Quantum Graphite

ASX Appendix 4D
under ASX Listing Rule 4.2A.1

This reporting period	1 July 2018 to 31 December 2018
Prior corresponding period	1 July 2017 to 31 December 2017

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	This Period	Prior Period
Total revenue from ordinary activities	0%	-	-
(Loss)/profit from ordinary activities after tax attributable to members	65%	(1,222,392)	(1,871,704)
Net (loss)/profit attributable to members	65%	(1,222,392)	(1,871,704)

DETAILS RELATING TO DIVIDENDS

No dividends are proposed and no dividends were declared or paid during the current or prior period.

NET TANGIBLE ASSETS

	As at 31 Dec 2018	As at 31 Dec 2017
Net tangible asset per ordinary share (cents per share)	(0.02)#	(0.87)

#Includes impact of post reconstruction dilution

OTHER

Additional Appendix 4D disclosure requirements and further information can be found in the Financial Report for the Half Year to 31 December 2018.

This report is based upon the Financial Report for the Half Year to 31 December 2018 which has been reviewed by Grant Thornton.

QUANTUM GRAPHITE LIMITED

ABN 41 008 101 979

Interim Financial Statements

for the half-year ended 31 December 2018
to be read in conjunction with the 30 June 2018 Annual Report

Contents

This Interim Report covers Quantum Graphite Limited (QGL or the Company) as a Group consisting of Quantum Graphite Limited and its subsidiary, Quantum Graphite Operations Pty Ltd, collectively referred to as the Group. The financial report is presented in the Australian currency.

Quantum Graphite Limited is a company limited by shares, incorporated and domiciled in Australia.

Registered Office	349 Collins Street Melbourne VIC 3000
Principal place of Business	349 Collins Street Melbourne VIC 3000
Website	quantumgraphite.com

Directors' Report

The Directors of Quantum Graphite Limited present their Report together with the financial statements of the Group for the half year ended 31 December 2018 and the Independent Review Report thereon.

Board of Directors

The following persons were directors of Quantum Graphite Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bruno Ruggiero - Chairman and Independent Non-Executive Director
Sal Catalano - Executive Director and Company Secretary
Steven Chadwick - Executive Director
Robert Osmetti - Independent Non-Executive Director
David Trimboli - Independent Non-Executive Director

Review of Operations and Financial Results

The first half of the 2019 Financial Year was a significant turning point for the company - it completed its restructure and recapitalisation; its securities were reinstated to official quotation and it commenced work on the definitive feasibility study (DFS) to expand its Uley Mine production to world scale levels.

Restructure and Recapitalisation

On 14 August 2018 the Company announced that the Interlocking DOCAs had been fully implemented with all conditions satisfied including the recapitalisation of the Company and the issue of all securities. Accordingly:

(a) the Deed Administrators, Mr Laurence Fitzgerald and Mr Michael Humphris, resigned and notified ASIC that the Interlocking DOCAs had been fully effectuated;
(b) the Group exited external administration; and
(c) the Group, following the restructure, comprised Quantum Graphite Limited and Quantum Graphite Operations Pty Ltd.

Following shareholder approvals obtained at the 2017 AGM, the Company issued the following securities pursuant to ASX Listing Rule 7.1:

(a) On 21 July 2018, 6,197,638,425 shares at $0.0252 per share to the Secured Creditor Beneficiaries;
(b) On 21 July 2018, 1,000,000,000 options to acquire ordinary shares, exercise price $0.00, expiry date 20 July 2023;
(c) On 28 August 2018, 177,243,000 shares at $0.0252 per share to the Secured Creditor Beneficiaries in accordance with the Interlocking DOCAs; and
(d) On 28 August 2018, 108,000,000 shares at $0.001 per share to the directors in lieu of their quarterly director fees as follows:

Directors	Shares #	Quarterly Director Fees ($)
S Chadwick	18,000,000	18,000
B Ruggiero	18,000,000	18,000
S Catalano	18,000,000	18,000
R Mencel	18,000,000	18,000
R Osmetti	18,000,000	18,000
D Trimboli	18,000,000	18,000
Total	108,000,000	108,000

Definitive Feasibility Study (DFS)

The DFS, being undertaken by Lycopodium Minerals, is critical to the company's plans to build the framework for a long-term substantial increase in the production capacity at its flagship Uley Mine. The DFS will include:

(a) the preparation of a revised mine plan for Uley 2 together with the completion of any necessary metallurgical test work and drilling;
(b) the review and probable extension of the company's existing Mineral Resources;
(c) the design of a larger and modern processing facility to maximise product potential from the Uley Mine ore body.

