

21 November 2016

ASX CODE: GPX
Speculative Buy
Capital Structure

| | |
|--|-------------|
| Sector | Materials |
| Share Price (A\$) | 0.335 |
| Fully Paid Ordinary Shares (m) | 56.4 |
| Unlisted Options (ex nil, exp 6/19) (m) | 3.4 |
| Unlisted Options (ex 20-25c, exp 6/19) (m) | 8.9 |
| Loyalty Options (ex 25c, exp 6/19) (m) | 7.8 |
| Market Capitalisation (Dil) (A\$m) | 25.6 |
| Enterprise Value (Dil) (A\$m) | 16.6 |
| Share Price Year H-L (A\$) | 0.595-0.315 |
| Approx Cash (A\$m) | 3.5 |

Directors & Management

| | |
|-----------------|------------------------|
| Stephen Dennis | Non-Executive Chairman |
| Phil Hoskins | Managing Director |
| Grant Davey | Non-Executive Director |
| Stuart McKenzie | Company Secretary |

Major Shareholders

| | |
|------------------------------|------|
| JP Morgan Noms Aust Ltd | 7.9% |
| MMG Exploration Holdings | 6.3% |
| One Managed Investment Funds | 5.1% |

Analyst

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Share Price Performance


Graphex Mining Ltd

Mining license granted...RC drilling returns high grade assays

Mining License Granted

- **GPX** announced (ASX Announcement, 14/11/2016) the granting of Mining License ML 00604/2016 (valid for 10 years with likely extensions) by the Tanzanian Ministry of Energy and Minerals at the Company's 100% owned Chilalo Project (Tanzania). Together with the environment approval, the project has a green light for development.
- The mining license is one of the key due diligence milestones to satisfy an offtake and finance agreement with CN Docking Joint Investment & Development Co Ltd ("**CNDJID**") a subsidiary of China National Building Material Group Corporation ("**CNBM**") and China Gold Group Investment Co. Ltd ("**China Gold**").
- **CNDJID** are looking to provide part or all of the A\$100m CAPEX together with offtake for graphite from Chilalo.
- Recent visits to China by **GPX** executives have been productive and **RM Research** believes that a commercial arrangement could be concluded with **CNDJID** within 6 months.

RC Drilling...High grade intercepts

- A 13 hole, 1,365 metre RC drilling (ASX Announcement 16/11/2016) has also identified a new zone of mineralisation located approximately 200m north (Figure 1) of Shimba. These results should enable an increase to existing JORC resources, with an updated resource estimation currently underway.
- Better intersections included NRC16-186 with 68m @ 6.6% TGC from 50m downhole including 18m @ 13.8% TGC from 80m and 5m @ 20.30% TGC from 91 m downhole (Figure 2).
- As outlined in our last report (18/8/2016) the exploration target at Chilalo is 100-350m at 3-11% TGC as reported by **IMX Resources** (September 2016).

Price Catalyst

- The upcoming resource report should see a substantial lift in JORC Resources by at least 50% (**RM Research** estimate) which will, depending on the conversion from resources to reserves, result in a substantial increase in mine life, and hence our **GPX** valuation.
- Following the next JORC estimate, the next milestone in 1H CY 2017 is the conclusion of a commercial arrangement to enable funding and construction of Chilalo.

Action and Recommendation

- **RM Research** continues its speculative buy rating on **GPX** on the back of the imminent JORC Resource upgrade (early CY 2017) and completion of an offtake and funding agreement with **CNDJID**. The pieces are falling in place for the Company and we remain optimistic that our August 2016 price target (A\$1.37/Share) will be met in CY 2017.

FIGURE 1: Shimba Deposit drill results.

