



ABN 77 610 319 769

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2016

Corporate Information

ABN 77 610 319 769

Directors

Mr Stephen Dennis (Non-Executive Chairman)

Mr Grant Davey (Non-Executive Director)

Mr Philip Hoskins (Managing Director)

Company Secretary

Mr Stuart McKenzie

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Solicitors

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PricewaterhouseCoopers

Brookfield Place

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Website Address

www.graphexmining.com.au

ASX Code

Shares are listed on the Australian Securities Exchange (**ASX**) under stock code GPX.

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Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the **Group**) comprising Graphex Mining Limited (**Graphex** or the **Company**) and the entities it controlled at the end of, or during, the six months ended 31 December 2016 and the auditor's report thereon. Graphex is a company limited by shares that is incorporated and domiciled in Australia.

Directors and Company Secretary

The following persons were directors of Graphex (**Directors**) during the half-year ended 31 December 2016 and up to the date of this report:

Stephen Dennis

Grant Davey

Philip Hoskins

The Company Secretary is Mr Stuart McKenzie.

Directors were in office for the entire period unless otherwise stated.

Principal activities

During the period, the principal continuing activities of the Group consisted of exploration and development of the Chilalo Graphite Project in Tanzania.

Significant changes in the state of affairs

All entities in the Group were incorporated and began trading during the second half of the 2016 financial year. Graphex completed an initial public offering (**IPO**) and was admitted to the official list of the ASX on 9 June 2016. Graphex shares commenced trading on the ASX on 14 June 2016. Where accounting standards require comparatives to be stated as 31 December 2015, these have not been presented in the financial statements as the Group had not been registered and therefore did not exist in the comparative period.

Review of operations

Results of operations

A summary of results for the half-year ended 31 December 2016 is as follows:

	December 2016 \$
Net loss after income tax	(2,547,116)
attributable to:	
Administration costs	(1,128,684)
Exploration and evaluation expenditure	(1,160,937)
Share based payments	(161,271)

Offtake and financing agreements

The Project Partners CN Docking Joint Investment and Development Co. Ltd, a subsidiary of China National Building Materials Group (**CNBM**) and China Gold Group Investment Co. Ltd (**China Gold**), completed all technical due diligence on the Chilalo Graphite Project, a key milestone in securing their commitment to offtake and finance.

The technical due diligence included a feasibility study that was completed by the Suzhou Design and Research Institute for Non-Metallic Minerals, which followed a site visit conducted by the Project Partners in June 2016 and detailed metallurgical testwork that confirmed the saleability of Chilalo graphite. The feasibility study used the results of the extensive product testwork undertaken by the Project Partners over a long period of time to ascertain the flow sheet capable of producing graphite which meets their desired product specifications. The feasibility study contained detailed engineering that refined the capital and operating cost estimates associated with graphite processing.

Completion of the Project Partners' technical due diligence allowed for significant progress to be made early in 2017 on the negotiation of commercial terms for offtake and financing as outlined on page 3.