Directors' Report (Continued)

As at the date of this report, metallurgical test work remains ongoing. The decision to expand the scope of the test work to include the resource encompassed within the Extensional Drilling Campaign (Uley 2 Extension) added approximately 4 weeks to the testing program. The Board considers the advantages gained from including the Uley 2 Extension far outweighed the delay. The further data obtained from this test work together with the additional geological modelling of the Uley 2 Extension, should produce a far superior mine plan with greater versatility especially in relation to future expansion.

The company's financial performance is broadly in line with plan and subject to the final amount raised under the Rights Offering (see below), the company does not expect to require further capital until the completion of the DFS.

Other matters

Corporate Actions

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 following completion of its reconstruction. The 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.

On the same date, the company also 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 maximum of A$3.25 million. The Rights Offering was made under an Offer Information Statement (OIS). The Rights Offering was not underwritten and the offer closed on 11 March 2019.

Mining Titles

On 24 December 2018, the company was notified of the renewal of EL6224 to 12 October 2020. EL6224 extends for approximately 76 square kilometres and includes the highly prospective Mikkira graphite deposit.

Events Arising Since the End of The Reporting Period

The Company has been advised by its share registry that it has received Rights Offering proceeds of approximately $226,900. Pursuant to the OIS and ASX Listing Rule 7.2, the Directors reserved the right to place the shortfall, notified to the Company by the share registry, of the amount of 1,005,373,002 fully paid ordinary shares.

There were no other events that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 3 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.

Bruno Ruggiero
Chairman
15 March 2019

Sal Catalano
Executive Director
15 March 2019

Grant Thornton Audit Pty Ltd
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Auditors Independence Declaration
To the Directors of Quantum Graphite Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Quantum Graphite Limited for the half-year ended 31 December 2018. 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner – Audit & Assurance

Adelaide, 15 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2018

	Notes	31 December 2018 $	31 December 2017 $
Corporate and asset management expenses	2	**(461,154)**	(208,139)
Commercialisation expenses	2	**-**	(47,083)
Pre-commissioning expenses	2	**-**	(618,527)
Depreciation	2	**(30,578)**	(40,562)
Miscellaneous assets write-off		**(39,176)**	-
Total operating loss		**(530,908)**	(914,311)
Interest revenue		**4,474**	27
Interest expense		**(122,250)**	(957,420)
Restructure costs		**(573,708)**	-
Net financing expense		**(691,484)**	(957,393)
Loss before tax		**(1,222,392)**	(1,871,704)
Income tax benefit		**-**	-
Loss for the reporting period attributable to owners of the parent entity		**(1,222,392)**	(1,871,704)
Other comprehensive income		**-**	-
Total comprehensive loss for the period attributable to owners of the parent entity		**(1,222,392)**	(1,871,704)
Loss per share from continuing operations			
Basic and diluted loss – cents per share	3	**(0.02)**	(0.87)

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31 December 2018 $	30 June 2018 $
Current assets			
Cash and cash equivalents		**825,393**	32,896
Trade and other receivables		**243,346**	162,568
Inventory		**-**	6,280
Prepayments		**74,053**	-
Total current assets		**1,142,792**	201,744
Non-current assets			
Receivable from the SA Department of Mining and Energy	4	**1,073,863**	1,073,863
Intangible assets		**7,189**	7,189
Development assets	5	**7,381,780**	6,753,775
Exploration and evaluation assets	6	**1,465,696**	1,415,705
Plant and equipment	7	**7,871,061**	7,901,639
Total non-current assets		**17,799,589**	17,152,171
TOTAL ASSETS		**18,942,381**	17,353,915
Current liabilities			
Trade and other payables		**282,299**	511,647
Borrowings	8	**-**	15,598,493
Total current liabilities		**282,299**	16,110,140
Non- current liabilities			
Rehabilitation provisions		**558,369**	558,369
Total non-current liabilities		**558,369**	558,369
TOTAL LIABILITIES		**840,668**	16,668,509
NET ASSETS		**18,101,713**	685,406
EQUITY			
Issued capital	9	**53,674,417**	37,555,718
Reserves	10	**2,520,000**	-
Accumulated losses		**(38,092,704)**	(36,870,312)
TOTAL EQUITY		**18,101,713**	68,406

