

## HIGH-GRADE GRAPHITE MINERALISATION CONTINUITY CONFIRMED AT ULEY

### Assay Results Highlights

- Assay results confirm continuity of high-grade flake graphite mineralisation
- Very high-grade near-surface mineralisation within the Uley Pit 2 area
- Very high grades of graphite including grade exceeding 55% gC

### Uley 2 Extensional Drilling Campaign

Quantum Graphite Limited (QGL) is pleased to announce final results from the extensional drilling campaign at the Company's Uley Graphite Mine (refer previous announcements dated 24 August 2015 and 30 October 2015) conducted in 2014 and 2015.

The extensional drilling campaign focused on the Uley Pit 2 area and was designed to confirm the dip and strike continuity of the mineralisation and provide supporting data for feasibility studies in respect of Uley mine expansion.

These assay results confirm that the very-high grade graphite mineralisation is continuous and remains open in a southerly direction and importantly, confirm the results in the earlier announcements referred to above. The drill holes were collared along strike from the proposed Uley Pit 2 and in accordance with the Company's interpretation of the Transient Electro Magnetic (TEM) geophysical signature (Figure 4 below) which provides the basis for its exploration model and long-term development strategy.

### Significant Intersections of Graphitic Mineralisation

Table 1 - Significant Graphitic Intersections Reported				
Hole_ID	From (metres downhole)	To (metres downhole)	Downhole Width (metres)	Graphitic Carbon (gC%)
MD697	23.8	32.4	8.0	<b>22.62</b>
MD697	50.3	54.0	3.7	<b>47.75</b>
MD697	62.4	67.8	5.4	<b>19.32</b>
<i>including</i>	52.3	54.0	1.7	<b>55.39</b>
MD698	22.0	24.2	2.2	<b>24.88</b>
MD698	28.3	30.0	0.7	<b>25.40</b>
MD698	52.3	64.0	11.7	<b>19.33</b>
MD699	4.7	6.6	1.9	<b>23.68</b>
MD699	39.8	46.0	6.2	<b>13.05</b>
MD700	21.6	24.6	3.0	<b>17.82</b>
MD701	8.3	10.6	2.3	<b>11.93</b>
MD701	26.4	29.2	2.8	<b>13.50</b>
MD702	27.2	31.1	3.9	<b>23.02</b>
MD702	56.4	59.4	3.0	<b>20.33</b>
MD703	23.4	26.2	2.8	<b>21.67</b>
MD703	68.4	72.5	4.1	<b>21.54</b>

## Key Data and Results

The collar locations of the diamond drill holes for which assays reported in this announcement are presented in Figure 1. Further context with respect to existing drilling information is presented in Figure 2 (collars for assay results reported are highlighted in red). Collar information is presented in Table 2.