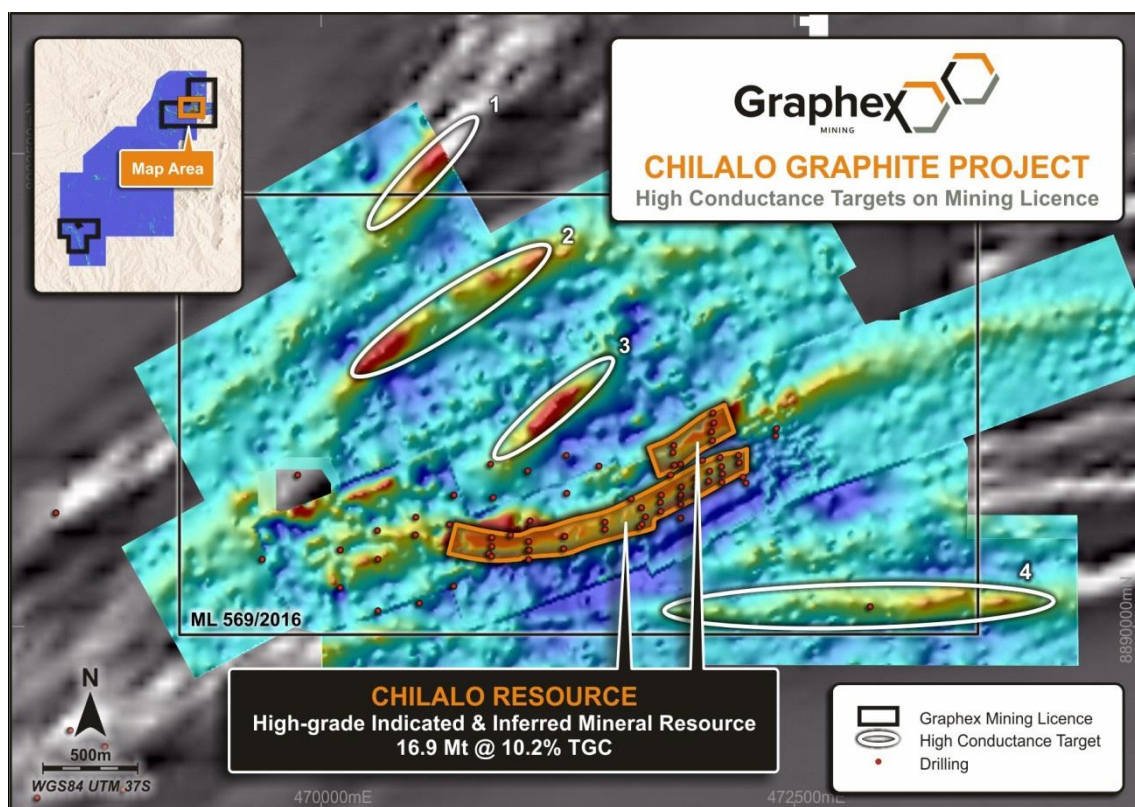
Directors' report

New EM targets identified on Mining Licence

A Fixed Loop Electromagnetic (FLEM) survey conducted over the Chilalo Mining Licence area identified four strongly conductive, high quality drill targets, with the potential to increase Chilalo's graphite resources. The conductors are located in close proximity to the high-grade Mineral Resource.

Three of the conductors (Conductors 1, 2 and 3) are located to the north of Shimba, all of which had FLEM responses that indicate the potential for thick and/or high grade graphitic mineralisation and are yet to be drilled. Conductor 4 is located to the south of Shimba and has a single historic drill hole which was part of a nickel exploration program conducted in 2012. Geological logging from this hole identified that it included an intersection of 41m of graphitic gneiss, with the mineralisation open at the end of the hole. Figure 3 shows the location of the four high-conductance targets.

Figure 3: Location of recently identified FLEM targets – Conductors 1, 2, 3 and 4



The FLEM survey was carried out as a cost effective means of sterilising the Chilalo Mining Licence area for the dual purpose of confirming that the assumed locations of infrastructure in the pre-feasibility study remain suitable and to identify targets in close proximity to the Chilalo Mineral Resource.

Chilalo Mining Licence

In November 2016, the Company was notified by the Tanzania Ministry of Energy and Minerals that it had been granted a Mining Licence (ML/569/2016) for the Chilalo Graphite Project. ML/569/2016 covers an area of 10km² and has been granted for a period of 10 years. Mining Licences can be renewed following the initial 10 year period and, if an area greater than 10km² is required, additional Mining Licences can be applied for.

