



Quantum Graphite

Quarterly Activity Report and Appendix 5B
Period Ending 31 December 2018
For Immediate Release
30 January 2019

Highlights

- Commencement of works on Uley Project Expansion
- Renewal of Exploration Permit EL6224
- Current Corporate Actions – Unmarketable Parcel Sale Facility and Non-renounceable Rights Offering

Uley Project Expansion and Definitive Feasibility Study (DFS)

The Board has previously announced details of the ongoing work associated with the DFS. The review of the company's Mineral Resources at Uley 2 and the associated mine plan continues.

As foreshadowed in the company announcement of 28 December 2018, the review has now been formally expanded to include any resource encompassed within the Uley 2 Extensional Drilling Campaign (Uley 2 Extension), immediately to the south west of Uley 2.

A critical part of this review is the completion of metallurgical test work across Uley 2 and the area within the Uley 2 Extension. As announced on 28 December 2018, commencement of metallurgical test work was deferred (to early January 2019) to ensure completion of sampling across the Uley 2 Extension in December 2018. The metallurgical test work program has been defined and this work has commenced.

The company expects to make announcements in respect of the results of this test work and the geology and mine plan review within the next 6 to 8 weeks.

Unmarketable Parcel Sale Facility

On 10 December 2018 the Company announced an Unmarketable Share Sale Facility to deal with the significant increase in the number of shareholders holding unmarketable parcels to approximately 3,750 following completion of the company's reconstruction in September 2018.

This facility will remove the prohibitive costs to shareholders selling small holdings and assist the company reduce costs associated with maintaining this large number of small holdings.

Rights Offering

On 10 December 2018, the company announced an offer (Rights Offering) of shares to eligible shareholders in the form of a Non-renounceable rights issue of 1 new share for every 10 existing shares at an offer price of 0.3 cents per share to raise up to A\$2.25 million. The Rights Offering is not underwritten.

The complete terms of the Rights Offering including all the key dates are contained in the Offer Information Statement (OIS) dated 10 December 2018 and lodged with the Australian Securities and Investments Commission on that date. The OIS is available at <http://quantumgraphite.com/investors>.

The minimum application amount is \$500 and eligible shareholders may apply for additional new shares over and above their rights entitlement from the shortfall via the Top-Up Offer.

In the event the Top-Up Offer is fully subscribed, the Directors may place up to an additional A\$1 million in new shares to eligible shareholders participating in the TopUp Offer but who do not receive their full allocation on the basis that any shortfall under the Top-Up Offer was fully subscribed.

Expenditure Details

The pro forma Appendix 5B (Mining exploration entity and oil and gas exploration entity quarterly report) is attached to this report.

Schedule of Tenements (ASX Listing Rule 5.3.3)

Tenement	Tenement Type	Interest ¹	Changes during the Quarter
ML5561	Mining Licence	100%	Nil
ML5562	Mining Licence	100%	Nil
RL66	Retention Licence	100%	Nil
RL67	Retention Licence	100%	Nil
EL6224	Exploration Licence	100%	Renewed ²

1. All interests are registered in the name of the company's subsidiary, Quantum Graphite Operations Pty Ltd and held as at the end of the quarter.
2. On 24 December 2018, the company was notified of the renewal of EL6224 to 12 October 2020.

Corporate Information and Announcements

As at 31 December the company had 7,486,788,432 ordinary shares and 1,000,000,000 unlisted options on issue and 4,163 shareholders. The top 20 shareholders held 70.6% of the issued ordinary shares in the company.

As at 31 December 2018 the company held cash at bank of \$825,000. As at 30 January 2018 the company held cash at bank of \$740,323.

This report should be read in conjunction with all prior announcements made by the company to the ASX including all announcements released under the company's previous code, VXL (on and from 18 November 2013 until 30 November 2016) available at <http://quantumgraphite.com/investors>.

For further Information

For further information contact:

Company Secretary

Quantum Graphite Limited

T: +61 3 8614 8414

e: info@qgraphite.com

Competent Persons Statement

QGL 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 relating to Mineral Resources is based on, and fairly represent, the Mineral Resources and information and supporting documentation extracted from the reports prepared by a competent person in compliance with the JORC Code (2012 edition) and released to the ASX (including under the company's previous code, VXL on 17 December 2014, 5 May 2015 and 15 May 2015 respectively).

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 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 QGL, that could cause QGL's actual results to differ materially from the results expressed or anticipated in these statements.

QGL 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. QGL 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 events or any other factors affect the information contained in this announcement, except where required by applicable law.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Quantum Graphite Limited

ABN

41 008 101 979

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(193)	(201)
(b) development	(24)-	(24)-
(c) production	-	-
(d) staff costs	(23)	(46)
(e) administration and corporate costs	(190)	(737)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-

+ See chapter 19 for defined terms
1 September 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(427)	(1,004)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,171
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(375)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	1,796

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,252	33
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(427)	(1,004)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,796
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	825	825

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	0	33
5.2 Call deposits	825	1,219
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	825	1,252

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(174)

-

Administrative, corporate and compliance services provided to the company.

7. Payments to related entities of the entity and their associates

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

--	--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(235)
9.2 Development	(38)
9.3 Production	-
9.4 Staff costs	(24)
9.5 Administration and corporate costs	(180)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(477)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements acquired or increased	Exploration Licence EL6224 Uley Area - approximately 25km southwest of Port Lincoln	Renewal of Exploration Licence EL6224 (approx. 76 square kilometres)	100%	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
Company secretary



Date: 30 January 2019

Print name: Sal Catalano

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

