

Quarterly Activity Report and Appendix 5B for 31 March 2021

Highlights

Corporate: Requotation of Shares and New Share Issue

Following the Company's lodgement of its 2021 Interim Financial Statements, it continues to work with the ASX to lift the suspension on quotation of the Company's shares.

During the quarter the Company raised approximately \$2million in capital by way of the placement of new shares to institutional and sophisticated investors. Just over a quarter of this placement is subject to shareholder approval at the General Meeting scheduled for 28 May 2021.

Following continuous delays caused by COVID-19 in 2020, funding partner due diligence investigations resumed and largely concluded by the end of the quarter.

New Drilling Program

As announced earlier this week, the Company has approved the next stage of the in-fill drilling to extend the Uley 2 Reserves and Resources. In addition, its significant exploration tenement, EL6224, will be the subject of further exploration, specifically within one of the other 3 high grade envelopes (ie., Salt Lake, Casey and Fishery).

Technical & Commercial Sales Engagement with Key Customers

Despite levels of industrial activity remaining subdued across Europe, the Company has resumed technical sales engagements with key customers. It is now scheduled to ship samples from its existing stockpiles to Europe. The samples +196, +197 and +595 product.

Commencement of New Research & Development Workstream

As recently announced, the Company has made application for a grant under the Federal Government's Modern Manufacturing Initiatives (MMI) Translation Stream. This R&D program includes testwork aimed at developing the advanced processing and manufacturing pathway for the local production of thermal storage media based on Uley 2 coarse flake. This program has the potential to support a new market that would include the critical component required by The Sunlands Company Pty Ltd (Sunlands) for its thermal energy storage (TES) cells.

Sunlands Collaboration

Commercial Pilot Program - The development of Sunlands' commercial pilot facility has progressed further to the appointment of engineering and associated specialist contractors. Sunlands has advised that it is also in the final stages of selecting an appropriate Australian network grid participant as its National Electricity Market partner.

Resumption of Testwork Program - The Company has resumed the testwork program that was the subject of COVID-19 related interruptions in the last quarter of 2020.

Offtake – As announced earlier this week, the proposed offtake arrangement between the Company and Sunlands is the subject of continuing negotiations principally focused on the individual specifications of the multiple coarse flake product mix required by Sunlands. The Company has proposed a solution and expects Sunlands to respond by mid-May 2021.

ABOUT QUANTUM GRAPHITE LIMITED

QGL is the owner of the Uley flake graphite mineral deposits located south-west of Port Lincoln, South Australia. The company's Uley 2 project represents the next stage of development of the century old Uley mine, one of the largest high-grade natural flake deposits in the world. For further information, qgraphite.com.

Corporate

The Board was pleased that the Company’s 2021 Interim Financial Statements were the subject of an unqualified audit review report. Following lodgement of these financial statements the Company has been in discussions with the ASX in connection with the lifting of the suspension of the quotation of the Company’s shares. In addition, to the financial statements, the Company has made detailed submissions in relation to its operations and future plans. The Company expects to update the market next week.

During the quarter, the Company concluded a placement of new shares to institutional and sophisticated investors to raise approximately \$2million. Approximately 25% of this placement included an issue of new shares to related parties subject to approval of shareholders at the General Meeting scheduled for 28 May 2021. Details of the placement including a summary of the use of funds and the issue of shares to related parties is set out in the Company’s Notice of General Meeting (**Notice**) issued on 23 April 2021.

The Notice also includes:

- (a) a resolution to ratify the placement of new shares and consequently, refresh its placement capacity under ASX Listing Rule 7.1; and
- (b) a resolution to approve the issue of shares to Chimaera Capital Markets (**CCM**), a related party, in connection with the provision of services for the funding of Uley 2. This issue is conditional upon CCM achieving certain conditions and milestones as stipulated in the Notice.

New Drilling Program

The Company recently announced the extension drilling program aimed at increasing the JORC 2012 Uley 2 Reserves and Resources and continuing the exploration activities over its extensive exploration licence EL6224.

