Quantum Graphite

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

This reporting period	1 July 2019 to 31 December 2019
Prior corresponding period	1 July 2018 to 31 December 2018

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	This Period	Prior Period
Total revenue from ordinary activities	-	276,386	-
(Loss)/profit from ordinary activities after tax attributable to members	24%	(291,027)	(1,222,392)
Net (loss)/profit attributable to members	24%	(291,027)	(1,222,392)

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 2019	As at 31 Dec 2018
Net tangible asset per ordinary share (cents per share)	(0.13)#	(0.64)

#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 2019.

This report is based upon the Financial Report for the Half Year to 31 December 2019 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 2019
to be read in conjunction with the 30 June 2019 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 2019 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

During the December 2019 half year, the Company achieved the critical milestones essential to the completion of the Uley 2 project Definitive Feasibility Study (DFS) and the development of the project. The DFS and the Company's exploration commitments were fully funded and the Company completed a consolidation of its equity capital on the basis of 1 for 35 applicable to all of the Company's issued securities, i.e., shares and options. The Company's financial performance remains broadly in line with plan.

Definitive Feasibility Study (DFS)

During the last quarter of 2019 the update to the Company's JORC Ore Reserves was released (see JORC 2012 Uley 2 Mining Study and Ore Reserve, ASX announcements of 27 November and 11 December 2019 respectively). The update represented the last of the key studies required for finalisation of the DFS and included a detailed sensitivity analysis which demonstrated a positive net present value NPV even with a 20% decline in revenues and a simultaneous 20% increase in all operating and corporate costs.

The DFS results are expected to be released shortly after the end of the first quarter of 2020 and will include the Uley 2 project base case scope, schedule and budget. The DFS will also identify Uley 2 project opportunities beyond the base case and include recommendations for further work to enhance project economics.

Share Consolidation

On 29 October 2019, the Company announced the consolidation of the Company's share capital on the basis of 1 for 35 for all of the Company's issued securities. The consolidation was completed on 2 December 2019, with post consolidation fully paid shares and options on issue of 218,874,240 and 28,571,429 respectively.

Other matters

The Sunlands Company Pty Ltd

On 21 November 2019 the Company announced the terms of the Memorandum of Understanding (MOU) concluded with The Sunlands Company Pty Ltd (TSC) in connection with the commercialisation of TSC's thermal battery technologies.

The MOU provides a framework within which the parties will collaborate in three key areas:

(a) Technical - the processing path necessary to deliver natural flake graphite, firstly with the minimum specifications required by TSC and secondly the downstream advanced processing and manufacturing of flake graphite needed for final assembly of TSC thermal battery cells;

(b) Offtake - negotiation of the offtake and related commercial arrangements that will govern the company's supply of flake graphite to TSC, offtake pricing structure and the provision of downstream services; and

(c) Commercialisation - The company will support TSC in its various commercialisation activities including contributing to TSC's tender submissions and providing technical information and support to TSC and TSC systems installations.

The MOU will have an initial term of 6 months and can be extended by agreement. The MOU will be terminated, including within the 6 months initial term, if the parties enter into any binding agreement relating to the areas of collaboration outlined above.

The MOU is non-binding except to the extent of the provisions dealing with term and termination, confidentiality and collaboration procedures.

Iron Road Limited

On 4 December 2019 the Company announced that it had entered into a Memorandum of Understanding (MOU) with Iron Road Limited (IRD) in connection with the company's interest in the utilisation of the proposed Cape Hardy port facility as a logistics solution for the export of its natural flake graphite production from its Uley 2 mine. Cape Hardy will be South Australia's first deep water port and incorporate shallow draft off-loading facilities, which will facilitate movement of cargo to and from the port.

The Company and IRD recognise the enormous strategic benefits to the Eyre Peninsula of the Cape Hardy port facility. The Company will work with IRD to develop a working proposal that meets its immediate requirements of low cost, efficient, direct access to Port Adelaide Outer Harbour. In the longer term, adding the Company's increasing export throughput to the broader commercial export/import activities of the Eyre Peninsula, raises the potential of direct export from Cape Hardy.

The MOU will have an initial term of two years and may be terminated earlier by the parties with notice. The MOU is non-binding except to the extent of the provisions dealing with term and termination, confidentiality and intellectual property created under the MOU and the administration of, and the procedures governing the collaboration procedures.

