



Highlights

- Uley Project Expansion Definitive Feasibility Study (DFS) nearing completion with the release of metallurgical test work results during the quarter and the JORC compliant Mineral Resource Estimate announced on 15 July 2019.
- Metallurgical test work demonstrated **medium to extra-large flake constituting 73% of overall flake graphite production**
- Mineral Resource Estimate included **117% increase in Mineral Resources with 79% of total Resources classified in the Measured and Indicated categories**
- **Uley 2 Mine Plan (Mine Plan) scheduled for release by the end of August 2019. Mine Plan to include a number of enhancements to ensure timely production increases of up to 20% of base level production capacity to meet rapid changes in market conditions.**
- **JORC Ore Reserve Statement and DFS to follow upon completion of the Mine Plan** (including preparation of final operational costs) and assessment of flake graphite market pricing.

Uley Project Expansion and Definitive Feasibility Study (DFS)

On 11 June 2019, the company announced completion of the metallurgical test work program for the Uley 2 resource including all variations of carbon (C) at Uley 2 within the life of mine pit design (LOM) average of 12% graphitic carbon (gC)

The excellent results confirmed:

- Medium to Extra-Large Flake material supporting 73% of overall production of graphitic gC
- Large and Extra-Large Flake purities of 97.2%gC and 97.8%gC respectively
- Recoveries of 89% gC

The results by purity levels and size fractions are summarised in the table below:

Size Fraction (µm)	Size Fraction (Mesh)	Approx. Weight Dist.	Graphitic C Purity	LOI (%)
+300	+50	10.5	97.8	0.26
-300+150	-50+100	35.4	97.2	0.34
-150+75	-100+200	27.1	96.6	0.36
-75	-200	27.0	90.7	0.73

The results were achieved utilising limited crushing and grinding to 0.6 millimetres followed by conventional froth flotation concentration with a multiple stage polishing process. Reagent consumption in the froth flotation process is low to very low and did not materially impact results.

The test work program also substantiated certain proprietary enhancements to the processing path and these are expected to result in further improvements to these results, especially the proportion of Extra-Large Flake and the purity of the -75 micron production.



With the release of the company's new JORC compliant Mineral Resource estimate on 15 July 2019 (see table below), the key outstanding items to complete the DFS are the Mine Plan together with any applicable update to the company's JORC Ore Reserve statement to accommodate;

- the new JORC Mineral Reserve estimate; and
- the current operational costs and flake graphite market pricing conditions.

CLASSIFICATION	TONNES (Mt)	TGC (%)	DENSITY (t/M ³)	TGC (kt)
Measured	0.8	15.6	2.1	125
Indicated	4.2	10.4	2.1	435
Inferred	1.3	10.5	2.2	137
TOTAL	6.3	11.1	2.1	697

Lycopodium Minerals, the engineering group responsible for the DFS, has advised the company that the Mine Plan operational costs and cost structure are being finalised and likely to be made available to the company by mid-August 2019. The company expects to provide this data to the market as part of its release of the Mine Plan by the end of August 2019.

A critical design feature of the Mine Plan will be the added capability to accommodate a significant increase in mine throughput to ensure timely responses to changing market conditions. The Mine Plan will include the inbuilt capability to increase production by up to 20% without a material increase in operational costs aside from the usual costs associated with product handling and logistics.

The company will provide further details of the timing of the release of the JORC Ore Reserve Statement and the DFS following the release of the Mine Plan.

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%	Nil

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.

Corporate Information and Announcements

As at 30 June the company had 7,660,580,941 ordinary shares and 1,000,000,000 unlisted options on issue and 1,033 shareholders. The top 20 shareholders held 68.9% of the issued ordinary shares in the company.

As at 30 June 2019 the company held cash at bank of \$298,732. As at 31 July 2019 the company held cash at bank of \$262,167.

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>.

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

For further Information

For further information contact:

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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")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(126)	(499)
(b) development	-	(24)
(c) production	-	-
(d) staff costs	-	(69)
(e) administration and corporate costs	(232)	(1,234)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	7
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 (12 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	(357)	(1,819)

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	194	2,592
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 (12 months) \$A'000
3.4	Transaction costs related to issues of shares, convertible notes or options	(49)	(507)
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	145	2,085

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	511	544
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(357)	(1,819)
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)	145	2,085
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	299	810



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	-	-
5.2 Call deposits	299	511
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)	299	511

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**

(227)

-

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**

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8. Financing facilities available
Add notes as necessary for an understanding of the position

	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.

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(60)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(23)
9.5 Administration and corporate costs	(114)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(197)

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 lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

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.

Signed by the Company Secretary, Mr. Sal Catalano on 31 July 2019.

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.