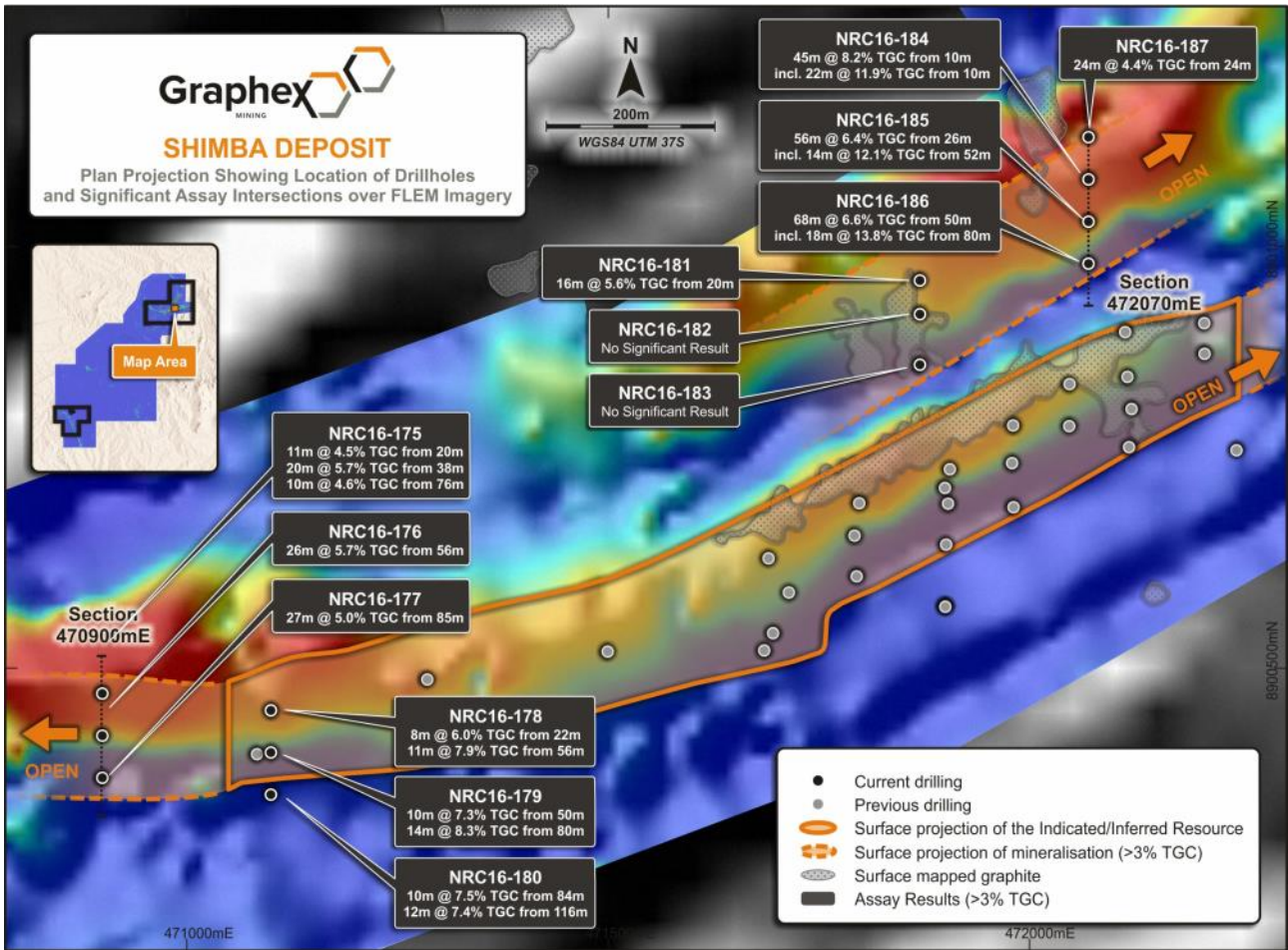


FIGURE 2: Shimba Cross Section 472070mE (+/-25m).

