

**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 Managmed 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, teh 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 to place for the Company and we remain optimistic that our August 2016 price target (A\$1.37/Share) will be met in CY 2017.

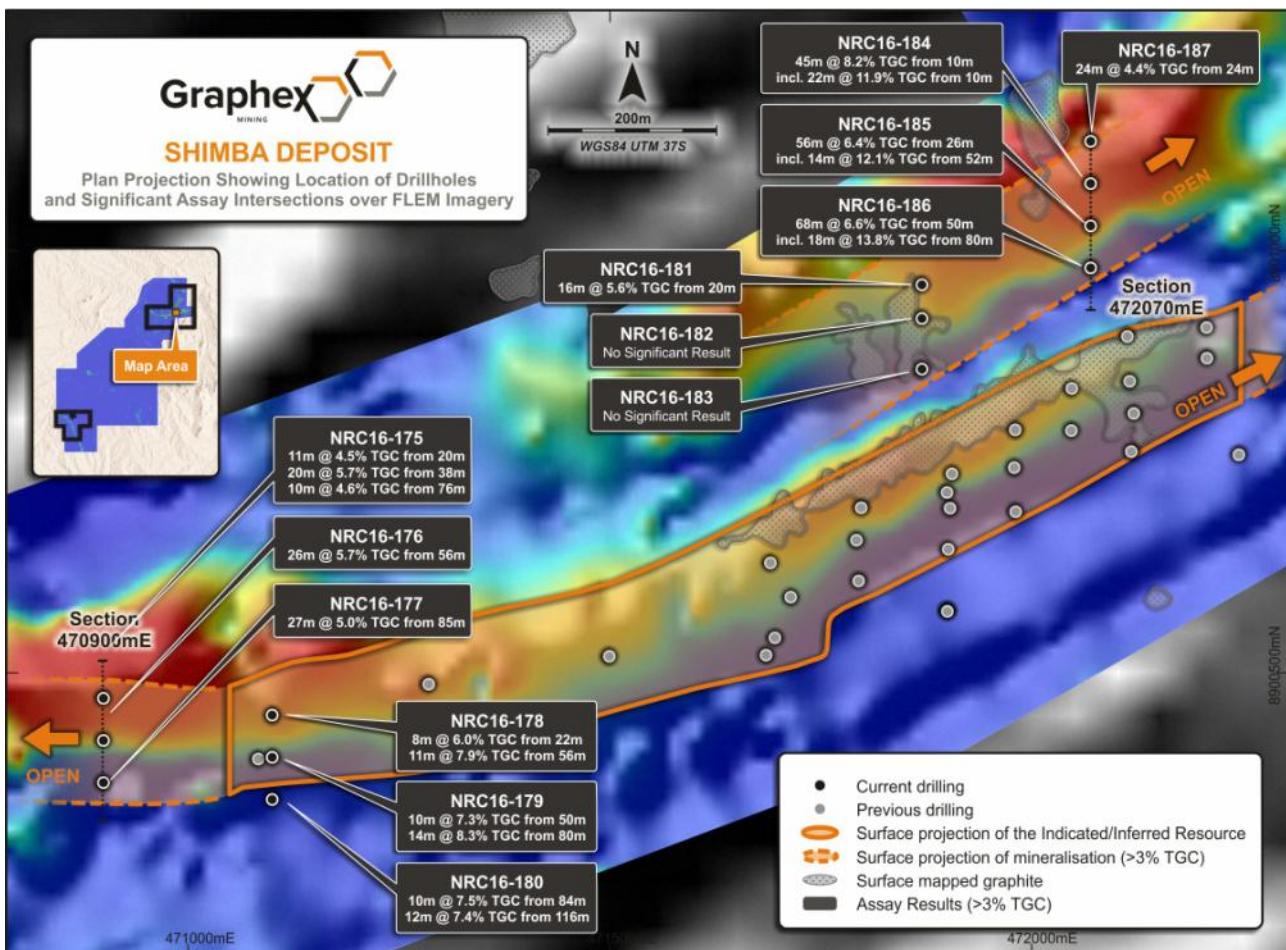


FIGURE 1: Shimba Deposit drill results.