Basic flotation achieves 99.4% purity

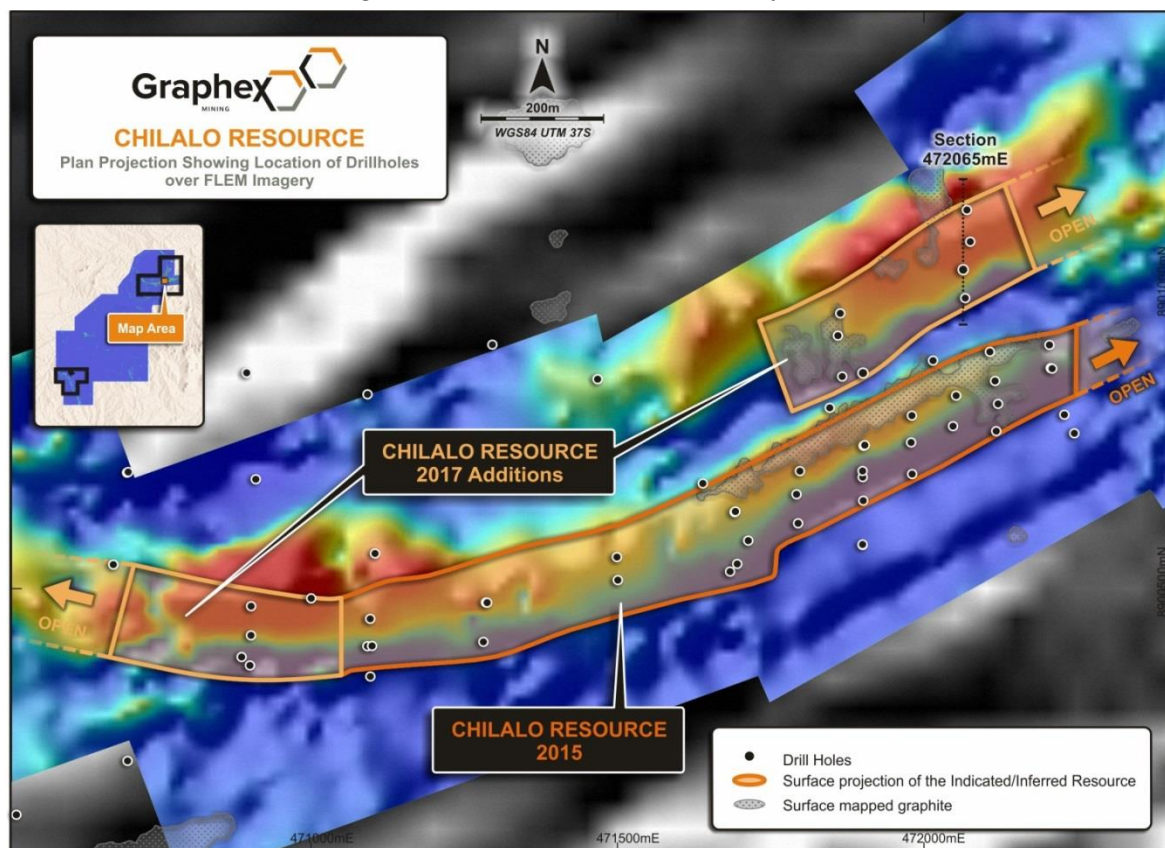
The Company carried out basic flotation testwork on Chilalo graphite, which achieved concentrate grades of up to 99.4% TGC. The testwork confirmed that Chilalo is capable of producing high purity concentrates through basic flotation. While these results provide optionality for the markets that Chilalo graphite can access, the Company continues to receive consistent and strong feedback from potential buyers, in particular the Project Partners, on the importance of preservation of flake size and expandability, and it is these characteristics that make Chilalo graphite desirable and which will continue to be the key focus for the Company.

Directors' report

Chilalo drilling program

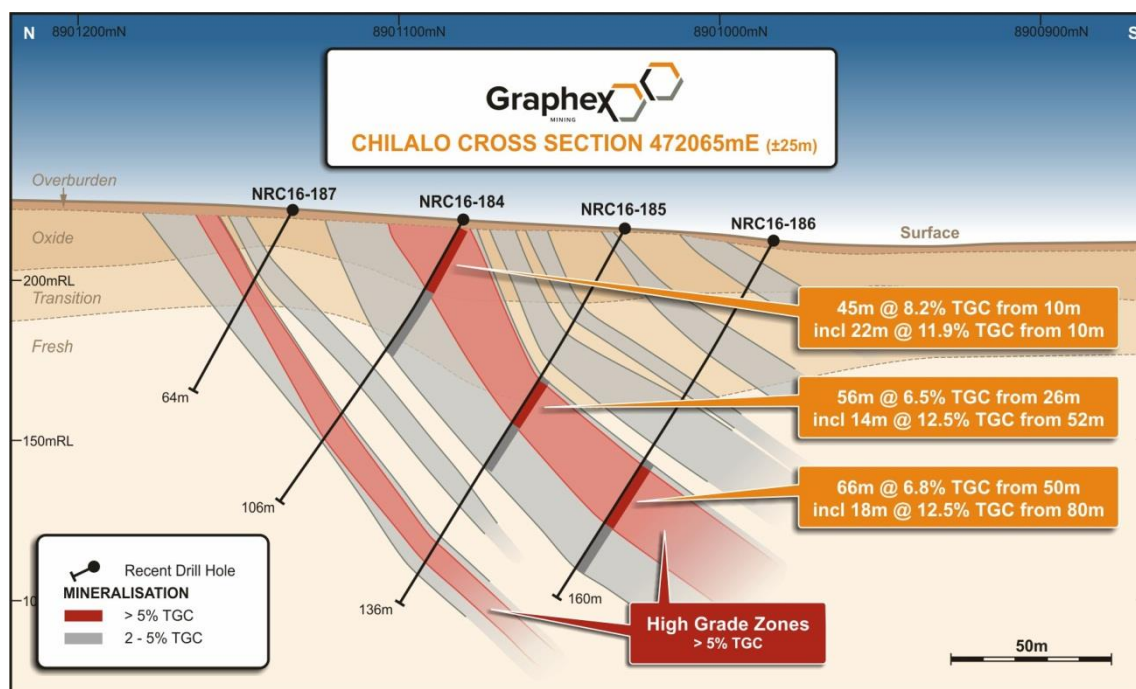
The increase in the Mineral Resource outlined below in 'Events since the half-year end', follows the discovery of two new zones of graphite mineralisation located adjacent to the north and south-west of the existing Mineral Resource (see Figure 4). A cross section of the new north-east zone is shown in Figure 5.