Events Arising Since the End of The Reporting Period

There were no 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 section 307C 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
12 March 2020

Sal Catalano
Executive Director
12 March 2020

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Auditor's 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 2019. 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 12 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Notes	31 December 2019 $	31 December 2018 $
Other income	2	**509,335**	-
Corporate and asset management expenses	3	**(755,238)**	(461,154)
Commercialisation expenses	3	**(17,350)**	-
Depreciation	3	**(27,961)**	(30,578)
Miscellaneous assets write-off		**-**	(39,176)
Total operating loss		**(291,214)**	(530,908)
Interest revenue		**187**	4,474
Interest expense		**-**	(122,250)
Restructure costs		**-**	(573,708)
Net financing expense		**187**	(691,484)
Loss before tax		**(291,027)**	(1,222,392)
Income tax benefit		**-**	-
Loss for the reporting period attributable to owners of the parent entity		**(291,027)**	(1,222,392)
Other comprehensive income		**-**	-
Total comprehensive loss for the period attributable to owners of the parent entity		**(291,027)**	(1,222,392)
Loss per share from continuing operations			
Basic and diluted loss – cents per share	4	**(0.13)**	(0.64)

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

Consolidated Statement of Financial Position
As at 31 December 2019

	Notes	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		**296,088**	400,500
Trade and other receivables		**123,609**	321,953
Prepayments		**-**	23,258
Total current assets		**419,697**	745,711
Non-current assets			
Receivable from the SA Department of Mining and Energy	5	**1,073,863**	1,073,863
Intangible assets		**7,189**	7,189
Development assets	6	**13,658,705**	13,624,681
Exploration and evaluation assets	7	**1,634,331**	1,538,421
Plant and equipment	8	**411,405**	439,366
Total non-current assets		**16,785,493**	16,683,520
TOTAL ASSETS		**17,205,190**	17,429,231
Current liabilities			
Trade and other payables		**581,759**	514,773
Total current liabilities		**581,759**	514,773
Non- current liabilities			
Rehabilitation provisions		**558,369**	558,369
Total non-current liabilities		**558,369**	558,369
TOTAL LIABILITIES		**1,140,128**	1,073,142
NET ASSETS		**16,065,062**	16,356,089
EQUITY			
Issued capital	9	**54,249,795**	54,249,795
Reserves	10	**2,520,000**	2,520,000
Accumulated losses		**(40,704,733)**	(40,413,706)
TOTAL EQUITY		**16,065,062**	16,356,089

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 2019

	Share capital $	Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2019	**54,249,795**	**2,520,000**	**(40,413,706)**	**16,356,089**
Comprehensive income:				
Total loss for the reporting period	-	-	(291,027)	(291,027)
Total other comprehensive income for the reporting period	-	-	-	-
Balance 31 December 2019	**54,249,795**	**2,520,000**	**(40,704,733)**	**16,065,062**

	Share capital $	Reserves $	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
Share 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**

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 2019

	31 December 2019 $	31 December 2018 $
Operating activities		
Receipts from customers	**-**	-
Payments to suppliers and employees	**(259,313)**	(1,113,578)
Interest paid	**(1,050)**	-
Interest received	**276**	3,727
R&D tax concession received	**276,386**	-
Net cash provided by/(used in) operating activities	**16,299**	(1,109,851)
Investing activities		
Payments for exploration and evaluation assets	**(90,585)**	(46,514)
Payments for development assets	**(195,126)**	(222,026)
Proceeds from sale of development assets	**165,000**	-
Net cash used in investing activities	**(120,711)**	(268,540)
Financing activities		
Drawdown of DOCAs restructure loan	**-**	2,170,888
Net cash from financing activities	**-**	2,170,888
Net change in cash and cash equivalents	**(104,412)**	792,497
Cash and cash equivalents, beginning of reporting period	**400,500**	32,896
Cash and cash equivalents, end of period	**296,088**	825,393

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 2019

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 2019 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 2019 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.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 12 March 2020.

Going concern basis of accounting

These interim financial statements have been prepared on a going concern basis. The consolidated entity incurred a net loss after tax from continuing operations of $291,027 for the six months ended 31 December 2019, and had a net cash outflow of $104,412 from operating and investing activities after the receipt of the R&D tax concession. 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.

c) Changes in accounting policies

New standards adopted as at 1 July 2019

AASB 16 Leases

AASB 16 supersedes AASB 17 and Interpretation 4 Determining whether an Arrangement contains a Lease and became effective for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Accordingly, the Group applied AASB 16 for the first time for the period ended 31 December 2019.