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Share capital $	Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	**37,555,718**	**-**	**(36,870,312)**	**685,406**
Shares issued pursuant to the interlocking DOCAs	16,064,699	-	-	16,064,699
Shares options issued pursuant to the interlocking DOCAs	-	2,520,000	-	2,520,000
Shares issued in lieu of directors fees	54,000	-	-	54,000
Transactions with owners	16,118,699	2,520,000	-	18,638,699
Comprehensive income:				
Total loss for the reporting period	-	-	(1,222,392)	(1,222,392)
Total other comprehensive income for the reporting period	-	-	-	-
Balance 31 December 2018	**53,674,417**	**2,520,000**	**(38,092,704)**	**18,101,713**

	Share capital $	Reserves $	Accumulated Losses $	Total equity $
Balance at 1 July 2017	**29,155,724**	**40,762**	**(29,520,536)**	**(342,050)**
Issue of shares	752,280	-	-	752,280
Lapse of listed/unlisted options and performance rights	-	(40,762)	40,762	-
Transactions with owners	752,280	(40,762)	40,762	752,280
Comprehensive income:				
Total loss for the reporting period	-	-	(1,871,704)	(1,871,704)
Total other comprehensive income for the reporting period	-	-	-	-
Balance 31 December 2017	**29,908,004**	**-**	**(31,351,478)**	**(1,443,474)**

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	31 December 2018 $	31 December 2017 $
Operating activities		
Receipts from customers	**-**	-
Payments to suppliers and employees	**(1,113,578)**	(101,364)
Interest paid	**-**	-
Interest received	**3,727**	27
Net cash used in operating activities	**(1,109,851)**	(101,337)
Investing activities		
Payments for exploration and evaluation assets	**(46,514)**	-
Payments for development assets	**(222,026)**	-
Net cash used in investing activities	**(268,540)**	-
Financing activities		
Drawdown of DOCAs restructure loan	**2,170,888**	100,169
Net cash from financing activities	**2,170,888**	100,169
Net change in cash and cash equivalents	**792,497**	(1,168)
Cash and cash equivalents, beginning of reporting period	**32,896**	13,877
Cash and cash equivalents, end of period	**825,393**	12,709

This statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements
For the period ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of operations

Quantum Graphite Limited principal activity is the manufacture of high grade flake graphite products and the mining of and exploration for graphite deposits in South Australia.

b) General information and basis of preparation

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2018 and are presented in Australian Dollars, which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and Corporations Act 2001.

These interim financial statements have been prepared on a going concern basis. The 30 June 2018 financial statements were previously prepared on the realisation basis. The comparative figures have been reclassified, where appropriate, to the going concern basis of reporting.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 15 March 2019.

c) Changes in accounting policies

Going concern basis of accounting

The financial report has been prepared on the basis of a going concern. This is a significant change from the 30 June 2018 annual report which used the realisation basis of preparation due to the significant uncertainty of the Company's ability to meet its ongoing operating and financing commitments into the foreseeable future. On 14 August 2018 the Group completed the terms of the interlocking Deeds of Company Arrangements ("Interlocking DOCAs") and was reinstated on the Australian Securities Exchange ("ASX") on 27 September 2018.

The consolidated entity incurred a net loss after tax from continuing operations of $1,222,392 for the six months ended 31 December 2018, and had a net cash outflow of $1,378,391 from operating and investing activities. The consolidated entity is reliant upon completion of capital raising for continued operations and the provision of working capital. If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the Group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

New standards adopted as at 1 July 2018

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 30 June 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018. There is no impact to the Group's historical financial results given the company is not currently in production.

Notes to the financial statements
For the period ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets. When adopting AASB 9, the Group has applied transitional relief and elected not to restate prior periods.

The adoption of AASB 9 has mostly impacted the following areas:

Classification and measurement of the Group's financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Impairment of financial assets

The Group's financial assets are subject to AASB 9's new three-stage expected credit loss model. The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For trade receivables and contract assets under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

Notes to the financial statements
For the period ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Group.

Key estimates

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Decommissioning provision

Estimates and assumptions of the appropriate discount rate at which to discount the liability, the timing of cash flows, the application of relevant environmental legislation and the future expected costs of decommissioning are all used in determining the carrying value of the decommissioning provision.

