

18 September 2017

## CHINESE PARTNERS' TESTWORK ELEVATES CHILALO INTO A CLASS OF ITS OWN

### Highlights

- **CN Docking has revealed the product specifications achieved from its due diligence testwork in 2016 – Chilalo graphite is easily the coarsest flake graphite product in the world:**
  - **42% above +35 mesh (500 microns); and**
  - **13% above +20 mesh (850 microns) – a flake size not produced by any peer group company.**
- **According to CN Docking, graphite prices have increased by 50% in 2017 and with ongoing supply restrictions, further upward pressure on prices is expected.**
- **Improved product specifications and higher graphite prices are expected to materially improve Chilalo's project economics.**

Graphex Mining Limited (**ASX: GPX**) is pleased to announce the exceptional testwork results achieved by the Suzhou Design and Research Institute for Non-Metallic Minerals ('**Suzhou**') on behalf of CN Docking Joint Investment and Development Co Ltd ('**CN Docking**'), a subsidiary of China National Building Materials, as part of their technical due diligence undertaken in 2016.

Table 1 shows Suzhou's results in comparison to the previously reported specifications for Chilalo product.

**Table 1. Chilalo flake size distribution**

Flake Size	Microns	Mesh	Suzhou Mass Distribution (%)	Graphex Mass Distribution (%)	Suzhou Grade (TGC %)	Graphex Grade (TGC %)
	> 850	+20	13.0	-	92.5	-
Super Jumbo	500 – 850	+35	29.0	3.7	90.7	98.7
Jumbo	300 – 500	+50	16.0	18.3	92.6	99.3
Large	180 – 300	+80	11.0	27.0	90.2	98.7
Medium	150 – 180	+100	7.0	11.6	95.8	97.4
Small	< 150	-100	24.0	39.4	94.9	97.2
<b>Total</b>			<b>100.0</b>	<b>100.0</b>		

Whilst some of the product grades are slightly lower than those achieved in Graphex's own testwork, both CN Docking and Suzhou have advised that such grades are acceptable to end users. In achieving these results,

Suzhou has applied its proprietary technology and processing knowledge acquired over many years of specialising in graphite and other industrial minerals.

Managing Director, Phil Hoskins, commented on the exceptional results, *“These results confirm that Chilalo product is truly market-leading. To achieve the coarsest flake graphite product in the world confirms the reasons for CN Docking’s interest in the Chilalo project. It also vindicates the strategy of partnering with the Chinese, given their extensive market knowledge and proven expertise in graphite processing.”*

CN Docking has also advised the Company that there have been significant improvements in flake graphite pricing, with prices having increased by 50% since December 2016, driven by a range of factors, including:

- Supply restrictions in the Shandong and Heilongjiang provinces due to mine closures for environmental reasons;
- China’s abolition of the graphite export tax on 1 January 2017; and
- Rising costs of production in China caused by low-grade, deep mining operations.

CN Docking and Suzhou expect to see ongoing upward pressure on graphite prices.

Commenting on developments in the Chinese graphite market, Mr Hoskins said, *“During our frequent visits to China, we have been aware of an emerging flake graphite supply issue and that is now a reality, with significant supply restrictions taking effect. Enforcement of Chinese environmental policy has seen the closure of flake graphite mines throughout China, with feedstock for the production of expandable graphite having largely dried up. This is driving higher flake graphite prices and forcing the Chinese to seek feedstock from outside China.”*

*“Shortly after discovering Chilalo, Graphex committed to what it considered to be the most compelling market opportunity for a developing graphite company – supplying coarse flake graphite to China for the expandable graphite market. We believe that Graphex is now poised to deliver on that strategy.”*

### **Commercial negotiations**

CN Docking completed its technical due diligence in December 2016 and the Company is pleased that it has been willing to share key aspects of that due diligence. The willingness to share this information is a show of good faith on the part of CN Docking and testament to the quality of the relationship between CN Docking and Graphex.

The results of CN Docking’s testwork, together with the graphite market outlook, are particularly encouraging as the Company continues to advance negotiations on a transaction for the joint venture development of Chilalo.



**PHIL HOSKINS**  
**Managing Director**

**For further information, please contact:**  
**Phil Hoskins – Managing Director**  
**Tel: +61 8 9200 4960**

**Stuart McKenzie – Commercial Manager and**  
**Company Secretary**  
**Tel: +61 8 9200 4960**

## **Media**

**Michael Weir and Richard Glass – Citadel-MAGNUS**

**Tel: +61 8 6160 4900**

### **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 coarse flake material. Chilalo graphite possesses outstanding expandability characteristics, making it ideally suited to the rapidly growing expandable graphite market.

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 a long and well-established presence in Tanzania.

For more information, visit [www.graphexmining.com.au](http://www.graphexmining.com.au).

