ABN 77 610 319 769

INTERIM FINANCIAL REPORT

For the half year ended 31 December 2017

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

Registered Office
Suite 4, Level 1, 2 Richardson Street
WEST PERTH WA 6005
Tel +61 8 9200 4960
Fax +61 8 9200 4961

Bankers
Commonwealth Bank of Australia
150 St Georges Terrace
PERTH WA 6000

Share Register
Computershare Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000
Tel + 61 8 9323 2000
Fax + 61 8 9323 2033

Auditors
PricewaterhouseCoopers
Brookfield Place
125 St Georges Terrace
PERTH WA 6000

Website Address
www.graphexmining.com.au

ASX Code
Shares are listed on the Australian Securities Exchange under stock code GPX.

Contents

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 2017 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 2017 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.

Basis of preparation

The attached half-year report for the half-year ended 31 December 2017 contains an independent auditor's review report which includes an emphasis of matter paragraph in regards to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

For further information, refer to Note 2(a) of the financial statements together with the auditor's review report.

Significant changes in the state of affairs

There were no significant or material changes to the Company's state of affairs not otherwise disclosed in this report.

Review of operations

Results of operations

A summary of results for the half-year ended 31 December 2017 is as follows:

	December 2017 $	December 2016 $
Net loss after income tax	(1,842,461)	(2,547,116)
attributable to:		
Administration costs	(649,185)	(664,695)
Business development and marketing	(445,187)	(521,400)
Exploration expenses	(320,857)	(796,856)

Directors' report

CHILALO GRAPHITE PROJECT

Testwork results confirm market leading product

During the period, CN Docking Joint Investment and Development Co Ltd (**CN Docking**) a subsidiary of China National Building Materials informed the Company of exceptional testwork results achieved by the Suzhou Design and Research Institute for Non-Metallic Minerals (**Suzhou**) on behalf of CN Docking. The testwork carried out by CN Docking was part of its technical due diligence undertaken in 2016 and show significant improvements to the previous reported flake size distribution, including:

- 42% above +35 mesh (500 microns)
- 13% above +20 mesh (850 microns) – a flake size not produced by any peer group company

Table 1 shows the results of Suzhou's testwork.

Table 1. Chilalo flake size distribution

Flake Size	Microns	Mesh	Mass Distribution (%)	Grade (TGC %)
	> 850	+20	13.0	92.5
Super Jumbo	500 – 850	+35	29.0	90.7
Jumbo	300 – 500	+50	16.0	92.6
Large	180 – 300	+80	11.0	90.2
Medium	150 – 180	+100	7.0	95.8
Small	< 150	-100	24.0	94.9
Total			**100.0**	

Whilst some of the product grades are slightly lower than those achieved in Graphex's previous testwork, these grades remain high and both CN Docking and Suzhou have advised they 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.

These results confirm that with the coarsest flake graphite product in the world, Chilalo product is market-leading and further support the Company's strategy of partnering with the Chinese, given their extensive market knowledge and proven expertise in graphite processing.

Rising graphite prices

CN Docking has advised the Company that since December 2016, there have been significant improvements in flake graphite pricing, with prices having increased by 50%, 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.

For some time, the Company has been aware of serious environmental issues that have major implications for the supply of coarse flake graphite in China. 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.

Both CN Docking and Suzhou expect to see ongoing upward pressure on graphite prices. The upward pressure on prices, together with the improved flake size distribution has produced a basket price of US$1,914 per tonne, as shown in Table 2.

Directors' report

Table 2. Chilalo basket price

Flake Size	Microns	Mesh	Mass Distribution (%)	Grade (TGC %)	Price (US$/t)	Basket price (US$/t)
	> 850	+20	13.0	92.5	3,967	516
Super Jumbo	500 – 850	+35	29.0	90.7	2,644	767
Jumbo	300 – 500	+50	16.0	92.6	1,851	296
Large	180 – 300	+80	11.0	90.2	1,058	116
Medium	150 – 180	+100	7.0	95.8	859	60
Small	< 150	-100	24.0	94.9	661	159
Total			**100.0**			**1,914**

With its market leading product, attractive basket price and operating costs, the Chilalo Project generates industry leading operating margins.

