

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.

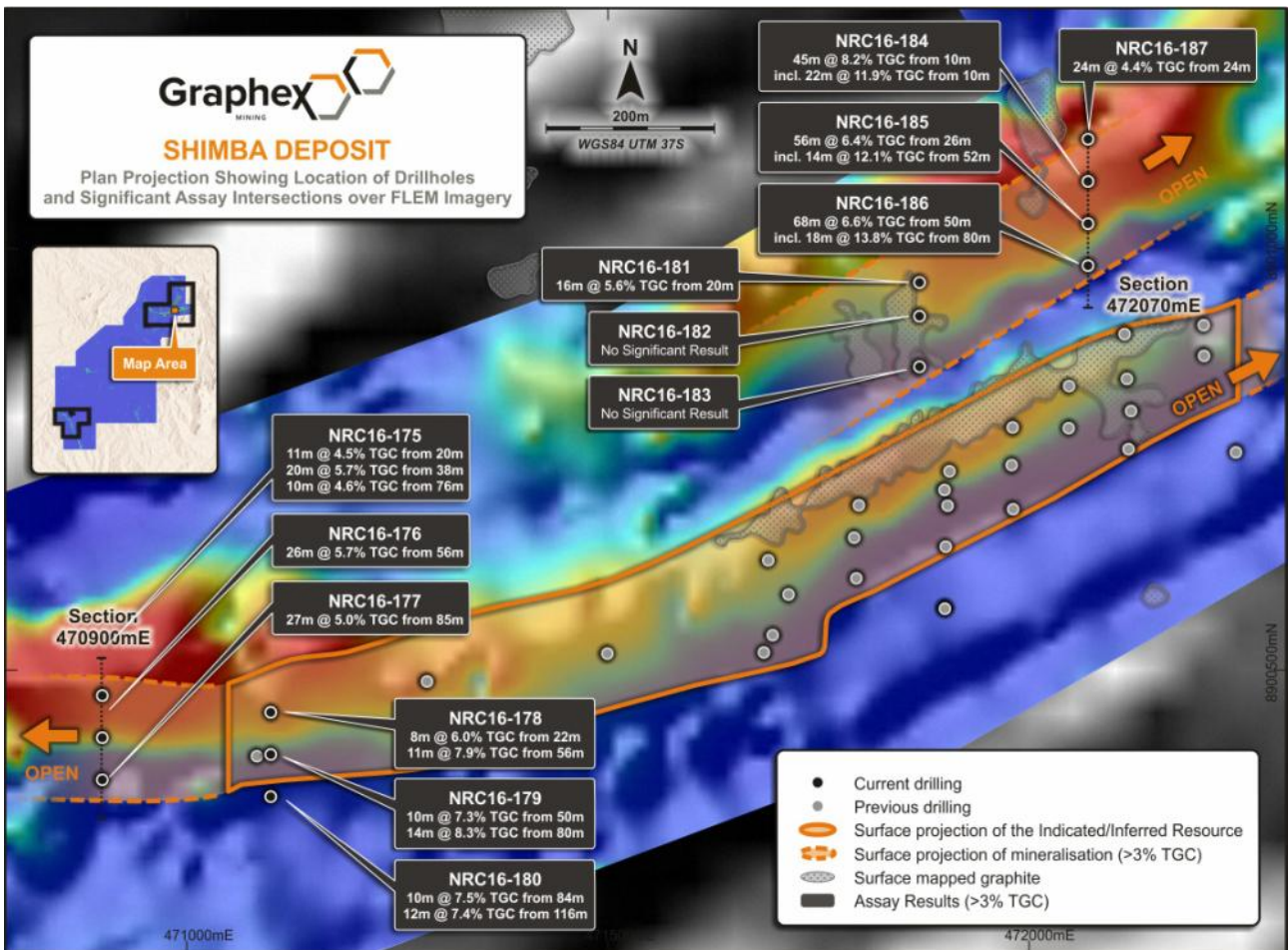


FIGURE 1: Shimba Deposit drill results.

