

19 December 2016

CHILALO OFFTAKE AND FINANCING UPDATE

Graphex Mining Limited (**ASX: GPX**) is pleased to report the completion of all technical due diligence by Project Partners CN Docking Joint Investment & Development Co. Ltd (a subsidiary of China National Building Materials) and China Gold Group Investment Co. Ltd on the Chilalo Graphite Project in Tanzania.

As previously reported, negotiation of commercial terms with the Project Partners has been ongoing and broad agreement has already been reached on several key aspects. Completion of all technical due diligence now allows for those negotiations to be further advanced.

Managing Director, Phil Hoskins, said the completion of the technical due diligence was a key milestone in securing the commitment of the Project Partners to offtake and finance for Chilalo.

"We have put considerable time and effort into due diligence and negotiations with the Project Partners on the basis they have substantial financial backing and a strategic interest in our product. Their interest has been demonstrated by an ongoing commitment of technical and financial resources to the assessment of Chilalo."

The technical due diligence undertaken by the Project Partners has been comprehensive, including completion of a feasibility study by the Suzhou Design and Research Institute for Non-Metallic Minerals. The feasibility study has used the results of the extensive product testwork undertaken by the Project Partners over the last 18 months to ascertain the flow sheet capable of producing their desired product specifications. Detailed engineering has also refined the capital and operating cost estimates associated with graphite processing.

Graphex believes that the result of the technical due diligence provides a sound basis for advancing commercial negotiations for the complete package of offtake and finance. Mr Hoskins further commented, *"Given the importance of offtake to graphite projects, we were buoyed by the recent positive conclusion of product testwork giving our product an effective seal of approval. As our targeted deal structure also involves financing, further technical due diligence has been necessary. It is pleasing that the results of this technical due diligence have been favourable and confirm the high quality of the Chilalo project. I look forward to progressing the negotiations of binding agreements."*

A handwritten signature in black ink, appearing to read "PHH", followed by a horizontal line.

PHIL HOSKINS
Managing Director

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About Graphex

Graphex Mining Limited is an Australian exploration and development company, dedicated to advancing the world class Chilalo Graphite Project, located in south-east Tanzania. Chilalo is host to a high-grade mineral resource and has demonstrated an ability to produce a premium graphite concentrate with a substantial portion of large and jumbo flake material. Chilalo graphite possesses outstanding expandability characteristics, making it ideally suited to the rapidly growing expandable graphite market.

Graphex's current focus of effort is on securing offtake and financing agreements for the development of Chilalo. In accordance with an existing MOU, Graphex is working closely with CN Docking Joint Investment & Development Co. Ltd, a subsidiary of China National Building Materials and China Gold Group Investment Co. Ltd. on the negotiation of such agreements.

Graphex has an experienced board and management team with specific skills and extensive experience in African based project development, exploration, mining and processing. Tanzania is a stable democracy, with a globally competitive tax and regulatory regime. The Company has had a long and well-established presence in Tanzania.