AASB 16 Leases became effective for period beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 for the first time for the interim period 31 December 2019. Changes to the Group's accounting policies arising from these standards are summarised below.

Total operating lease commitments to 30 June 2019 was $nil as the Group currently leases its office space on a month by month contractual basis. As a result, the leases held by the Group satisfied the relevant criteria of a short-term lease under AASB 16, therefore this standard has no impact on the Group.

Notes to the financial statements
For the period ended 31 December 2019

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.

R&D Tax Concession

To the extent that research and development costs are eligible under the 'Research and development tax incentive' programme, a 43.5% refundable offset is available for companies with annual turnover of less than $20million. Research and development tax incentive income is recognised at fair value when there is a reasonable expectation that the income will be received. The expected future R&D tax incentive for qualifying R&D expenditure has been accrued and is also recognised as other income in the statement of profit or loss. The Company has estimated the amount of future R&D incentive receivable on ongoing projects on the basis that the expected amount of the incentive can be reliably measured and receipted.

e) Quarterly cash flows

Payments for exploration and evaluation assets reported in the consolidated statement of cash flows is reported as an investing activity in accordance with AASB 107 *Statement of Cash Flows*. This varies from the reporting in the Appendix 5B Quarterly Cash Flow Reports in which these payments are included in operating activities. Going forward, capitalised expenditure on exploration and development assets will be classified as investing activities in the Appendix 5B.

2. OTHER INCOME

	31 December 2019	31 December 2018
	$	$
R&D tax incentive[1]	**359,335**	-
Gain on sale of assets	**150,000**	
Other income	**509,335**	-

1. R&D tax incentive income consists of $276,386 received from the 30 June 2019 claim, and an accrual of $82,949 which is an estimate based on costs to be submitted for the future claim to be completed for 30 June 2020.

3. EXPENSES

December 2019	**Corporate $**	**Commercialisation $**	**Pre-commissioning $**	**Total $**
Employee benefits expense	**204,000**	**-**	**-**	**204,000**
Other expenses	**551,238**	**17,350**	**-**	**568,588**
Subtotal	**755,238**	**17,350**	**-**	**772,588**
Depreciation expense	**27,961**	**-**	**-**	**27,961**
Total	**783,199**	**17,350**	**-**	**800,549**

Notes to the financial statements
For the period ended 31 December 2019

3. EXPENSES (CONTINUED)

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

Commercialisation expenses include marketing and related expenses directed towards the development of markets. Pre-commissioning expenses include costs of Uley pre-production testing. Other expenses includes expenses relating to the regulatory administration and compliance (including maintenance) of the company's mining titles.

4. 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 2019	6 months to December (restated) 2018
Weighted average number of shares used in basic earnings per share	**218,873,741**	190,479,560
Loss per share (cents)	**(0.13)**	(0.64)

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

Total number of shares used in the calculation for the prior corresponding period (31 December 2018) of 190,479,560 has been adjusted to account for the share consolidation of 1:35 which occurred on 2 December 2019 to enable comparison with the current period.

5. RECEIVABLE FROM THE SA DEPARTMENT OF MINING AND ENERGY

	31 December 2019 $	30 June 2019 $
Opening balance	**1,073,863**	1,073,863
Drawn down/transfer of funds On Term Deposit	**-**	-
Closing balance	**1,073,863**	1,073,863

Notes to the financial statements
For the period ended 31 December 2019

6. DEVELOPMENT ASSETS

	31 December 2019 $	30 June 2019 $
Opening balance	**13,624,681**	6,753,775
Additions/Disposals during the year	**34,024**	725,196
Transfer from plant and equipment	**-**	6,145,710
Closing balance	**13,658,705**	13,624,681

The closing balance represents the directors' assessment of the recoverable value of the mining titles and JORC reserves and resources associated with the Uley project.