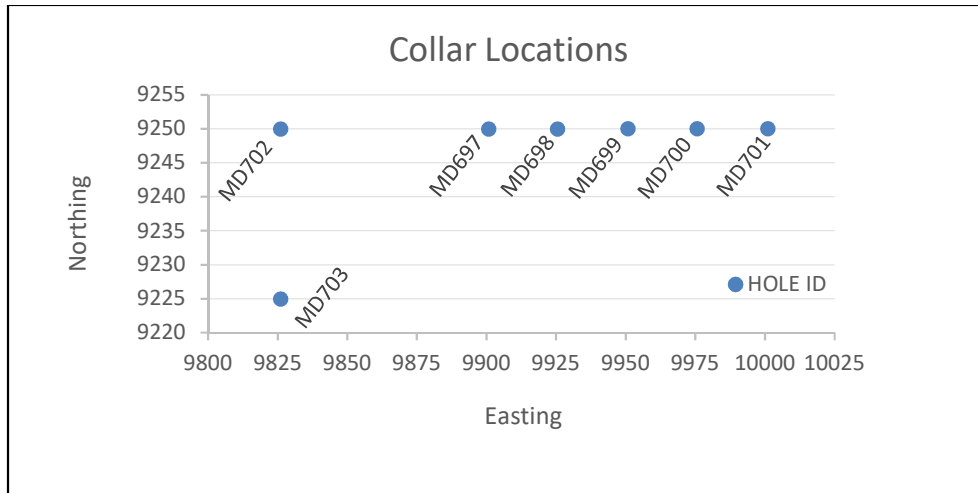


Figure 1 – Diamond drill collar locations

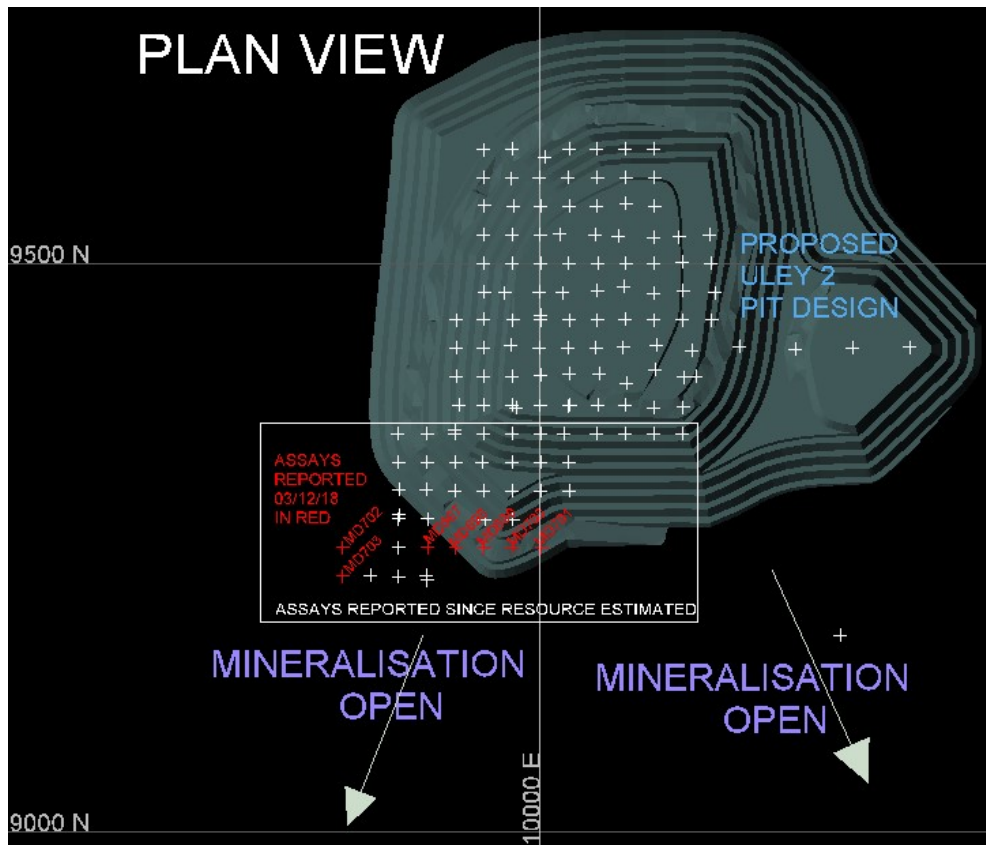


Figure 2 – Contextual location of assays reported

Table 2 – Collar Information					
HOLE_ID	EASTING	NORTHING	END OF HOLE DEPTH	DIP	AZIMUTH
MD697	9900.86	9249.97	104	-59.59	93.69
MD698	9925.49	9249.98	89	-59.50	93.59
MD699	9950.86	9250.02	76.2	-60.10	91.79
MD700	9975.64	9249.99	68.2	-60.10	91.70
MD701	10001.07	9249.99	43.8	-60.80	89.99
MD702	9826.09	9249.95	62.2	-60.20	92.99
MD703	9826.13	9224.93	104	-60.30	93.49

Figure 3 below presents a cross-section at 9250N which indicates continuity of the multiple mineralised lodes (legend is graphitic Carbon percent analysed using a LECO instrument (see JORC Table 1 as attached for further details).

