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CHINESE PARTIES RECOMMIT TO MOU
PROVIDING A CLEAR PATH TO OFFTAKE AND FINANCING

Highlights

- Chinese parties recommit to MOU following productive round of negotiations
- Clear path forward with key milestones agreed – execution of binding agreements targeted in coming months
- Renewed confirmation of the market opportunity – supplying Chilalo's coarse flake graphite with market-leading expandability to China's building materials industry
- CNBM to take lead role from China Gold

Graphex Mining Limited ('**Graphex'** or the '**Company'**) is pleased to report that it has recommitted to its Memorandum of Understanding ('**MOU'**) with China National Building Material Group Corporation ('**CNBM'**) and China Gold Group Investment Co. Ltd ('**China Gold'**), following a series of productive negotiations with senior representatives of these companies held in China last week.

CNBM and China Gold are seeking a partnership with Graphex, which would see them purchase product offtake and provide project finance to develop Graphex's 100% owned Chilalo Project.

Significant recent progress has been made in relation to developing the partnership with CNBM and China Gold, including:

- A site visit which took place in late June;
- CNBM has commissioned independent testing authority Suzhou Design and Research Institute for the Non-Metallic Minerals Industry ('**Suzhou**') (at a cost of c.AUD200,000) to carry out testwork to confirm due diligence and testwork previously completed by CNBM and China Gold; and
- Bulk samples have been provided by Graphex for completion of Suzhou's testwork.

Key milestones and exclusivity

The parties now have a clear timetable to work through the remaining due diligence and reach binding agreements in the coming months. Graphex remains confident that a transaction can be completed with CNBM and China Gold.

The parties have agreed to specific milestones to achieve in progressing towards binding agreements. These milestones include:

- Finalisation of non-binding commercial terms;
- Completion of confirmatory testwork currently being conducted by Suzhou;
- Finalisation of due diligence, including confirmation of desired project scale and product specifications;
- Completion of detailed commercial documentation;
- Approval from the Group boards of CNBM and China Gold; and
- Securing Chinese regulatory approvals customary for overseas investment.

The parties have agreed to remain in exclusivity so long as the key milestones are being progressively achieved.

Graphex continues to believe that CNBM and China Gold are the right strategic partners to work with, in order to develop a mine and deliver product into the rapidly growing Chinese building materials market. Both parties reconfirmed the market opportunity that exists to supply Chilalo's highly expandable coarse flake graphite into the Chinese market and have also expressed an interest in jointly developing highly valuable downstream processing operations in Tanzania.

Graphex Managing Director, Phil Hoskins, commented: "*Despite the delays to our original timetable, all parties have made excellent progress in recent weeks. We have always maintained that the critical element to successful development of a graphite project is securing offtake and financing with high calibre counterparties and I am looking forward to working with CNBM and China Gold to complete the steps towards a final agreement. With remaining due diligence and product testing underway, all parties have a clear understanding of the path forward.*

"*During the recent site visit and meetings in China, CNBM and China Gold have reaffirmed their interest in Chilalo product and their commitment to project development. Converting Graphex's relationship with CNBM and China Gold into a binding cooperative partnership is the critical remaining step towards unlocking the considerable value of the Chilalo project for our shareholders.*"

<u>CNBM take lead role in negotiations</u>

Graphex was informed during meetings last week that, due to recent restructuring involving many state owned enterprises and in consultation with the Chinese Central Government, the lead counterparty for the partnership has been assigned from China Gold to CNBM.

CNBM has substantial existing exposure to the graphite market through its ownership of South Graphite Co. Ltd (the world's dominant amorphous graphite supplier), the pending conclusion of the takeover of SINOMA (China National Materials Group Corporation) and its leading position in the Chinese building materials market, an important end user of expandable graphite.

As a result, CNBM has recently taken the lead with respect to negotiations with Graphex, however China Gold remains a counterparty. Under CNBM's control, there have been significant recent achievements and the Company expects this to allow for more rapid progress.

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