

Shareholder Update

Following queries raised by shareholders with Directors, the Board provides further information relating to the suspension of quotation of the Company's securities.

The ASX advised the Company on 2 October 2020 that it required further information relating to the Company's 2020 annual financial report (**Report**). The Company has not yet received any details of the information required but expects to receive the request today and will provide the information requested as soon as practicable.

The Directors' position in respect of the Company's Report is clearly expressed in it and remains unchanged. Uley 2 represents a world class graphite project and continues the development of a century old mining project with outstanding prospects and supported by a major global shift of new and additional investment in technology minerals.

Whilst the Directors acknowledge that COVID-19 has both detrimentally impacted the level of industrial activity and access to project funding, this in no way detracts from the market trend in technology minerals and Uley 2's position as the leading graphite project available globally.

Further, leading mineral consultants **Roskill** summarised the current graphite market in its brief on 5 October 2020:

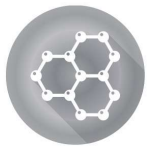
Graphite prices stay high – both supply and demand under Covid-19 pressure but battery demand resilient

High flake graphite prices enable mines outside of China

Despite considerable Covid-19 uncertainty in Q2 2020, graphite prices remain high, with March 2020 prices for 94-97%C fine, medium and large size flake still significantly higher than their September 2017 prices – a time when graphite prices hit their lowest point. Prices have increased steadily since late 2017 as demand for flake graphite from the lithium-ion battery industry coincided with Chinese environmental inspections and then Covid-19 plant closures.

Sustained high prices have encouraged development of flake graphite projects outside of China. During 2019 and early 2020, several projects completed feasibility studies, prefeasibility studies, scoping studies, or resource updates.

The Board notes that the technical work in relation to Uley 2 has been successfully completed and the project's feasibility has been established on its proved and probable resources alone.



Quantum Graphite

Shareholders are referred to the Company's announcements, in particular the JORC 2012 Mining Study and Ore Reserve Statement.

Notwithstanding the current funding challenges, the Board remains confident that any uncertainty in the capital markets will be resolved once industrial activity returns to business as usual.

For further information contact:
Company Secretary
Quantum Graphite Limited
e: info@qgraphite.com