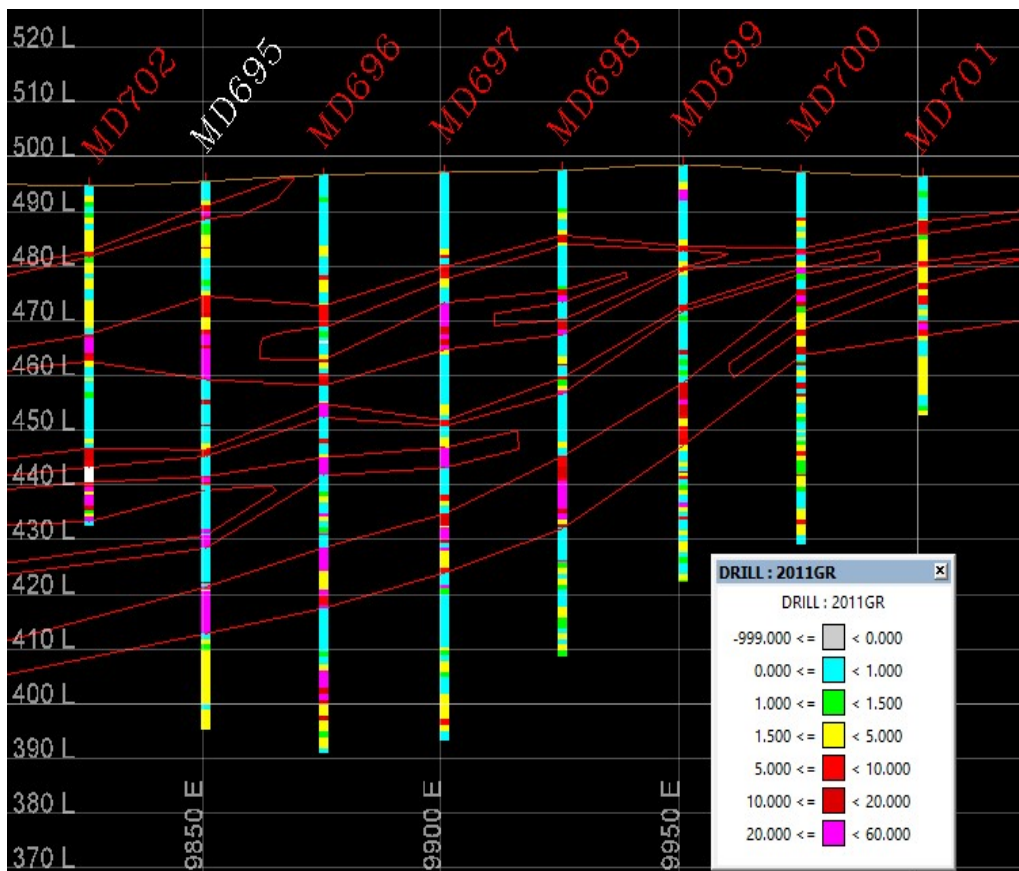


Figure 3: Cross section 9250N (legend in % graphitic Carbon)

The Company's exploration model and long-term development strategy is based on its interpretation of the TEM geophysical signature set out in Figure 4 below.