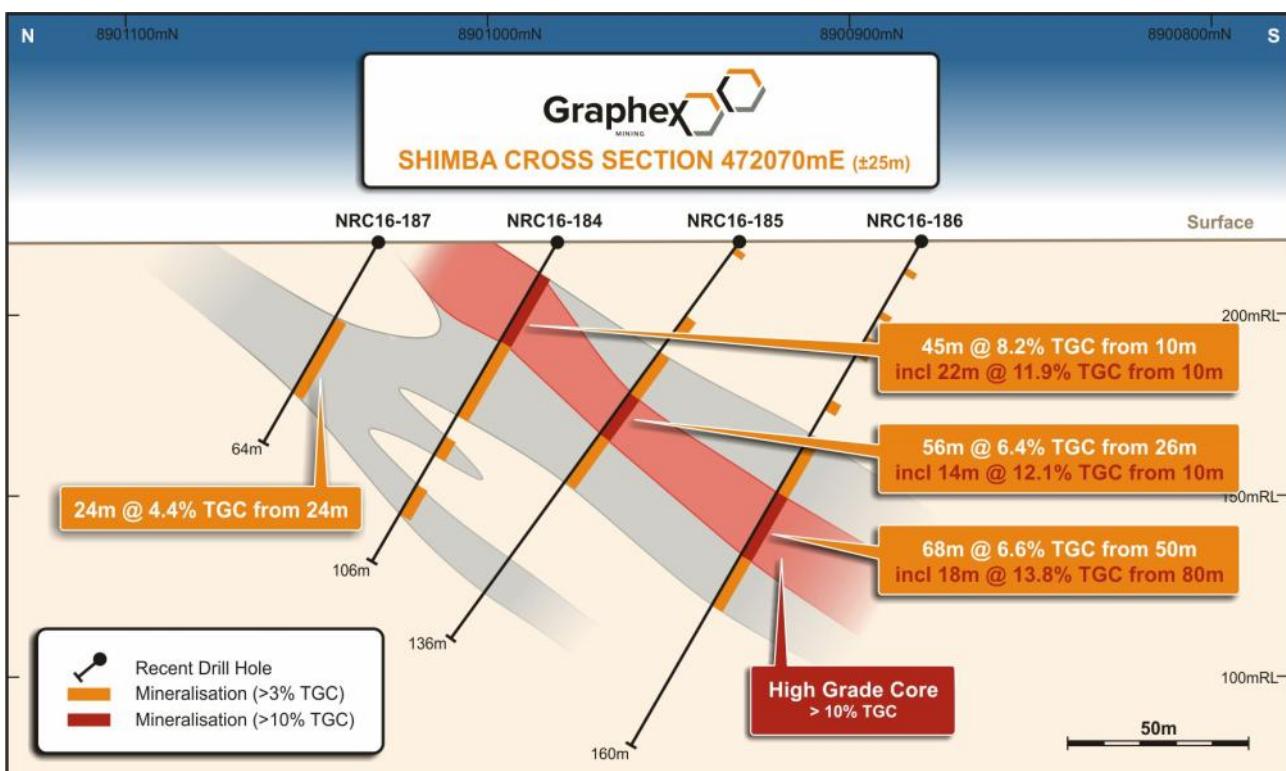
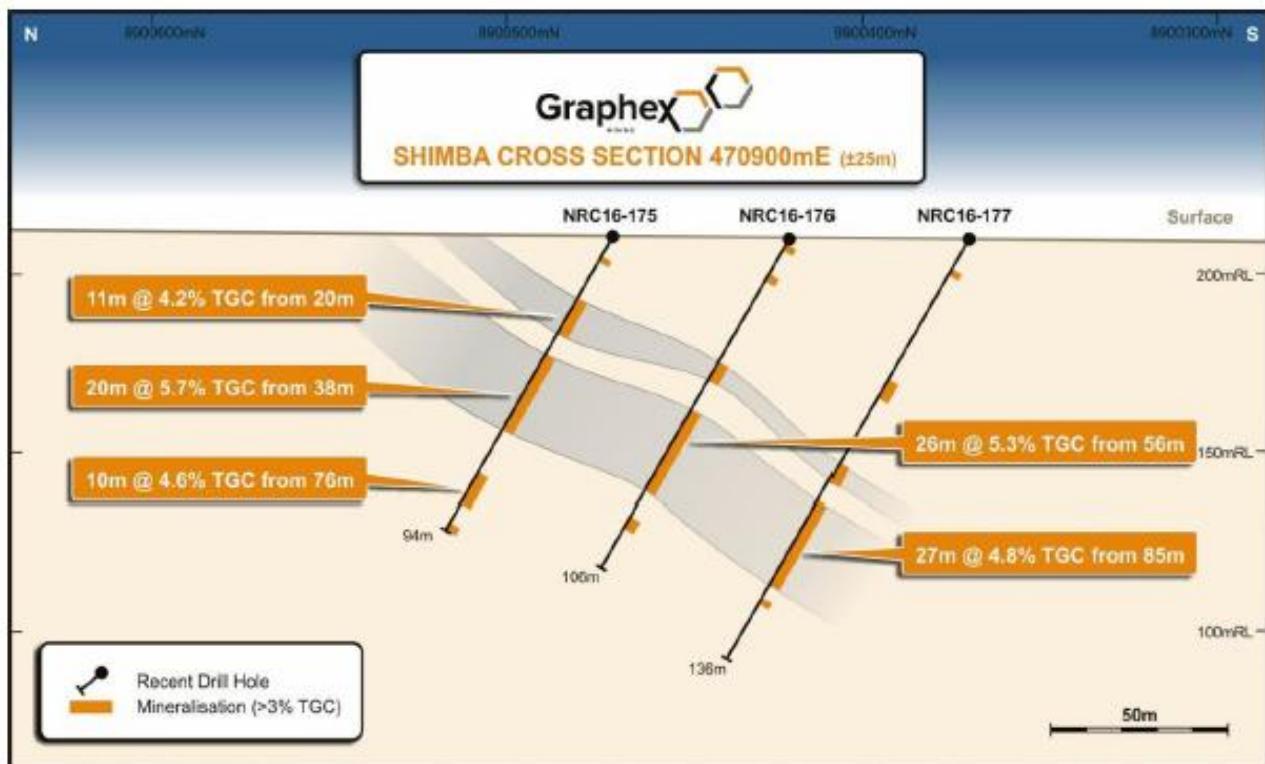


FIGURE 2: Shimba Cross Section 472070mE ( $\pm 25m$ ).

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:

<b>Buy</b>	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.
<b>Speculative Buy</b>	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.
<b>Hold</b>	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.
<b>Sell</b>	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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