2. EXPENSES

December 2018	**Corporate $**	**Commercialisation $**	**Pre-commissioning $**	**Total $**
Employee benefits expense	**156,718**	**-**	**-**	**156,718**
Other expenses	**304,436**	**-**	**-**	**304,436**
Subtotal	**461,154**	**-**	**-**	**461,154**
Depreciation expense	**30,578**	**-**	**-**	**30,578**
Total	**491,732**	**-**	**-**	**491,732**

December 2017	Corporate $	Commercialisation $	Pre-commissioning $	Total $
Employee benefits expense	-	-	-	-
Other expenses	208,139	47,083	618,527	873,749
Subtotal	208,139	47,083	618,527	873,749
Depreciation	40,562	-	-	40,562
Total	248,701	47,083	618,527	914,311

Commercialisation expenses include marketing and related expenses directed towards the development of markets. Pre-commissioning expenses include costs of Uley pre-production testing.

Notes to the financial statements
For the period ended 31 December 2018

3. EARNINGS PER SHARE

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to December 2018	6 months to December 2017
Weighted average number of shares used in basic earnings per share	**6,655,852,892**	214,266,897
Loss per share (cents)	**(0.02)**	(0.87)

In accordance with AASB 133 'Earnings per Share', there cannot be any dilutive securities as the Company made a loss for the reporting period.

4. RECEIVABLE FROM THE SA DEPARTMENT OF MINING AND ENERGY

	31 December 2018 $	30 June 2018 $
Opening balance	**1,073,863**	1,073,863
Drawn down/transfer of funds On Term Deposit	**-**	-
Closing balance	**1,073,863**	1,073,863

5. DEVELOPMENT ASSETS

	31 December 2017 $	30 June 2018 $
Opening balance	**6,753,775**	6,753,775
Additions during the year	**628,005**	-
Closing balance	**7,381,780**	6,753,775

The closing balance represents the director's assessment of the recoverable value of the mining permit and JORC resource associated with the Uley project.

6. EXPLORATION & EVALUATION ASSETS

	31 December 2017 $	30 June 2018 $
Opening balance	**1,415,705**	1,415,705
Additions during the year	**49,991**	-
Closing balance	**1,465,696**	1,415,705

Notes to the financial statements
For the period ended 31 December 2018

7. PLANT AND EQUIPMENT

December 2018	**Plant & Equipment $**	**Plant under construction $**	**Motor vehicles $**	**Office equipment $**	**Total $**
Gross carrying amount					
Opening balance	824,611	7,744,565	39,566	20,520	8,629,262
Additions/Disposals	-	-	-	-	-
Balance 31 December 2018	824,611	7,744,565	39,566	20,520	8,629,262
Depreciation and impairment					
Opening balance	(509,770)	(162,438)	(39,566)	(15,849)	(727,623)
Depreciation	(30,073)	-		(505)	(30,578)
Balance 31 December 2018	(539,843)	(162,438)	(39,566)	(16,354)	(758,201)
Carrying amount 31 December 2018	284,768	7,582,127	-	4,166	7,871,061

The carrying value reflects the director's assessment of the recoverable value of the plant and equipment.

June 2018	**Plant & Equipment $**	**Plant under construction $**	**Motor vehicles $**	**Office equipment $**	**Total $**
Gross carrying amount					
Opening balance	824,611	7,744,565	39,566	20,520	8,629,262
Additions/Disposals	-	-	-	-	-
Balance 30 June 2018	824,611	7,744,565	39,566	20,520	8,629,262
Depreciation and impairment					
Opening balance	(430,523)	(162,438)	(39,566)	(14,410)	(646,937)
Depreciation	(79,247)	-		(1,439)	(80,686)
Balance 30 June 2018	(509,770)	(162,438)	(39,566)	(15,849)	(727,623)
Carrying amount 30 June 2018	314,841	7,582,127	-	4,671	7,901,639

The carrying value reflects the director's assessment of the recoverable value of the plant and equipment.

Notes to the financial statements
For the period ended 31 December 2018

8. BORROWINGS

	31 December 2018 $	30 June 2018 $
Restructure loan	**-**	15,598,493
	-	15,598,493

During the reporting period and pursuant to the Interlocking DOCAs, the Restructure loan (secured lender: Chimaera Capital Limited as Trustee of the VXL General Liquidity Trust) of $18,584,699 was converted to equity.