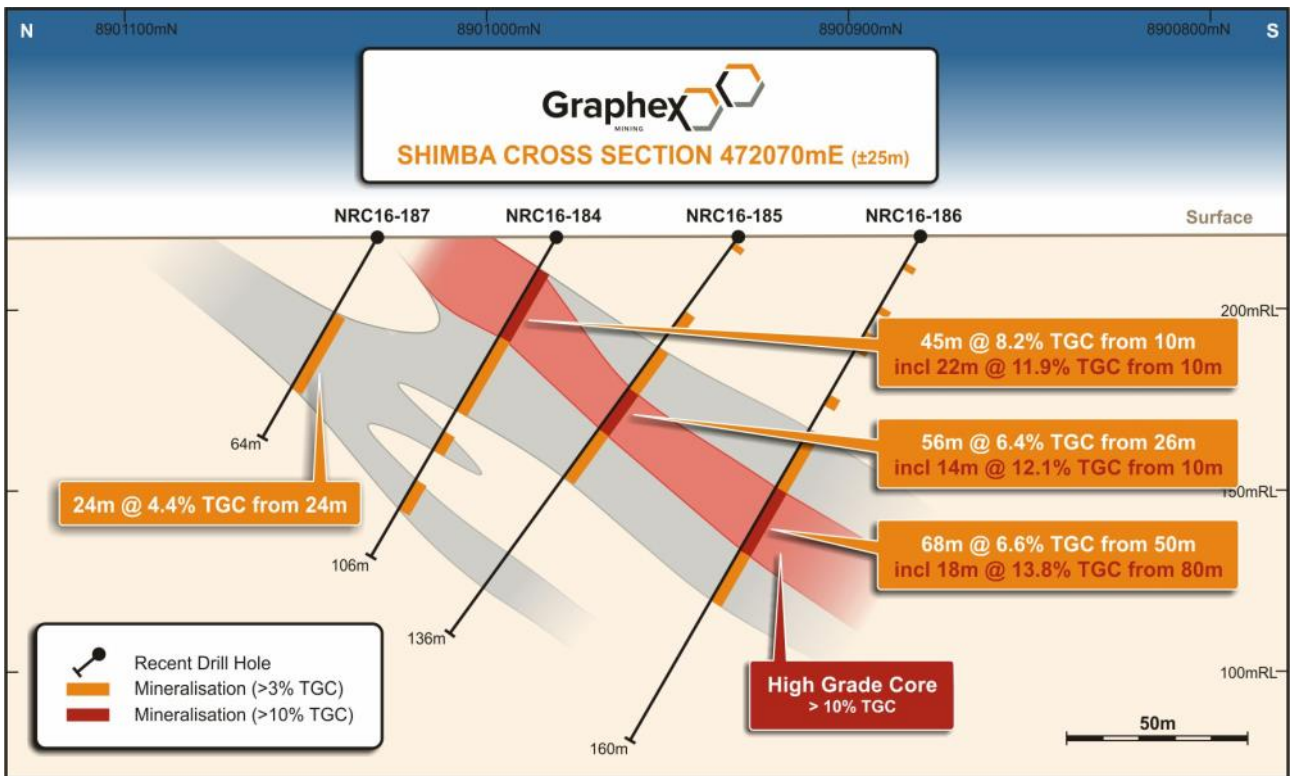
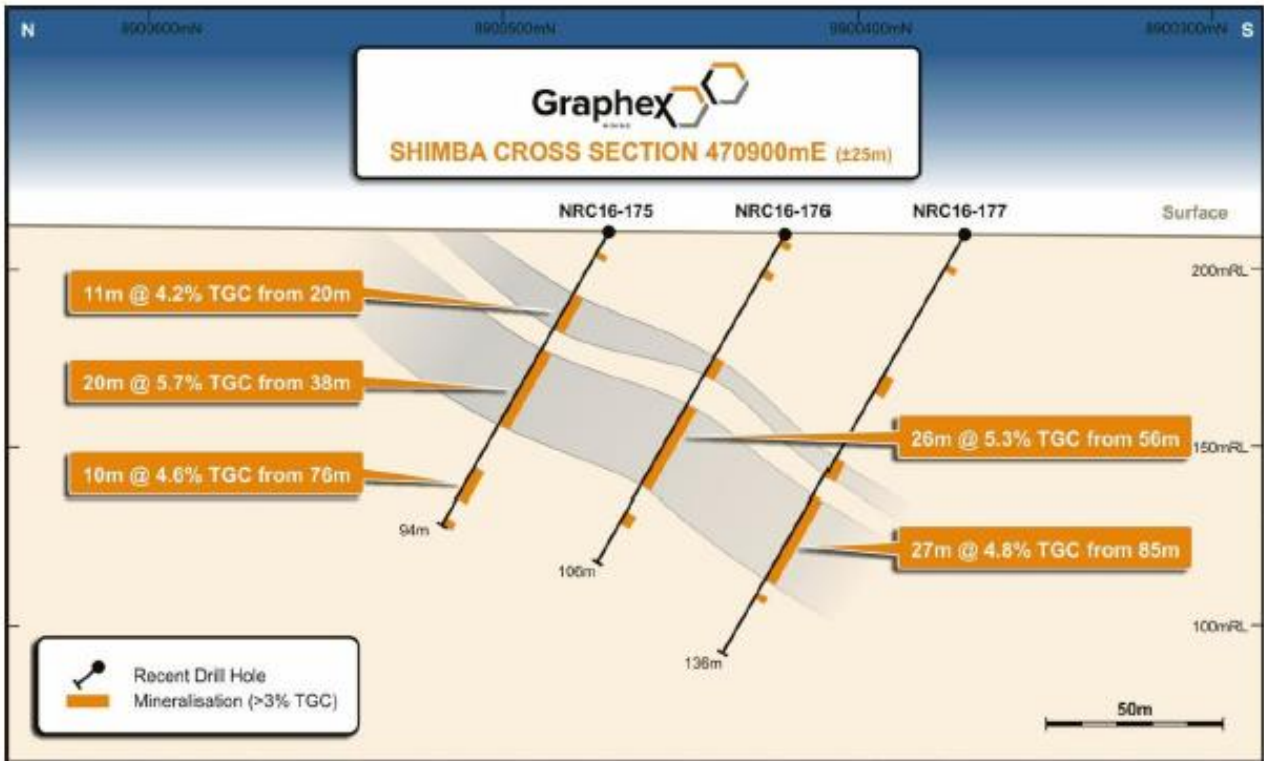


Figure 3: Cross-section 470900E



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RM Research Recommendation Categories

Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is as follows:

| | |
|------------------------|--|
| Buy | Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market. |
| Speculative Buy | We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk. |
| Hold | A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges. |
| Sell | Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere. |

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