

Quarterly Activity Report and Appendix 5B

Period Ending 31 December 2020

For Immediate Release

29 January 2021

Highlights

- **Requotation of the Company's shares** The Company expects its shares will be requoted following the lodging of the Company's 2021 half year financial statements.
- **Sunlands Co. Collaboration – Final Testwork Program** The scheduled commencement of the final Sunlands Co. flake testwork program was again delayed due to the difficulties associated with key technical people travelling to and from the states of Western Australia, New South Wales and Victoria. With the opening of borders, this program is now expected to commence immediately and conclude by the end of March 2021.
- **Sunlands Co. Collaboration – Commercial Pilot** The design phase of Sunlands' commercial pilot facility is now progressing to the appointment of an EPC partner responsible for the construction of the thermal battery and associated electricity generation system.
- **Marketing - Sunlands Co. Offtake** The Company and Sunlands have agreed to finalise offtake arrangements even though the Sunlands' final testwork program has not been concluded.
- **Marketing – Key Customers** The Company continues discussions with key target end user customers however with continued restrictions on overseas travel, the marketing focus has shifted to North Asia, principally Japan and North Korea.
- **COVID-19 Flake Graphite Market Impact** European market prices for the Company's medium, large and extra-large flake graphite (i.e., > 95%, >-100 mesh) did not materially change from the end of the prior quarter. The market continues to be relatively tight and modest increases in demand are likely to push prices higher reflecting limited Chinese supply capability to meet large flake product needs.

In contrast, the market for electric vehicle feedstock, i.e., fine natural flake graphite (94%, -100 mesh) is unchanged with significant supply available to meet market expansion.



Requotation of the Company's shares

The Company expects its shares to be requoted upon lodgement of the 2021 half year financial statements. In particular, it expects that the half year financial statements will not include an audit opinion (i.e., a disclaimer opinion) in the form that was included in the 2020 Annual Financial Report.

The Board reiterates that its position in respect of the 2020 Annual Financial Report is clearly expressed in the report and remains unchanged (see Market Release of 12 October 2021). Uley 2 represents a world class graphite product with a completed Definitive Feasibility Study and JORC 2012 compliant Mining Study and Reserves Statement that underpin the continued development of a century old mining project and strongly supported by a major global shift of new and additional investment in technology and minerals.

Sunlands Co. Collaboration – Commercial Pilot Project, Sunlands Co. Final Testwork Program

The Company has previously announced details of Sunlands Co.'s design and construction of a commercial pilot facility that will demonstrate the Sunlands Co. thermal energy storage technology and associated electricity generation systems.

Sunlands Co. has advised the Company that the initial design phase of the commercial pilot facility has now progressed to the selection of a suitable EPC contractor for the final design and construction of the pilot and that the EPC appointment will be confirmed next month.

Following the extension of the Memorandum of Understanding (MOU) between the parties in the previous quarter, the focus of collaboration activities moved to the detailed flake specification required for the pilot facility.

Sunlands Co. has developed a testwork program that will provide critical data essential to the development of the additional processing necessary to deliver the final flake specifications required for thermal storage cells. This program represents Sunlands Co. final testwork and is essential to defining the incremental processing elements to be included within the Uley 2 process plant development.

Continuing restrictions during the last quarter of the 2020 calendar year resulted in this testwork program being delayed several times and finally rescheduled for early 2021.

With the opening of borders between States, the Company is now confident that this testwork will be concluded prior to the end of the first quarter of calendar 2021 subject to any further border restrictions being imposed.

Marketing - Sunlands Co. Offtake, Key Target Customers

The Company and Sunlands Co. had previously agreed to conclude offtake arrangements between them once the Sunlands Co. testwork program referred to above was completed. The parties have now agreed that they will not wait on completion of the testwork and instead conclude the formal binding offtake agreement by the end of February 2021.