Figure 4. Chilalo Mineral Resource Plan Projection



Directors' report

Figure 5. Chilalo cross section 472065mE (new North-East zone)



Petrographic examination of RC chip samples from the high-grade domain of the North-East Mineral Resource zone has confirmed that it exhibits similar flake graphite dimensions to the 2015 Mineral Resource.

Events since the end of the half-year

Offtake and finance negotiations

The Project Partners continued detailed negotiations regarding the key commercial terms relating to the proposed joint venture, offtake and financing for the Chilalo Graphite Project. Negotiations continued in China during January 2017, with both parties making significant progress towards finalising a term sheet. The key outstanding issues are the mechanics of the investment structure and how the joint venture will be operated.

Key parameters of the transaction are expected to include:

- A substantial equity investment directly into Graphex's wholly owned Tanzanian subsidiary, Ngwenza Tanzania Limited, with the Project Partners receiving a 50% interest in Chilalo via a project-level joint venture;
- Offtake agreement for 100% of Chilalo graphite;
- All parties in the joint venture working together to obtain debt financing with the Project Partners taking primary responsibility for debt negotiations with Chinese banks. If required, both parties are prepared to provide parent company guarantees in order to secure debt;
- Graphex to be the Manager of the joint venture; and
- Provision of technical expertise to the development and operation of the project.

Upgrade to high-grade Mineral Resource at Chilalo

Subsequent to the half-year end, the Company announced an increase to the Chilalo Mineral Resource by more than 80% to 16.9Mt grading 10.2% Total Graphitic Carbon (TGC), comprised of:

- Indicated Resource of 5.2Mt grading 11.9% TGC for 0.6Mt of contained graphite; and
- Inferred Resource of 11.7Mt grading 9.4% TGC for 1.1Mt of contained graphite.

Directors' report

The total Mineral Resource at Chilalo now stands at 53.5Mt grading 5.6% TGC for 3.0Mt of contained graphite. This is approximately double the contained graphite from the 2015 Mineral Resource. The updated resource modelling followed completion of a 13 hole, 1,365m Reverse Circulation (RC) drilling program in the December Quarter that confirmed a substantial increase in the Chilalo Mineral Resource, which is detailed below.

Updated Chilalo Mineral Resource and Ore Reserve¹

Domain	Classification	Tonnes (Mt)	TGC (%)	Contained Graphite (Kt)
High-grade zone	Probable Reserve	4.7	11.0	517
Total ore reserves	Probable Reserve	4.7	11.0	517
High-grade zone	Indicated	5.2	11.9	622
High-grade zone	Inferred	11.7	9.4	1,100
Total high-grade resource	Indicated and Inferred	16.9	10.2	1,722
Low-grade zone	Inferred	36.6	3.5	1,265
Total resource	Indicated and Inferred	53.5	5.6	2,987

1. Mineral Resources are inclusive of Ore Reserves. The Mineral Resource was estimated within constraining wireframe solids using a core high grade domain defined above a nominal 5% TGC cut-off within a surrounding low grade zone defined above a nominal 2% TGC cut-off. The resource is quoted from all classified blocks within these wireframe solids. Differences may occur due to rounding.

