)
 - Acquisition of the Chilalo Graphite project
 - Oversubscribed IPO raised \$7.0 million
 - Graphex admitted to the official list of ASX and commenced trading on 14 June 2016
- Research coverage by three analysts from Pulse Markets (Chris Baker), Palladion Partners (David Greenwood) and RM Research (Guy Le Page) to commence in the September Quarter

Managing Director, Phil Hoskins, commented, *"On every objective measure, Chilalo is an outstanding project, clearly demonstrated by the successful spin out and IPO completed in June. Graphex, as a standalone dedicated graphite company, is now well positioned to realise the value of Chilalo."*

"The ability to produce high quality coarse flake graphite with exceptional expandable characteristics makes Chilalo graphite highly suitable for the production of expandable graphite. Expandable graphite has unique heat-resistant properties and is used widely in the manufacture of graphite foil and paper and in flame retardant building materials. Graphex is ideally placed to supply this high growth market and is well advanced in exclusive offtake and financing discussions with major Chinese companies."

CHILALO GRAPHITE PROJECT

Ore Reserve Estimate

During the Quarter, a maiden Ore Reserve was declared for the Chilalo Project. The Ore Reserve was declared primarily to assist in addressing concerns raised by the Australian Securities and Investments Commission (ASIC) in relation to a prospectus lodged by Graphex on 4 April 2016 for the purpose of the Graphex IPO.

The Ore Reserve estimate was based only on the Indicated Resources at the Chilalo Project of 5.1 Mt grading 11.9% TGC for 613,800 tonnes of contained graphite included in the high-grade Mineral Resource estimate that also includes Inferred Resources of 4.1 Mt grading 9.1% TGC for 370,300 tonnes of contained graphite (see ASX announcement 13 October 2015¹), as shown in Table 1 below.

Table 1. Chilalo Ore Reserve and Mineral Resources

Domain	Classification	Tonnes (Mt)	TGC%	Contained Graphite (Kt)
High-grade zone	Probable Reserve	4.7	11.0	516
Total ore reserves	Probable Reserve	4.7	11.0	516
High-grade zone	Indicated	5.1	11.9	613
High-grade zone	Inferred	4.1	9.1	370
Total high-grade resource	Indicated and Inferred	9.2	10.7	984
Low-grade zone	Inferred	15.9	3.3	523
Total resource	Indicated and Inferred	25.1	6.0	1,507

The declaration of the maiden Ore Reserve involved conversion of almost 85% of the Indicated Resources, which demonstrated the robustness of the Chilalo ore body.

Offtake and financing agreements

During the Quarter, the Company hosted a successful five day site visit attended by representatives from China Gold, CN Docking Joint Investment and CNBM (CN Docking's parent company) and Suzhou Design & Research Institute for the Non-Metallic Minerals Industry ('Suzhou'), an independent testing authority engaged by China Gold and CNBM to conduct confirmatory due diligence on the Chilalo Graphite Project.

¹ Since the announcement by Indiana (ASX Code: IDA) of the Mineral Resource estimate on 13 October 2015 and the Ore Reserve estimate on 10 May 2016, Graphex confirms that it is not aware of any new information or data that materially affects the information included in those announcements and that all material assumptions and technical parameters underpinning the Mineral Resource estimate and the Ore Reserve estimate in those announcements continue to apply and have not materially changed. On 31 May 2016, Graphex completed the acquisition of the Chilalo Project from Indiana. Pursuant to the prospectus lodged on 10 May 2016, Graphex completed an offer of 35,000,000 shares at \$0.20 to raise \$7,000,000. Graphex was admitted to the official list of ASX on 9 June 2016 and commenced trading on 14 June 2016 (ASX Code: GPX).

As well as visiting the proposed project site, meetings were held with various Tanzanian Government departments and officials, logistics providers and the Mtwara Port Authority.

The key remaining due diligence items to be completed include finalising China Gold and CNBM'S confirmatory testwork and obtaining the mining licence for the Chilalo Graphite Project. A 500kg representative sample of Chilalo ore has cleared customs in China with Suzhou now undertaking confirmatory testwork. The Chilalo Mining Licence application is currently being processed by the Ministry for Energy and Minerals and is expected to be granted in August 2016.

While formal agreement cannot be reached until completion of confirmatory due diligence by all parties, negotiations on commercial terms have continued during the last week of July, with Managing Director Phil Hoskins in China for meetings with CNBM, CN Docking and China Gold.

Potential to produce 'battery-grade' graphite

Independent testing carried out by the Wuhan Technology Institute in China ('**Wuhan**') using a graphite core sample from Chilalo grading 96% TGC, applied standard chemical leaching to produce a grade of 99.93% TGC. Wuhan reported that it was highly likely that process enhancements would see the grade easily exceed the critical 99.95% TGC purity level that is suitable for producing 'battery grade' spherical graphite.

While the Company is pleased that Chilalo graphite is suitable for the lithium-ion battery market, Graphex remains firmly focused on the expandable graphite opportunity.