Large scale expandable graphite market opportunity

At a graphite industry and graphite building materials conference that was held in Xingshan, Hubei Province, China on 3 December 2017, the Company received further confirmation of the substantial scale of the expandable graphite market opportunity and its use in flame retardants, particularly flame retardant building materials.

The conference was attended by representatives of Graphex's prospective JV partner CN Docking and the keynote speaker was Mr Jiang Yang who is the Group Vice President of China National Building Materials (CN Docking's major shareholder) and is also the President of the China Building Materials Application Technology Research Institute. In his address, Mr Jiang stated that *"**China needs 40 million tonnes of fire retardant building materials per annum, which will contain 5% expandable graphite**."* This represents an annual requirement of 2 million tonnes of expandable graphite for building materials alone.

This scale of expandable graphite demand is more than 10 times greater than existing natural graphite demand from the lithium ion battery industry. Such a level of demand has positive implications for the Chilalo basket price estimate.

These estimates of expandable graphite demand relate to the Chinese flame retardant building material industry alone. China's focus on flame retardants has been driven in part by significant property damage and loss of life caused by large scale fires, and resulting amendments to building regulations which now mandate the use of flame retardant building materials in future construction for inner insulation and finishing exterior walls. Expandable graphite is the preferred flame retardant, however with an extreme shortage of coarse flake graphite feedstock for the manufacture of expandable graphite, such regulations have been difficult to enforce.

The requirement for flame retardant building materials is not confined to China. Other large-scale fires that have occurred elsewhere, include London (Grenfell Tower), Dubai (Torch Tower) and Melbourne (Lacrosse Building) and in each case, the use of highly flammable cladding has been identified as a key factor in such fires. In the UK, there has been an independent review of building and fire safety regulations, fire safety rules have been amended in the UAE to require fire resistant cladding and in Australia, insurers are warning building owners with highly flammable cladding that their properties may be uninsurable.

Tanzanian legislation

In July 2017, the Tanzanian Parliament passed new legislation with respect to the legal and regulatory framework governing the natural resources sector in Tanzania that included amendments to the Mining Act (the **Amending Legislation**). The Amending Legislation included a range of provisions, including the ability for the Government to acquire a free carried interest of 16% in mining companies undertaking projects and requirements relating to in-country beneficiation, local content and social responsibility measures. New regulations to support the Government's implementation of the Amending Legislation were released in January 2018.

In late January 2018, members of Graphex's Board and Management hosted a delegation led by CN Docking in Tanzania for a final site visit and meetings with Tanzanian Government officials. Both Graphex and CN Docking were impressed by the availability of government officials and the willingness to involve multiple departments at short notice, which is indicative of the underlying government support for the development of Chilalo.

Directors' report

One of the critical meetings was with the Tanzanian Ministry of Minerals to discuss key issues arising out of the legislation introduced in July 2017 and the Mining Regulations released in January 2018. This meeting was attended by the Permanent Secretary for Minerals, Professor Simon Msanjila and the Commissioner for Minerals, Professor Shukrani Manya, who is also the Acting CEO of the Mining Commission.

Certain of the key issues raised by CN Docking and Graphex have been referred to the President's Office who, the Company understands, is expected to prepare guidelines on these issues and make them available in the near future. A process of constructive dialogue with the Ministry of Minerals is continuing on remaining issues, with a view to reaching agreement with the Tanzanian Government. The Mining Commission met in Dodoma on 2 February 2018 but as at the day of this report, the Mining Commission is still not fully operational awaiting the finalisation of key appointments.

Appointment of new Minister for Minerals in Tanzania

On 9 October 2017, the Honourable Angellah Kairuki was appointed as the new Minister of Minerals in Tanzania. Upon her appointment, the new Minister stated that her top priority was to improve relations with investors with a view to both restoring investor confidence and ensuring that the mining sector as a whole contributes to its full capacity to Tanzania's economic growth. The new Minister also sought to confirm that the Tanzanian Government remains ready to receive prospective investors with an open mind. Graphex management and the new Minister for Minerals met in November 2017 to discuss various issues raised by the amendments to legislation governing the mining industry. The planned follow-up to this meeting has been delayed while government officials have been on leave.

