

15 July 2016

STRATEGIC PARTNERSHIP PROCESS UPDATE

Graphex Mining Limited (ASX: GPX) ('**Graphex**') the '**Company**' is pleased to provide an update in relation to its strategic partnership process with China Gold Group Investment Co. Ltd ('**China Gold**') and China National Building Material Group Corporation ('**CNBM**').

The key remaining workstreams required to complete the partnership process include finalising China Gold and CNBM'S due diligence, negotiating the investment and offtake agreements, and securing the mining licence for the Chilalo Graphite Project.

Following the successful site visit held late last month, a 500kg representative sample of Chilalo ore is currently clearing customs in China. The sample will be used for confirmatory testwork to be conducted by Suzhou Design & Research Institute for the Non-Metallic Minerals Industry, an independent testing authority engaged by China Gold and CNBM. The confirmatory testwork is expected to commence in late July. This has always been regarded as an important milestone and remains a key outstanding component of due diligence. In addition, the Chilalo Mining Licence application was lodged in June 2016 and is currently being managed by the Ministry for Energy and Minerals under its usual process.

While these workstreams are being progressed as quickly as possible, both parties acknowledge that executing binding agreements is unlikely to occur in the existing exclusivity period, which expires on 31 July 2016. It is the intention of both parties to renew the exclusivity agreement in the coming weeks. Graphex management will be visiting China in late July for the purpose of advancing commercial negotiations with China Gold and CNBM.

A handwritten signature in black ink, appearing to read "PHoskins".

PHIL HOSKINS

Managing Director

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