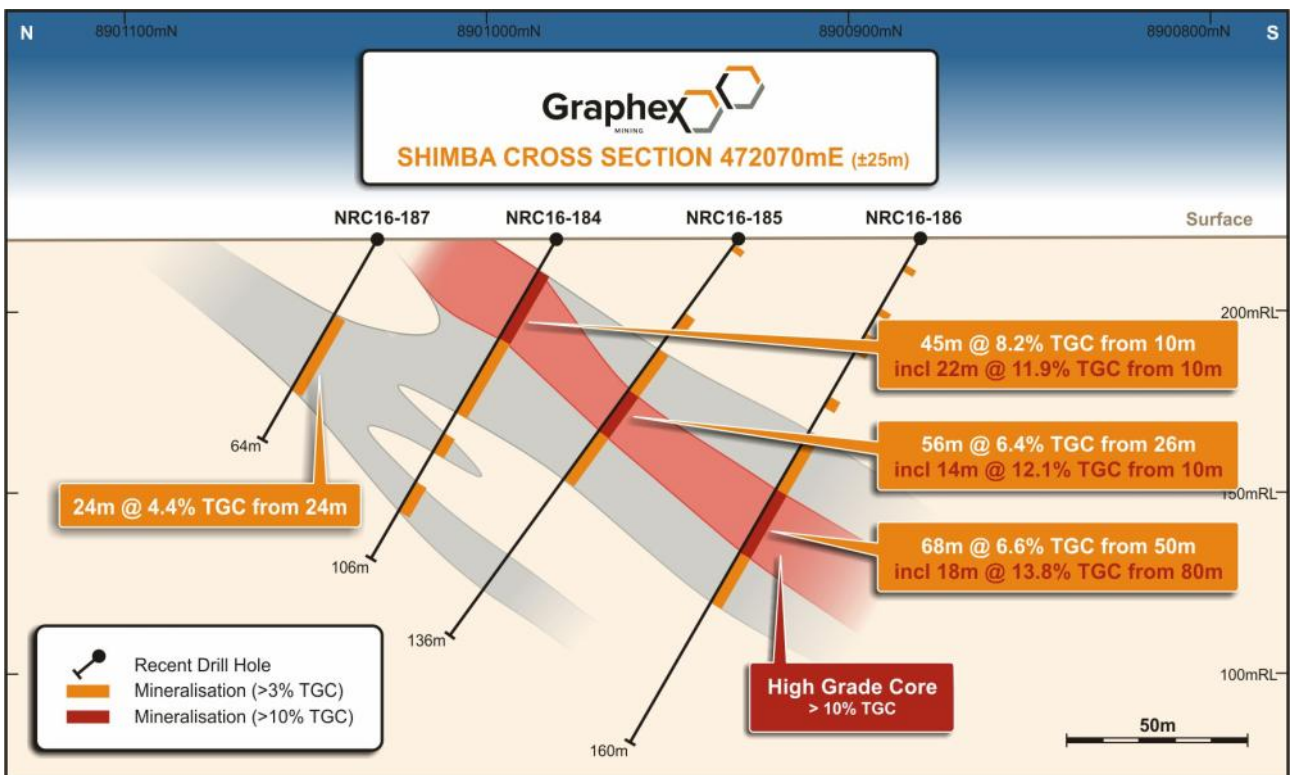
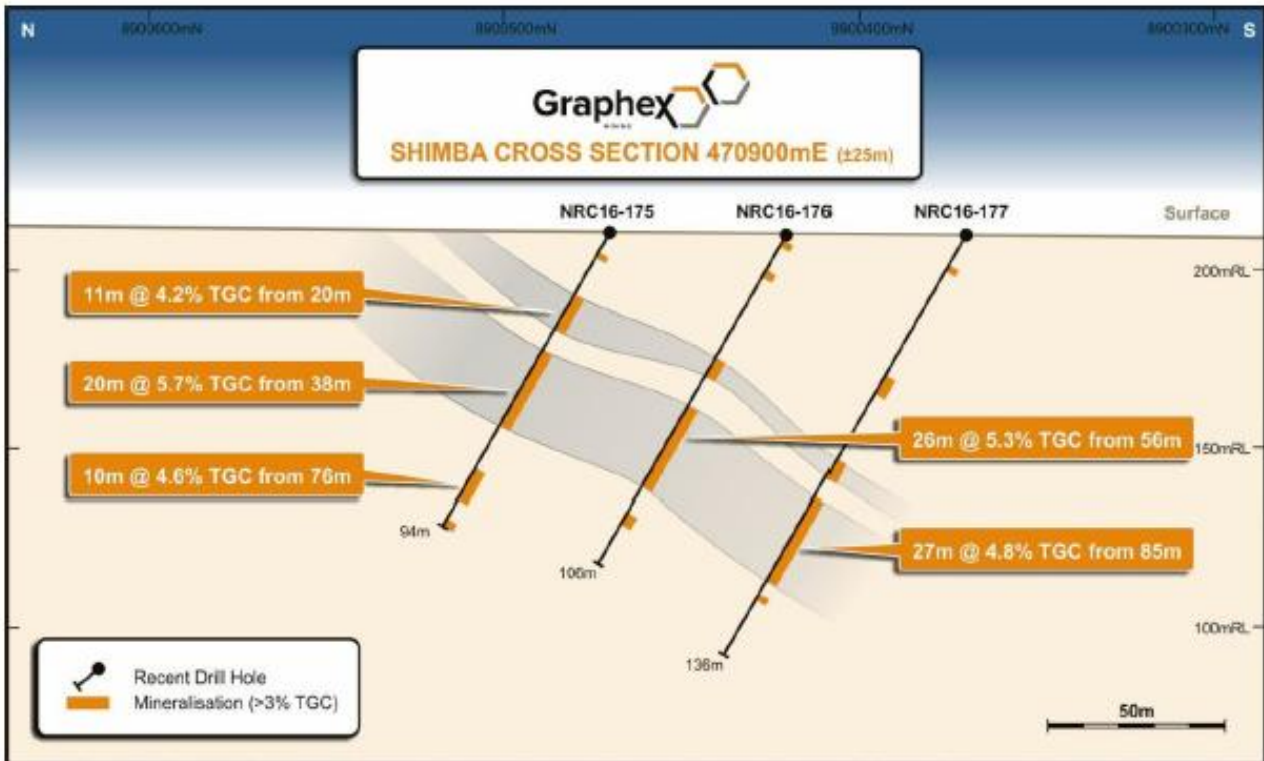


FIGURE 2: Shimba Cross Section 472070mE (+/-25m).

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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