Offtake and financing

At the beginning of the period the CN Docking led syndicate re-committed to the Chilalo Project via a revision of the terms of the proposed joint venture and equity investment previously agreed. Negotiations continued during the period and culminated in a visit to Tanzania in January 2018.

Prior to the meetings in Dar es Salaam, the Chinese delegation conducted a site visit. Key activities undertaken on the site visit included:

- Tour of the Mtwara Port and available warehouse space
- Driving the proposed transportation route for Chilalo product
- Tour of the proposed mine site including inspection of trenches and outcrop
- Meetings with local contractors able to work within the new local content requirements
- Meeting with senior representatives from the Ruangwa District
- Meeting with local village leaders
- Reviewing location and suitability of EPZA sites for establishment of Special Economic Zone

During the site visit, the parties discussed the combination of the feasibility studies previously completed by the Company and by the Suzhou) on behalf of CN Docking. Owing to strong market demand for Chilalo product, the Company expects that the production profile will exceed the 69,000 tonnes per annum in the Company's feasibility study without any increase in capital expenditure. A positive meeting was also held with the Export Processing Zones Authority regarding CN Docking's interest in partnering with Graphex to develop downstream processing facilities in Tanzania.

CN Docking was pleased with the progress made on the site visit and looks forward to receiving final clarifications from the Tanzanian Government. Negotiations are continuing on the joint venture agreement for the development of Chilalo. Payment of the equity investment amount by CN Docking will be conditional upon reaching satisfactory agreement with the Tanzanian Government on the issues it has sought further clarification on.

Infrastructure advances

The infrastructure improvements, which were seen first-hand during the site visit, include:

- Potential access to grid-connected power supply from a 300MW power station at Mtwara;
- Upgrade of the road from Nanganga to Ruangwa; and
- Construction of additional berths to expand the Mtwara Port facility.

Directors' report

Power supply

The Government of Japan, through the Japan International Cooperation Agency (**JICA**), has completed a study on the construction of a 300MW electrical power generation facility using natural gas in Mtwara. The proposed project involves the supply and installation of a power generation plant and a 400kV transmission line from Mtwara to Somanga Fungu in Lindi (see Figure 1).

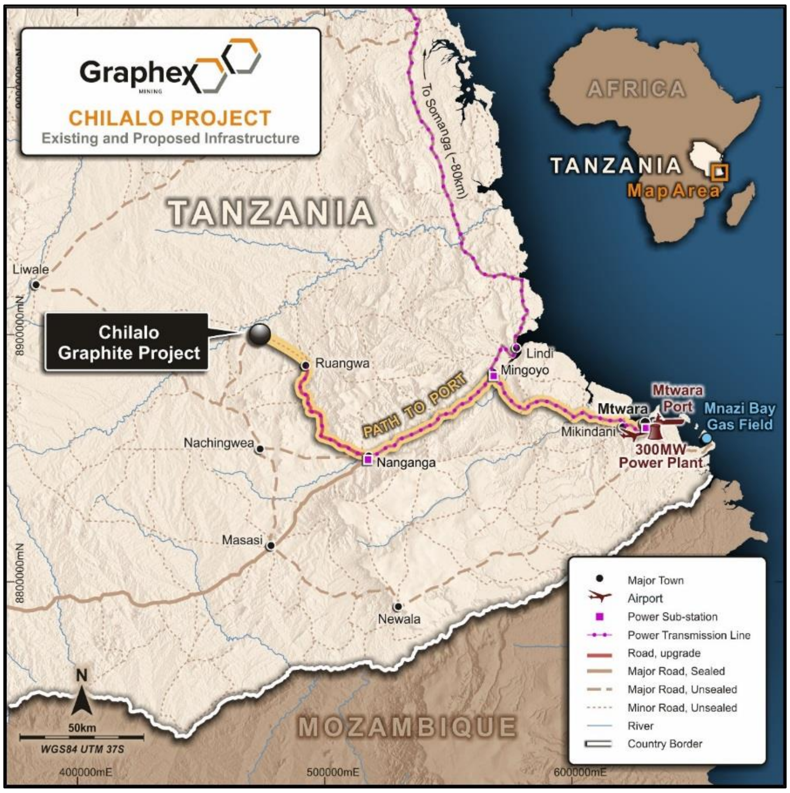
The project, which is estimated to cost US$423 million, will be majority funded by a grant from JICA, with the balance to be met by a contribution from the Government of Tanzania. The Tanzanian Government contribution has been included in the budget outline for 2018-19. Tendering of contracts is expected to be finalised in 2018, with construction targeted for completion in 2020.