9. ISSUED CAPITAL

	Number of shares #	**31 December 2018 $**
(a) Issued and paid up capital		
Fully paid ordinary shares	7,486,788,432	53,674,417
(b) Movements in fully paid ordinary shares		
Opening balance as 30 June 2018	1,003,907,007	37,555,718
Shares issued on 21 July 2018 – pursuant to the interlocking DOCAs	6,197,638,425	15,618,049
Shares issued on 28 August 2018 – in lieu of directors fee	108,000,000	54,000
Shares issued on 28 August 2018 – pursuant to the interlocking DOCAs	177,243,000	446,650
Balance as 31 December 2018	7,486,788,432	53,674,417

On 14 August 2018 the Company announced that the Interlocking DOCAs had been fully implemented with all conditions satisfied including the recapitalisation of the Company and the issue of all securities. Accordingly:

(a) the Deed Administrators, Mr Laurence Fitzgerald and Mr Michael Humphris, resigned and notified ASIC that the Interlocking DOCAs had been fully effectuated;
(b) the Group exited external administration; and
(c) the Group, following the restructure comprised Quantum Graphite Limited and Quantum Graphite Operations Pty Ltd.

Following shareholder approvals obtained at the 2017 AGM, the Company issued the following securities pursuant to ASX Listing Rule 7.1:

(a) On 21 July 2018, 6,197,638,425 shares at $0.0252 per share to the Secured Creditor Beneficiaries;
(b) On 21 July 2018, 1,000,000,000 options to acquire ordinary shares at an exercise price $0.00 with an expiry date of 20 July 2023;
(c) On 28 August 2018, 177,243,000 shares at $0.0252 per share to the Secured Creditor Beneficiaries in accordance with the Interlocking DOCAs; and
(d) On 28 August 2018, 108,000,000 shares at $0.001 per share to the directors in lieu of their quarterly director fees.

Notes to the financial statements
For the period ended 31 December 2018

10. RESERVES

	Number of options #	31 December 2018 $
(a) Share options reserve		
Share options reserve	1,000,000,000	2,520,000

Pursuant to the Interlocking DOCAs and following shareholder approvals obtained at the 2017 AGM (see Note 9 above), the Company issued 1,000,000,000 options to acquire ordinary shares were issued at an exercise price $0.00 on 21 July 2018 with an expiry date of 20 July 2023. In accordance with AASB 2, the Company has used the Black Scholes Model to value these options.

(b) Movements in share options reserve

Opening balance as 30 June 2018	-	-
Shares options issued on 21 July 2018 pursuant to the interlocking DOCAs	1,000,000,000	2,520,000
Balance as 31 December 2018	1,000,000,000	2,520,000

11. OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources have concluded that at this time there are no separately identifiable segments.

12. COMMITMENTS AND CONTINGENCIES

Exploration commitments

On 24 December 2018 the Group was notified of the renewal of EL6224 to 12 October 2020. The Group is required to expend a minimum of $140,000 per annum on exploration works on EL6224.

Contingent liabilities

The Group has no contingent assets or liabilities.

Notes to the financial statements
For the period ended 31 December 2018

13. RELATED PARTY TRANSACTIONS

During the period, Chimaera Capital Limited became a substantial shareholder of the Company. Details of this transaction are included in Note 8. The Group exited administration in July 2018 and Chimaera Capital Limited assumed responsibility for corporate and asset management services.

(a) Transactions during the period

Office rent charged	37,565
Tenement administration charged	34,150
IT services charged	30,735
Accounting services charged	34,150
Corporate administration fees charged	74,069
	210,669

Transactions with Chimaera Capital Limited in its capacity as Trustee for the VXL General Liquidity Trust (secured lender) during the period:

Interest charged	122,250
Trustee and restructuring fees charged (including amounts paid to the Deed Administrators)	669,508
	791,758

(b) Outstanding balances at 31 December 2018

Trade and other payables	30,360

14. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

The Company has been advised by its share registry that it has received Rights Offering proceeds of approximately $226,900. Pursuant to the OIS and ASX Listing Rule 7.2, the Directors reserved the right to place the shortfall, notified to the Company by the share registry, of the amount of 1,005,373,002 fully paid ordinary shares.

There were no other events that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of Quantum Graphite Limited:

a) the interim consolidated financial statements and notes of Quantum Graphite Limited are in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the period ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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.

Bruno Ruggiero
Chairman
15 March 2019

Sal Catalano
Executive Director
15 March 2019

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Independent Auditor's Review Report
To the Members of Quantum Graphite Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Quantum Graphite Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Quantum Graphite Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(c) in the financial report, which indicates that the Group incurred a net loss of $1,222,392 and a net cash outflow from operating and investing activities of $1,378,391 during the half year ended 31 December 2018. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 1(c), 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.

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 gives a true and fair view and 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 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 Group's financial position as at 31 December 2018 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 Quantum Graphite 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.*

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 15 March 2019