CORPORATE

The Company completed a successful IPO, raising \$7.0 million with the issue of 55 million shares at \$0.20 per share. Demand was well in excess of the maximum raising of \$7.0 million. Graphex's capital structure is as follows:

- 55,000,000 ordinary shares;
- 11,666,667 Loyalty Options²;
- 5,927,359 unquoted options issued to advisors that are exercisable at \$0.25 and expiring on 9 September 2019; and
- 6,437,957 unquoted options issued to directors and employees.

Pursuant to the IPO, the Company acquired the Chilalo Graphite Project from IMX for \$5.0 million, comprised of \$1.0 million cash and \$4.0 million in shares, which were distributed *in specie* to IMX shareholders.

Graphex was accepted to the official list of ASX on 9 June 2016 and commenced trading on the ASX (ASX Code: GPX) on 14 June 2016.

² Loyalty Options were issued to subscribers under the IPO and vest on 14 September 2016 ('**Vesting Date**') subject to the number of shares held by subscribers on the Vesting Date.

TENEMENT INTERESTS

Table 2 shows the Company's tenement interests as at 30 June 2016.

Table 2. Tenements held and location

Tenement	Ownership	Project	Location
PL5447/2008 - Noli SE	100%	Chilalo	Tanzania
PL6073/2009 - Chilalo	100%	Chilalo	Tanzania
PL6158/2009 - Kiperere East	100%	Chilalo	Tanzania
PL8628/2012 - Kipendengwa	100%	Chilalo	Tanzania
PL9929/2014 - Chikwale	100%	Chilalo	Tanzania
PL9946/2014 - Machangaja	100%	Chilalo	Tanzania



PHIL HOSKINS

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Graphex Mining Limited

ABN

77 610 319 769

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter June 2016 \$A'ooo	Year to date (12 months) \$A'ooo
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(70)	(70)
	(b) project development	-	-
	(c) production	-	-
	(d) administration	(207)	(207)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	3
1.5	Interest and other costs of finance paid	-	-
1.6	Research and Development cash rebate	-	-
1.7	Other	(332)	(332)
Net Operating Cash Flows		(606)	(606)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	(1,000)	(1,000)
	(b) equity investments	-	-
	(c) other fixed assets	(23)	(23)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other - Security Bonds movement	-	-
	- Cash from disposal of tenements	-	-
Net investing cash flows		(1,023)	(1,023)
1.13	Total operating and investing cash flows (carried forward)	(1,629)	(1,629)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,629)	(1,629)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	6,708	6,708
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Repayment of borrowings – related party	-	-
1.17	Proceeds from JV partner	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	- Finance costs	-	-
	Net financing cash flows	6,708	6,708
	Net increase (decrease) in cash held	5,079	5,079
1.20	Cash at beginning of quarter/year to date	-	-
1.21	Exchange rate adjustments to item 1.20	(5)	(5)
1.22	Cash at end of quarter	5,074	5,074
Explanation necessary for an understanding of the transactions			

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	46
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter the Company listed on the ASX and completed the purchase of six graphite prospecting licenses including the Chilalo Graphite Project from Indiana Resources Limited (Indiana), formerly IMX Resources. The transaction was in accordance with the replacement prospectus and required the cash payment of \$1 million to Indiana.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	884
4.2 Development	-
4.3 Production	-
4.4 Administration	632
Total	1,516

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity quarterly report

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	5,074	5,074
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		5,074	5,074

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil	N/A	N/A	Nil
6.2 Interests in mining tenements acquired or increased	PL 5447/2008* PL 6073/2009* PL 6158/2009* PL 8628/2012* PL 9929/2014* PL 9946/2014*	Prospecting Licences acquired –	Nil	100%

*Prospecting licenses acquired from Indiana as outlined in 2.1 above.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	-	-	-	-
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	55,000,000	55,000,000		
7.4	Changes during quarter (a) Increases through issues	35,000,000* 20,000,000**	35,000,000 20,000,000	\$0.20 \$0.20	\$0.20 \$0.20
	(b) Decreases through returns of capital, buy-back, consolidation*	Nil	Nil		
7.5	*Convertible debt securities (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,114,319 2,323,638 3,000,000		Exercise price Nil Nil Nil	Expiry date 09.06.19 09.06.21 09.06.19
7.8	Issued during quarter	1,114,319 2,323,638 3,000,000		Nil Nil Nil	09.06.19 09.06.21 09.06.19
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	Nil			
7.11	Debentures (totals only)	Nil			
7.12	Unsecured notes (totals only)	Nil			
7.13	Performance Rights (totals only) (Vesting dependent on achievement of performance criteria)	Nil			

+ See chapter 19 for defined terms.

Share Appreciation Rights <i>(totals only) (Vesting dependent on achievement of performance criteria)</i>	Nil			
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- * Shares issued to new shareholders to raise \$7,000,000 under initial public offering
- ** Shares issued to Indiana Resources Limited (Indiana) for the purchase of the graphite prospecting licenses outlined in 2.1 above. The shares were subsequently distributed in-specie to Indiana shareholders.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

 Company secretary

Date: 29 July 2016

Print name:

Stuart McKenzie