The Tanzanian Government, through the Tanzania Electric Supply Company Limited (**TANESCO**), a government owned public utility under the Ministry of Energy with responsibility for the generation, transmission, distribution and sale of electricity, is also constructing sub-stations at Mtwara, Mingoyo and Nanganga to provide for the reticulation of grid power throughout the south-east region of Tanzania.

Following discussions held with TANESCO regarding the opportunity for Chilalo to access power supplied from the proposed Mtwara power plant and the arrangements under which this may take place, TANESCO conducted a site survey visit in 2017. Access to grid-connected power would result in substantial operating cost savings and improve existing project economics, which have assumed diesel generation.

The planned power supply route to Ruangwa, and its proximity to Chilalo, are shown in Figure 1.

Figure 1: Power supply and road upgrade



Road upgrade

Upgrade of the road from Nanganga to Ruangwa is continuing, with the road initially being upgraded to a high-quality gravel road and progressively sealed with bitumen from Ruangwa. This would mean that all but approximately 25 kilometres of the route from Chilalo to the Mtwara Port will be bitumenised following completion of the road upgrade (see Figure 1). The road upgrade is expected to be completed by 2020.

Directors' report

Mtwara Port

In 2017, the Tanzanian Government approved the expansion and upgrade of the Mtwara Port in order to more effectively handle resources and agricultural products cargo from the Southern Tanzania development corridor and from neighbouring countries of Malawi and Zambia.

This involves the construction of two new berths with specialised terminals for handling different types of cargo. Construction of Berth No. 2, which is 350 metres long and designed for mixed cargo, commenced in March 2017 and is well advanced.

The Mtwara Port has existing capacity of 400,000 tonnes per year and this will increase to 800,000 tonnes per year on completion of Berth No. 2. The Port is currently used primarily for the export of cashew nuts in November-March, and is significantly under-utilised for the remainder of the year.

Figure 2: Aerial view of Mtwara Port

Directors' report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307 of the *Corporation Act 2001* is set out on page 10.

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

Stephen Dennis
Chairman of the Board
PERTH
On the 13th day of March 2018

Auditor's Independence Declaration

As lead auditor for the review of Graphex Mining Limited for the half-year ended 31 December 2017, 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.

Ben Gargett
Partner
PricewaterhouseCoopers

Perth
13 March 2018

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Condensed consolidated statement of profit or loss and other comprehensive income

for the half year ended 31 December 2017

	31 December 2017	31 December 2016
	$	$
Continuing operations		
Interest income	**13,048**	32,445
Research and development rebate	**201,825**	-
Corporate and administration expenses	**(649,185)**	(664,695)
Employee benefits	**(469,228)**	(431,908)
Business development and marketing	**(445,187)**	(521,400)
Transaction costs	**-**	(3,431)
Exploration expenses	**(320,857)**	(796,856)
Share based payments	**(172,877)**	(161,271)
Loss before income tax	**(1,842,461)**	(2,547,116)
Income tax expense	**-**	-
Loss for the period	**(1,842,461)**	(2,547,116)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(3,719)**	14,411
Total comprehensive loss for the period	**(1,846,180)**	(2,532,705)
Net loss is attributable to:		
Owners of Graphex Mining Limited	**(1,842,461)**	(2,547,116)
Total comprehensive loss is attributable to:		
Owners of Graphex Mining Limited	**(1,846,180)**	(2,532,705)
Earnings per share attributable to owners of the Company	**$**	**$**
Basic EPS	**(0.03)**	(0.05)
Diluted EPS	**(0.03)**	(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 2017