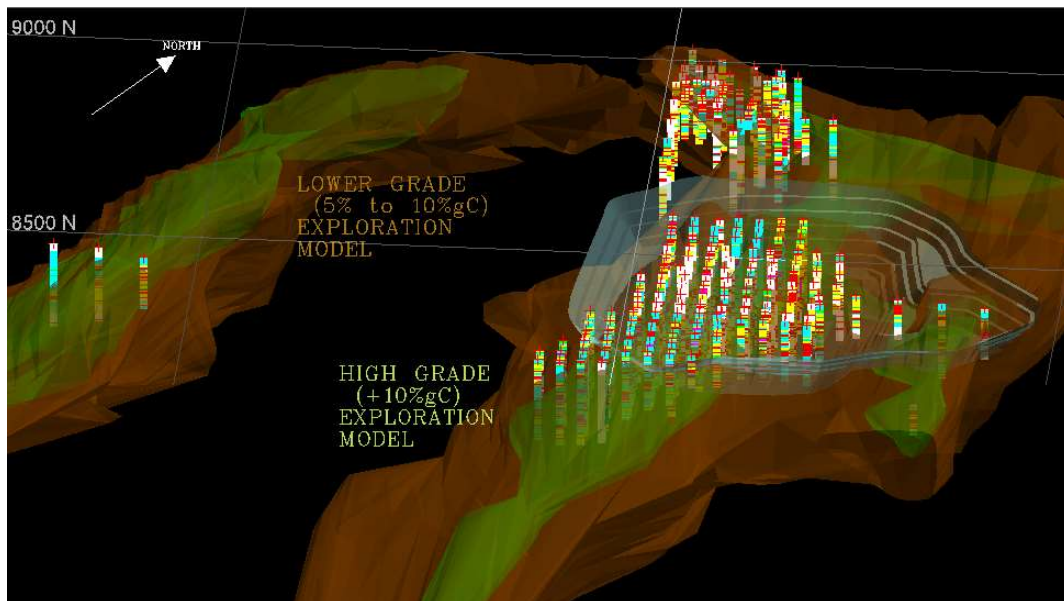


Figure 4: Transient Electromagnetic Survey (TEM) Interpretation providing the basis for the Company's geological exploration model and long-term development strategy

Quantum Graphite confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning the estimates in this announcement continue to apply and have not materially changed since the announcements previously released.

The information contained in this Release should be read in conjunction with the Appendices attached, i.e.:

- Appendix 1-Competent Persons and Forward Looking Statements;
- Appendix 2-Section 1 (Sampling Techniques and Data) and Section 2 (Reporting of Exploration Results) of the Jorc Code, 2012 edition.

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**Competent Persons Statement – Extensional Drilling Campaign**

The information in this announcement that relates to the Mineral Resources pertaining to the Company's exploration data is based on information compiled by Ms Karen Lloyd, who has been engaged as General Manager – Technical Delivery by Quantum Graphite. Ms Lloyd is a Member of the Australian Institute of Mining and Metallurgy. Ms Lloyd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Lloyd consents to the inclusion in this release of the matters based on their information in the form and context as it appears.

**Forward Looking Statements**

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Quantum Graphite Limited (Quantum Graphite) are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of Quantum Graphite, that could cause Quantum Graphite's actual results to differ materially from the results expressed or anticipated in these statements.

Quantum Graphite cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Quantum Graphite does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future event or any other factors affect the information contained in this announcement, except where required by applicable law.

**JORC Code, 2012 Edition**  
**Section 1 Sampling Techniques and Data**

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<b>Sampling techniques</b>	<ul style="list-style-type: none"> <li>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<p>Triple tube Diamond (HQ3) drilling was employed to generate core for logging and sampling. Mineralised samples were submitted for assay on typically one metre intervals. Duplicate and standard samples were inserted typically every 20th sample. Diamond core was cut in half using a diamond impregnated blade on a core saw and half-core samples were sent to ALS Global for assay.</p>
<b>Drilling techniques</b>	<ul style="list-style-type: none"> <li>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).</li> </ul>	<p>Drill holes were drilled at -60-degree dip on a 090 azimuth. Diamond drilling was undertaken using triple tube HQ3 (61mm diameter) core from collar to End of Hole.</p>
<b>Drill sample recovery</b>	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<p>Core recovery was recorded at the drill site and during core logging and measured for every core run. Sample recovery is deemed to be adequate for resource estimation purposes.</p>



Criteria	JORC Code explanation	Commentary
<b>Logging</b>	<ul style="list-style-type: none"> <li>• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</li> <li>• Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</li> <li>• The total length and percentage of the relevant intersections logged.</li> </ul>	<p>100% of the drill holes were geologically and geotechnically logged by qualified geologists, recording relevant data to a set database structure. All logging included lithological features, mineral assemblages, mineralisation percentage estimates and geotechnical information suitable for the development of geology models and pit slope design criteria.</p>
<b>Sub-sampling techniques and sample preparation</b>	<ul style="list-style-type: none"> <li>• If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>• If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</li> <li>• For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>• Quality control procedures adopted for all sub- sampling stages to maximise representivity of samples.</li> <li>• Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>• Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<p>Sample preparation is consistent with industry best practice. Field QC procedures involved the use of certified reference material assay standards, blanks and duplicates for Company QC measures, and laboratory standards, replicate sampling and barren washes for laboratory QC measures. The insertion rate of each of these QAQC measures averaged 1:20. Half-diamond core samples averaged 1m in length, and are deemed appropriate for the material and analysis method.</p>
<b>Quality of assay data and laboratory tests</b>	<ul style="list-style-type: none"> <li>• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>• For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>• Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</li> </ul>	<p>The samples were prepared at ALS Global (Adelaide), including crushing entire sample &gt;70% -6mm, splitting and retention of 50% sample weight, and pulverising. The prepared samples were sent to ALS global (Brisbane) for analytical procedures C-IR18, C- CAL15, CIR17 and C-IR07 by LECO analyser to determine graphitic carbon, inorganic carbon by difference, organic carbon and total carbon. The detection limits and precision for graphitic carbon analysis are considered to be adequate for the purpose of future resource estimations. The laboratory procedures are considered to be appropriate for reporting purposes. Company QAQC samples inserted at 5% representivity demonstrate the accuracy and precision of the graphitic carbon to be satisfactory.</p>