Issue of shares

Subsequent to the half-year end, 373,100 Loyalty Options were exercised and converted into ordinary shares. These are in addition to those converted during the half-year as disclosed in note 7(b). The options were converted at an exercise price of \$0.25 per option, with the Company receiving a total of \$93,275 before share issue costs.

Rounding amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest dollar.

Auditor's independence declaration

A copy of the auditors independence declaration as required under section 307 of the *Corporation Act 2001* is set out on page 9.

Competent persons' statement

Information in this interim report that relates to exploration results at the Chilalo Project is based on data collected under the supervision of Mr Nick Corlis, in his capacity as Executive Director, Exploration (prior to the formation of Graphex) and in his capacity as General Manager – Technical (following the listing of Graphex). Mr Corlis, BSc (Hons) MSc, is a registered member of the Australian Institute of Geoscientists and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person under the JORC Code 2012. Mr Corlis has verified the data underlying the information contained in this interim report and approves and consents to the inclusion of the data in the form and context in which it appears.

The information in this interim report that relates to in situ Mineral Resources for Chilalo is based on information compiled by Mr. Grant Louw under the direction and supervision of Dr Andrew Scogings, who are both full-time employees of CSA Global Pty Ltd. Dr Scogings takes overall responsibility for the report. Dr Scogings is a Member of both the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2012). Dr Scogings consents to the inclusion of such information in this interim report in the form and context in which it appears.

Directors' report

The information in this interim report that relates to the Ore Reserve at the Chilalo Project is based on information compiled by Mr Karl van Olden, a Competent Person, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Karl van Olden is employed by CSA Global Pty Ltd, an independent consulting company. Mr van Olden has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012. Mr van Olden consents to the inclusion in this interim report of the matters based on his information in the form and context in which it appears.

This interim report is made in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'S. Dennis', with a stylized flourish at the end.

Stephen Dennis
Chairman of the Board
PERTH
On the 9th day of March 2017



Auditor's Independence Declaration

As lead auditor for the review of Graphex Mining Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Graphex Mining Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'B. Gargett', written over a light blue horizontal line.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
9 March 2017

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2016

	31 December 2016
	\$
Continuing operations	
Interest income	32,445
Corporate and administration expenses	(1,128,684)
Business development	(125,238)
Transaction costs	(3,431)
Exploration expenses	(1,160,937)
Share based payments	(161,271)
Loss before income tax	(2,547,116)
Income tax expense	-
Loss for the period	(2,547,116)
Other comprehensive income	
<i>Items that may be reclassified to profit or loss</i>	
Exchange differences on translation of foreign operations	14,411
Total comprehensive loss for the period	(2,532,705)
Net loss is attributable to:	
Owners of Graphex Mining Limited	(2,547,116)
Total comprehensive loss is attributable to:	
Owners of Graphex Mining Limited	(2,532,705)
Earnings per share attributable to owners of the Company	\$
Basis EPS	(0.05)
Diluted EPS	(0.05)

The above condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the interim financial report.

Condensed consolidated balance sheet

as at 31 December 2016

	Notes	31 December 2016 \$	30 June 2016 \$
ASSETS			
Current assets			
Cash and cash equivalents		2,593,310	5,074,863
Trade and other receivables		167,723	202,971
Total current assets		2,761,033	5,277,834
Non-current assets			
Property, plant and equipment		154,774	168,027
Exploration and evaluation	5	5,000,000	5,000,000
Total non-current assets		5,154,774	5,168,027
Total assets		7,915,807	10,445,861
LIABILITIES			
Current liabilities			
Trade and other payables	6	(174,316)	(695,119)
Provisions		(158,298)	(149,325)
Total current liabilities		(332,614)	(844,444)
Total liabilities		(332,614)	(844,444)
Net assets		7,583,193	9,601,417
EQUITY			
Share capital	7	10,128,593	9,775,383
Reserves		1,258,131	1,082,449
Retained earnings		(3,803,531)	(1,256,415)
Total equity		7,583,193	9,601,418

The above condensed consolidated balance sheet is to be read in conjunction with the notes to the interim financial report.

Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2016

	Notes	Contributed equity \$	Foreign currency translation reserve \$	Share based payment reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		9,775,383	(3,134)	1,085,583	(1,256,415)	9,601,417
Total comprehensive income for the period:						
Loss for the period		-	-	-	(2,547,116)	(2,547,116)
Foreign exchange translation differences		-	14,411	-	-	14,411
Total comprehensive loss for the period		-	14,411	-	(2,547,116)	(2,532,705)
Transactions with owners in their capacity as owners:						
Issue of shares net of transaction costs	7	353,210	-	-	-	353,210
Employee share schemes - value of employee services		-	-	161,271	-	161,271
Balance at 31 December 2016		10,128,593	11,277	1,246,854	(3,803,541)	7,583,193

The above condensed consolidated statement of changes in equity is to be read in conjunction with the notes to the interim financial report.

Condensed consolidated statement of cash flows

for the half-year ended 31 December 2016

	31 December 2016
	\$
Cash flows from operating activities	
Payments to suppliers and employees	(1,350,441)
Payment of exploration expenditure	(1,233,611)
Interest received	32,445
Net cash (outflow) from operating activities	(2,551,607)
Cash flows from investing activities	
Payment for property, plant and equipment	(10,214)
Net cash (outflow) from investing activities	(10,214)
Cash flows from financing activities	
Transaction costs associated with IPO	(287,055)
Proceeds from the issue of ordinary shares	372,756
Share issue transaction costs	(19,546)
Net cash inflow from financing activities	66,155
Net (decrease) in cash and cash equivalents	(2,495,666)
Cash and cash equivalents at the beginning of the period	5,074,863
Effects of exchange rate changes on cash and cash equivalents	14,113
Cash and cash equivalents at the end of the period	2,593,310

The above condensed consolidated statement of cash flows is to be read in conjunction with the notes to the interim financial report.

Notes to the condensed consolidated financial statements

1. Corporate information

Graphex Mining Limited (**Graphex** or the **Company**) is a company incorporated in Australia and limited by shares. Graphex shares are publicly traded on the Australian Securities Exchange (**ASX**) under the stock code GPX. The condensed consolidated interim financial statements of the Company as at, and for the half-year ended, 31 December 2016 comprise the Company and its subsidiaries (together the **Group**).

During the period, the principal continuing activities of the Group consisted of exploration and development of the Chilalo Graphite Project in Tanzania.

The consolidated financial statements of the Group as at and for the year ended 30 June 2016 are available online at www.graphexmining.com.au or upon request from the Company's registered office located at Suite 4, Level 1, 2 Richardson Street, West Perth 6005, Australia.

This financial report was authorised for issue in accordance with a resolution of the Directors on 9 March 2017.

2. Basis of preparation and accounting policies

This general purpose interim financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report does not include all notes of the type normally included within the annual financial report. However selected explanatory notes are included to explain events and transactions that are important to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements, as of, and for the year ended 30 June 2016.

It is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the half-year ended 31 December 2016 in accordance with the Company's continuous disclosure obligations.

As at 31 December 2016, the Company has cash and cash equivalents amounting to \$2,593,310. During the period ended on that date, the Company recorded a net loss of \$2,547,116 with a net cash outflow from operations of \$2,551,607 driven by ongoing exploration and offtake marketing expenditure on the Chilalo project. Mining and exploration licences held by the Company have annual expenditure commitments and the Company also has corporate expenditure requirements to maintain operations.

The ability of the Company to continue as a going concern and meet its debts and commitments as they fall due is dependent upon obtaining additional funding to finance ongoing exploration and project development activities. Plans to obtain further financing include engaging with parties interested in joint venture activities to develop the Company's exploration assets and raising additional funds through equity raisings and placements to existing or new investors. Additionally, the company maintains sufficient capacity to control discretionary expenditure and meet required expenditure commitments should additional funding not be available.

The directors believe that the Company will be successful in the above matters and accordingly have prepared the financial report on a going concern basis in the belief that the Company will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the interim financial report.

3. Accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016.

At 31 December 2016 and for the half-year then ended, there were no new accounting standards or amendments to accounting standards which impacted on the Group's half year report. The Group did not early adopt any accounting standards or amendments to accounting standards which have been finalised but are not yet effective.