	Notes	31 December 2017 $	30 June 2017 $
ASSETS			
Current assets			
Cash and cash equivalents		**1,472,290**	1,149,777
Trade and other receivables	5	**381,446**	123,160
Total current assets		**1,853,735**	1,272,937
Non-current assets			
Property, plant and equipment		**114,228**	126,816
Exploration and evaluation	6	**5,000,000**	5,000,000
Total non-current assets		**5,114,228**	5,126,816
Total assets		**6,967,963**	6,399,753
LIABILITIES			
Current liabilities			
Trade and other payables	7	**(205,765)**	(382,460)
Provisions		**(142,223)**	(165,659)
Total current liabilities		**(347,988)**	(548,119)
Total liabilities		**(347,988)**	(548,119)
Net assets		**6,619,975**	5,851,634
EQUITY			
Share capital	8	**12,900,902**	10,459,258
Reserves		**1,480,802**	1,311,644
Accumulated losses		**(7,761,729)**	(5,919,268)
Total equity		**6,619,975**	5,851,634

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 2017

	Notes	Contributed equity	Foreign currency translation reserve	Share based payment reserve	Accumulated losses	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	8	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	(3,803,531)	7,583,193
Balance at 1 July 2017		**10,459,258**	**24,479**	**1,287,165**	**(5,919,268)**	**5,851,634**
Total comprehensive income for the period:						
Loss for the period		**-**	**-**	**-**	**(1,842,461)**	**(1,842,461)**
Foreign exchange translation differences		**-**	**(3,719)**	**-**	**-**	**(3,719)**
Total comprehensive loss for the period		**-**	**(3,719)**	**-**	**(1,842,461)**	**(1,846,180)**
Transactions with owners in their capacity as owners:						
Issue of shares net of transaction costs	8	**2,441,644**	**-**	**-**	**-**	**2,441,644**
Employee share schemes - value of employee services		**-**	**-**	**172,877**	**-**	**172,877**
Balance at 31 December 2017		**12,900,902**	**20,760**	**1,460,042**	**(7,761,729)**	**6,619,975**

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 2017

	31 December 2017 $	31 December 2016 $
Cash flows from operating activities		
Payments to suppliers and employees	**(1,196,269)**	(1,096,401)
Payments for business development and marketing	**(546,827)**	(568,321)
Payment of exploration and evaluation expenditure	**(378,880)**	(919,330)
Interest received	**13,048**	32,445
Net cash (outflow) from operating activities	**(2,108,928)**	(2,551,607)
Cash flows from investing activities		
Payment for property, plant and equipment	**(8,253)**	(10,214)
Net cash (outflow) from investing activities	**(8,253)**	(10,214)
Cash flows from financing activities		
Transaction costs associated with IPO	**-**	(287,055)
Proceeds from the issue of ordinary shares	**2,652,588**	372,756
Share issue transaction costs	**(210,944)**	(19,546)
Net cash inflow from financing activities	**2,441,644**	66,155
Net increase / (decrease) in cash and cash equivalents	**324,463**	(2,495,666)
Cash and cash equivalents at the beginning of the period	**1,149,777**	5,074,863
Effects of exchange rate changes on cash and cash equivalents	**(1,950)**	14,113
Cash and cash equivalents at the end of the period	**1,472,290**	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 under the stock code GPX. The condensed consolidated interim financial statements of the Company as at, and for the half-year ended, 31 December 2017 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 2017 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 13 March 2018.

2. Basis of preparation and accounting policies

This general purpose interim financial report for the half-year ended 31 December 2017 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 2017.

It is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the Company's continuous disclosure obligations.