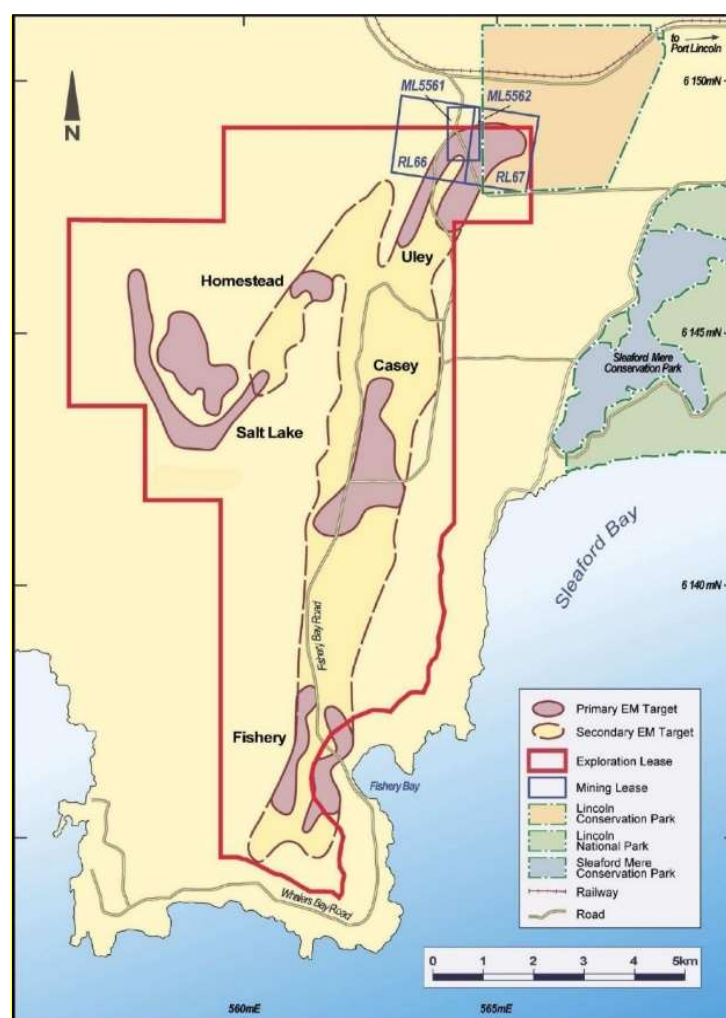
The Company has previously alerted the market to its ongoing discussions with key target customers in Europe and North Asia. These targets are primarily end user manufacturers requiring medium to extra-large flake graphite material. Whilst the Company still considers this market segment to be an important part of its customer base, it has shifted focus to North Asia, principally Japanese and South Korean major trading groups. A common feature of both these markets is the interest in diversifying their natural flake graphite supply and reducing supply chain dependency on China and developing market producers.

COVID-19 Flake Graphite Market Impact

The market for Uley 2 material remains unchanged from the end of the prior quarter. In particular, flake size of greater than -100 mesh is relatively tight and the limited capacity of major Chinese producers to expand production in this area will continue to support firm prices for the foreseeable future. The Company expects that modest growth in demand in this area will have a significant impact on price.

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 31 December 2020 the Company had 230,002,201 ordinary shares and 28,571,429 unlisted options on issue and 987 shareholders. The top 20 shareholders held 66.83% of the issued ordinary shares in the Company.

As at 31 December 2020 the Company held cash at bank of \$27,783. As at 29 January 2021 the Company held cash at bank of \$13,275.

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:

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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Quantum Graphite Limited

ABN

41 008 101 979

Quarter ended ("current quarter")

31 December 2020

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 (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(23)	(47)
(e) administration and corporate costs	6	(31)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(17)	(78)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(13)	(18)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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	(13)	(18)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13	13
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17)	32
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(18)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	(17)	27

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	-	-
5.2	Call deposits	(17)	57
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)	(17)	57

6. Payments to related parties of the entity and their associates**Current quarter
\$A'000**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

(25)

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	Financing facilities	<table><tr><th>Total facility amount at quarter end \$A'000</th><th>Amount drawn at quarter end \$A'000</th></tr><tr><td>-</td><td>-</td></tr><tr><td></td><td>-</td></tr><tr><td>-</td><td>-</td></tr><tr><td>-</td><td>-</td></tr></table>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000	-	-		-	-	-	-	-
Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000											
-	-											
	-											
-	-											
-	-											
<i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i>												
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>												
7.1	Loan facilities											
7.2	Credit standby arrangements											
7.3	Other (please specify)											
7.4	Total financing facilities											
7.5	Unused financing facilities available at quarter end											
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.											

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(17)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(13)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(30)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	(17)
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	(17)
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No because the Company has substantially concluded the work in connection with the Uley 2 Definitive Feasibility Study and it has the capacity to reduce or defer cash outflows whilst maintaining its key operating activities

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. The Company plans to raise further capital by way of the issue of additional equity. The Company expects to be successful in the raising of equity capital.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company's operations will continue on substantially the same basis as recent quarters subject to the ongoing review, and if necessary, reduction or deferral, of non-essential cash outflows.

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.

DATE: 29 January 2021

AUTHORISED BY: ROCHELLE PATTISON
COMPANY SECRETARY

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.