Notes to the condensed consolidated financial statements

4. Use of judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2016.

5. Exploration and evaluation expenditure

	31 December 2016	30 June 2016
	\$	\$
(a) Reconciliation of exploration and evaluation expenditure		
Carrying amount at beginning of the period	5,000,000	-
Acquisition of tenements	-	5,000,000
Carrying amount at the end of the period	5,000,000	5,000,000

During the year ended 30 June 2016, the Company acquired six tenements, including the Chilalo Graphite Project, from its then parent company IMX Resources Limited (**IMX**). The asset is recorded at its acquisition cost of \$5 million, being the consideration paid for the tenement assets, comprising \$1 million in cash and \$4 million in share capital that was distributed *in-specie* to IMX shareholders upon the Company's admission to the official list of the ASX.

6. Trade and other payables

Creditors	(111,588)	(469,954)
Accruals	(30,627)	(194,328)
Other payables	(32,101)	(30,836)
	(174,316)	(695,118)

7. Share capital

	31 December 2016		30 June 2016	
	Shares	\$	Shares	\$
(a) Issued and paid up capital				
Ordinary fully paid shares	56,603,631	10,128,593	55,000,000	9,775,383
(b) Movement in ordinary shares				
Opening balance at 1 July / 1 January	55,000,000	9,775,383	-	-
Issue of shares net of costs	1,603,631 ¹	353,210	35,000,000 ²	5,775,383
Issue of shares as consideration for tenement purchase	-	-	20,000,000 ²	4,000,000
	56,603,631	10,128,593	55,000,000	9,775,383

1. The issue of shares for the half-year was the conversion of 1,491,021 loyalty options by shareholders of the Company. All shareholders that participated in the capital raising on IPO received one attaching loyalty option for every three shares subscribed for. The exercise price was \$0.25. In addition, 112,610 shares were issued to the joint lead managers of the IPO capital raise for nil cash consideration as part of their mandate agreement with the Company.

2. Both issues of shares during the period occurred at an issue price of \$0.20 per share. Proceeds from the IPO were received after the Company was admitted to the official list of the ASX on 9 June 2016. The issue of shares to IMX as consideration for the tenements acquired by the Company was also completed on this date, with the shares being distributed *in-specie* to IMX shareholders.

Notes to the condensed consolidated financial statements

8. Events since the end of the half-year

Subsequent to the half-year end, the Company announced an increase to the Chilalo Mineral Resource by more than 80% to 16.9Mt grading 10.2 Total Graphitic Carbon (**TGC**) for 1.7Mt of contained graphite. The total Mineral Resource at Chilalo now stands at 53.5Mt grading 5.6% TGC for 3.0Mt of contained graphite. This approximately doubles the contained graphite in the 2015 Mineral Resource. Please refer to the Mineral Resources and Ore Reserve table on page 7 of the Directors report.

Subsequent to the half-year end, a further 373,100 loyalty options were exercised by shareholders of the IPO and converted into ordinary shares. These are in addition to those converted during the half-year as disclosed in note 7(b). The loyalty options were converted at an exercise price of \$0.25 per option with the company receiving a total of \$93,275 before share issue costs.

9. Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2016.

10. Operating segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The Group is solely focussed on exploration and hence has only one operating segment.

In respect of the exploration operating segment, geographically the Company's primary focus is exploration in Tanzania.

Exploration Tanzania, which has reported an operating loss of \$1,417,948 for the half-year to the entity's loss before tax of \$2,547,116. There have been no differences in the basis of measurement of segment profit or loss from the last annual report.

Directors declaration

In accordance with a resolution of the Directors of Graphex Mining Limited (the **Directors**), I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* and:
 - (i) give a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Board



Stephen Dennis
Chairman
PERTH

On this 9th day of March 2017



Independent auditor's review report to the shareholders of Graphex Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Graphex Mining Limited (the Company), which comprises the condensed consolidated balance sheet as at 31 December 2016, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Graphex Mining Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Graphex Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
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Independent auditor's review report to the shareholders of Graphex Mining Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Graphex Mining Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written over the printed name.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Ben Gargett', written over the printed name.

Ben Gargett
Partner

Perth
9 March 2017