2(a). Going concern

The Group incurred a net loss for the half year ended 31 December 2017 of $1,842,461 (2016: $2,547,116) and a net cash outflow from operating activities of $2,108,928 (2016: $2,551,607). As at 31 December 2017, the Group had cash and cash equivalents of $1,472,290 (2016: $2,593,310) and a working capital surplus of $1,505,747 (2016: $2,428,419).

Based on the Group's cash flow forecast the Group will require additional funding in the next 12 months to enable the Group to continue its normal business activities and to ensure the realisation of assets and extinguishment of liabilities as and when they fall due, including progression of its exploration and project development activities.

As a result of the above, there is a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are satisfied, however that at the date of signing of the financial report, there are reasonable grounds to believe that the Group will be able to continue to meet its debts as and when they fall due and that it is appropriate for the financial statements to be prepared on a going concern basis. The directors have based this on the following pertinent matters:

- The Group has the capacity, if necessary, to reduce its operating cost structure in order to minimise its working capital requirements; and
- The directors believe that future funding will be available to meet the Group's objectives and debts as and when they fall due, including through engaging with parties interested in joint venture arrangements and/or raising additional capital through equity placements to existing or new investors. The Group has a demonstrated history of success in this regard.

The financial report does not include adjustments relating to the recoverability or classification of the recorded assets nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Notes to the condensed consolidated financial statements

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 2017 annual financial report for the financial year ended 30 June 2017.

At 31 December 2017 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.

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 2017.

5. Trade and other receivables

	31 December 2017	**30 June 2017**
	$	**$**
Accounts receivable	**45,123**	34,845
Other receivables	**265,328**	69,963
Prepayments	**52,684**	17,097
Security bond	**18,281**	1,255
	381,446	123,160

Other receivables include a $59,045 GST/VAT receivable (June 17: $68,058) and $201,825 for the research and development rebate (June 17: nil).

6. Exploration and evaluation expenditure

(a) Reconciliation of exploration and evaluation expenditure

Carrying amount at beginning of the period	**5,000,000**	5,000,000
Acquisition of tenements	**-**	-
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.

7. Trade and other payables

Creditors	**98,578**	185,759
Accruals	**58,830**	153,929
Other payables	**48,357**	42,772
	205,765	382,460

Notes to the condensed consolidated financial statements

8. Share capital

	31 December 2017		30 June 2017	
	Shares	$	Shares	$
(a) Issued and paid up capital				
Ordinary fully paid shares	**70,267,867**	**12,900,902**	58,212,063	10,459,258
(b) Movement in ordinary shares				
Opening balance at 1 July	58,212,063	10,459,258	55,000,000	9,775,383
Issue of shares[1]	11,745,454	2,584,000	-	-
Issue of shares to Directors[1]	300,000	66,000	-	-
Conversion of loyalty options[2]	10,350	2,588	3,212,063	746,146
	70,267,867	**13,111,846**	**58,212,063**	**10,521,529**
Less: Transaction costs arising on share issues	-	(210,944)	-	(62,271)
	70,267,867	**12,900,902**	**58,212,063**	**10,459,258**

[1] The issue of shares for the half-year was the issue of 12,045,454 fully paid ordinary shares at $0.22 per share to raise $2.65 million through a placement to professional and sophisticated investors. Of the shares issued, Directors subscribed for 300,000 shares which were approved at the Company's AGM.

[2] The issue of shares for the half-year was the conversion of 10,350 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.

9. Events since the end of the half-year

The Company has evaluated events subsequent to period end to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.

10. Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2017.

11. 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 $463,329 for the half-year to the entity's loss before tax of $1,842,461. 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 2017 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 13th day of March 2018

Independent auditor's review report to the members 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 2017, the condensed consolidated statement of changes in equity, 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, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Graphex Mining Limited Group (the Group). The Group 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 2017 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
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

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 Group's financial position as at 31 December 2017 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.*

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report, which indicates that the Group incurred a net loss of $1,842,461 during the half-year ended 31 December 2017 and a net cash outflow from operating activities of $2,108,928. As a result, the Group is dependent on raising additional funding in the next 12 months to enable it to continue its normal business activities, including progression of its exploration and project development activities. These conditions, along with other matters set forth in Note 2(a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
13 March 2018