

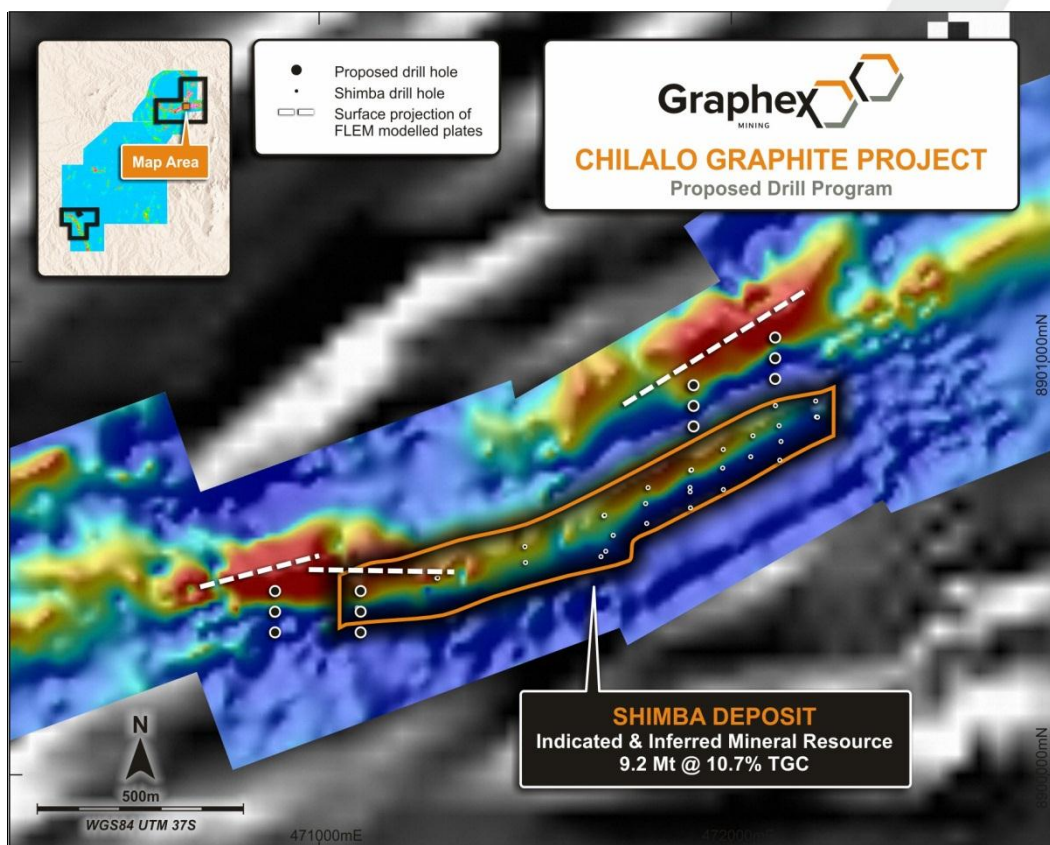
27 July 2016

DRILLING PROGRAM TARGETING INCREASE IN CHILALO RESOURCE

Graphex Mining Limited (**ASX: GPX**) (**'Graphex'** or the **'Company'**) has launched a new exploration program aimed at increasing the high-grade resource at its flagship Chilalo Graphite Project in Tanzania and generating significant improvements in project economics.

A reverse circulation (RC) drilling program of approximately 1,200m will commence during August to test two key targets shown in Figure 1 below. Graphex expects the drilling will build on the existing resource that underpinned the positive Pre-Feasibility Study released in November 2015.¹

Figure 1. Location of drilling program



Both targets outcrop at surface and are located within 200m of the high-grade Shimba deposit. Fixed-loop electromagnetic (FLEM) survey data has shown that the two targets are stronger conductors than Shimba which indicate that they are potentially higher grade and/or thicker than Shimba.

Managing Director Phil Hoskins commented, "Our historical drilling covers less than 2% of the anticipated 54km graphite strike length at Chilalo as our efforts have been firmly focused on product quality and offtake marketing. Estimated to cost approximately \$200,000, the Company considers the new program to represent a cost effective means of enlarging the existing Chilalo resource base.

"Whilst the existing Shimba resource is capable of supporting a 10 year mine life producing 69,000 tonnes of graphite concentrate per year, we expect this proposed exploration program will significantly increase the mineral resource and materially enhance the project's economic outcomes via mine life extensions or production expansion opportunities."

The Shimba deposit at Chilalo contains a high-grade Indicated and Inferred Mineral Resource of 9.2 Mt grading 10.7% Total Graphitic Carbon ('TGC') for 984,100 tonnes of contained graphite within the >5% high-grade TGC zone, comprised of:

- Indicated Resource of 5.1 Mt grading 11.9% TGC for 613,800 tonnes of contained graphite; and
- Inferred Resource of 4.1 Mt grading 9.1% TGC for 370,300 tonnes of contained graphite.

The high-grade resource is part of the total Indicated and Inferred Resource of 25.1 Mt, which includes a low-grade Inferred Resource of 15.9 Mt grading 3.3% TGC for 523,000 tonnes of contained graphite. There is also a Probable Reserve of 4.7 Mt grading 11.0% for 516,000 tonnes of contained graphite.²

Negotiations with China National Building Material Group Corporation and China Gold Group Investment Co. Ltd with respect to offtake and finance for Chilalo are currently continuing in China.



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1. Graphex confirms that all material assumptions underpinning the production targets and forecast financial information in the PFS announced on 23 November 2015 continue to apply and have not materially changed.
2. Since the announcement of the Mineral Resource estimate on 13 October 2015 and the Ore Reserve estimate on 10 May 2016, both of which were for the Shimba Deposit, 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.