7. EXPLORATION & EVALUATION ASSETS

	31 December 2019 $	30 June 2019 $
Opening balance	**1,538,421**	1,415,705
Additions during the year	**95,910**	122,716
Closing balance	**1,634,331**	1,538,421

8. PLANT AND EQUIPMENT

December 2019	**Plant & Equipment $**	**Plant under construction $**	**Motor vehicles $**	**Office equipment $**	**Total $**
Gross carrying amount					
Opening balance	797,454	-	39,566	-	837,020
Additions/Disposals	-	-	-	-	-
Balance 31 December 2019	797,454	-	39,566	-	837,020
Depreciation and impairment					
Opening balance	(358,088)	-	(39,566)	-	(397,654)
Depreciation	(27,961)	-	-	-	(27,961)
Balance 31 December 2019	(386,049)	-	(39,566)	-	(425,615)
Carrying amount 31 December 2019	411,405	-	-	-	411,405

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

Notes to the financial statements
For the period ended 31 December 2019

8. PLANT AND EQUIPMENT (CONTINUED)

June 2019	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	312,584	(312,584)	-	-	-
Transfer to development assets	-	(6,308,148)	-	-	(6,308,148)
Write off assets	(339,741)	(1,123,833)	-	(20,520)	(1,484,094)
Balance 30 June 2019	797,454	-	39,566	-	837,020
Depreciation and impairment					
Opening balance	(509,770)	(162,438)	(39,566)	(15,849)	(727,623)
Depreciation	(48,756)	-	-	-	(48,756)
Transfer to development assets	127,036	162,438	-	-	289,474
Write off assets	73,402	-	-	15,849	89,251
Balance 30 June 2019	(358,088)	-	(39,566)	-	(397,654)
Carrying amount 30 June 2019	439,366	-	-	-	439,366

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

9. ISSUED CAPITAL

	Number of shares #	31 December 2019 $
(a) Issued and paid up capital		
Fully paid ordinary shares	218,874,240	54,249,795
(b) Movements in fully paid ordinary shares		
Opening balance as 30 June 2019	7,660,580,941	54,249,795
Security consolidation	(7,441,706,701)	-
Balance as 31 December 2019	218,874,240	54,249,795

On 29 October 2019, the Company announced the consolidation of the Company's share capital on the basis of 1 for 35. The consolidation was completed on 2 December 2019, with post consolidation shares and options on issue of 218,874,240 and 28,571,429 respectively.

Notes to the financial statements
For the period ended 31 December 2019

10. RESERVES

	Number of options #	31 December 2019 $
(a) Share options reserve		
Share options reserve	28,571,429	2,520,000

Pursuant to the Interlocking DOCAs and following shareholder approvals obtained at the 2017 AGM, the Company issued 1,000,000,000 options to acquire ordinary shares at an exercise price of $nil 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.

On 29 October 2019, the Company announced completion of a consolidation of the Company's share capital on the basis of 1 for 35. The consolidation was completed on 2 December 2019, with post consolidation shares and options on issue of 218,874,240 and 28,571,429 respectively.

(b) Movements in share options reserve

Opening balance as 30 June 2019	1,000,000,000	2,520,000
Security consolidation 2 December 2019	(971,428,571)	-
Balance as 31 December 2019	28,571,429	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 company was notified of the renewal of EL6224 to 12 October 2020. The requirement to expend an amount of no less than $280,000 on exploration in the area comprised in the Licence during the term of this licence has been met.

Contingent liabilities

The Group has no contingent assets or liabilities.

Notes to the financial statements
For the period ended 31 December 2019

13. RELATED PARTY TRANSACTIONS

Chimaera Capital Limited is responsible for corporate and asset management services.

	31 December 2019	31 December 2018
	$	$
(a) Transactions during the period		
Office rent charged	90,585	37,565
Tenement administration charged	82,350	34,150
IT services charged	74,115	30,735
Accounting services charged	82,350	34,150
Corporate administration fees charged	28,822	74,069
Research and development	53,528	-
	411,750	210,669
(b) Outstanding balances at 31 December 2019		
Trade and other payables	28,827	30,360

In addition to providing these services, $269,333 (30 June 2019: $358,732) of the Group's Cash and Cash Equivalents is held with Chimaera Custody Services, Chimaera Capital Limited.

14. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

There were no 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 2019 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
12 March 2020

Sal Catalano
Executive Director
12 March 2020

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Independent Auditor's Report

To the Members of Quantum Graphite Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Quantum Graphite Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 in the financial report, which indicates that the Group incurred a net loss of $291,027 during the half year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by $162,062. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

Grant Thornton

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 2019 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

B K Wundersitz
Partner – Audit & Assurance

Adelaide, 12 March 2020