Criteria	JORC Code explanation	Commentary
<b>Verification of sampling and assaying</b>	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	Significant mineralisation intersections were verified by two company personnel. No adjustments to the assay data have been made. All data was collected, sampled and assayed according to Company procedures and validated using a Microsoft Access relational database.
<b>Location of data points</b>	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>	Topographical control is sufficient for this exploration drilling. Collar location were set out using an independent surveyor. All down-hole surveying was undertaken using a Reflex multi-shot survey tool at nominal 25m intervals down hole.
<b>Data spacing and distribution</b>	<ul style="list-style-type: none"> <li>Data spacing for reporting of Exploration Results.</li> <li>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>Whether sample compositing has been applied.</li> </ul>	Drill collar spacing is generally 25m X 25m or 25m X 50m where existing drill holes provide sufficient geological confidence.
<b>Orientation of data in relation to geological structure</b>	<ul style="list-style-type: none"> <li>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	The orientation of the drilling is not expected to introduce sampling bias. Drilling has generally intersected mineralisation perpendicular to strike continuity.
<b>Sample security</b>	<ul style="list-style-type: none"> <li>The measures taken to ensure sample security.</li> </ul>	Samples were packaged and stored in secure storage from collection through the chain of custody to submission. Laboratory best practice methods were employed by the laboratory upon receipt.
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>The results of any audits or reviews of sampling techniques and data.</li> </ul>	Company QAQC checks were undertaken during the drilling, logging and sampling program. No external audit of the data has been undertaken. No significant issues in drilling, sampling or analytic technique have been identified.





## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<b>Mineral tenement and land tenure status</b>	<ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	The Company owns 100% interest in the EL4778 tenement. The tenement is in good standing and there are no known significant impediments to exploration in the area.
<b>Exploration done by other parties</b>	<ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>	No other parties were involved in this exploration program.
<b>Geology</b>	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	The Uley graphite deposit is a high-grade coarse-flake mineralised envelope within the broader "Mikkira" graphite resource. Uley graphite mineralisation is hosted by the Cook Gap Schist, a partially migmatised medium grained biotite+/-garnet+/-muscovite+/-sillimanite-quartzofeldspathic schist/gneiss with leucocratic pegmatite sweats.
<b>Drill hole Information</b>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	Refer to collar table within the text of this document.



Criteria	JORC Code explanation	Commentary
<b>Data aggregation methods</b>	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low-grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	No top cuts have been applied to the results reported in this announcement. A nominal 10% graphitic carbon lower cut-off has been applied in the determination of significant intercepts. High grade intercepts within broader low-grade intervals have been separated as "including" results. No metal equivalent values are used in this report.
<b>Relationship between mineralisation widths and intercept lengths</b>	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</li> </ul>	Drill holes intersected mineralisation at near perpendicular to the strike orientation of the host lithologies. All drill holes were orientated at -60 degrees on a bearing of 090.
<b>Diagrams</b>	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	See figures in release
<b>Balanced reporting</b>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	Representative reporting of significant intercepts has been affected within this report.
<b>Other substantive exploration data</b>	<ul style="list-style-type: none"> <li>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</li> </ul>	The Company has previously reported a Mineral Resource in accordance with JORC (2012) guidelines at the Uley 2 deposit.



Criteria	JORC Code explanation	Commentary
<b>Further work</b>	<ul style="list-style-type: none"> <li>• The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</li> <li>• Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</li> </ul>	<p>Metallurgical test work to optimise a process flowsheet is underway. The results of this test work will be released to the market as they become available.</p> <p>No further drilling is planned at this time.</p>

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