The infill drilling program will continue along the Central Conductor (see Figure 1) which hosts the Uley 2 Pit. In addition, further drilling will be conducted within the Eastern Conductor (see Figure 2) to bring the whole of the Eastern Conductor Resource within the Company’s JORC 2012 Mineral Reserves and Resources. The 2014 drilling program commenced the drilling of the area immediately adjacent to the Uley 2 Pit and this will now extend along the Eastern Conductor.

The drilling of at least one other of the high grade graphite envelopes within EL 6224 (see Figure 2 highlighted areas in orange) represents the first extensive drilling beyond the Uley deposit since the work undertaken by Rio Tinto (CRA Explorations) in the 1980s. EL 6224 hosts the broader Mikkira graphite province owned by the Company and this next stage of drilling begins an exciting stage in the Company’s development of this globally significant resource.

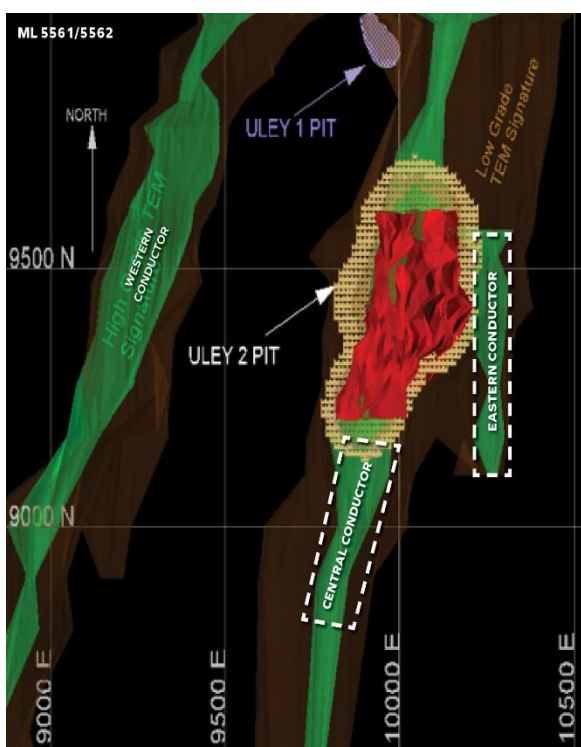


Fig 1: Uley Deposits

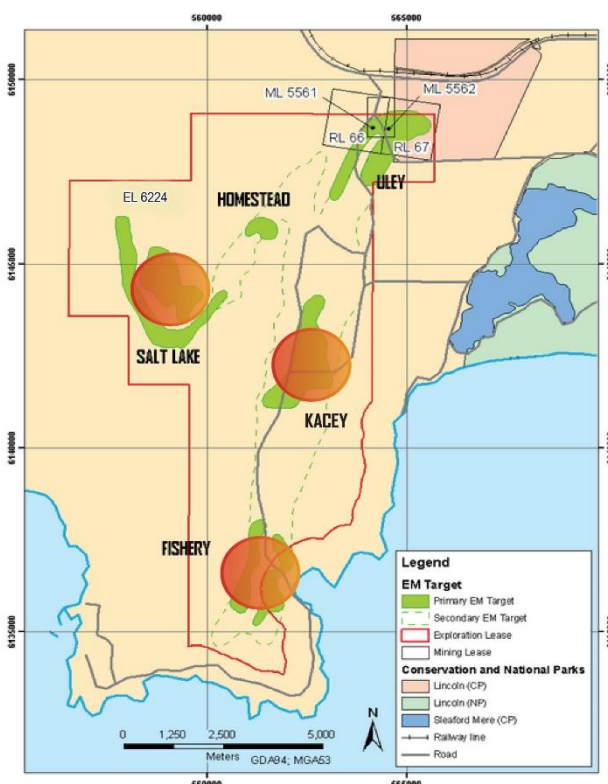


Fig 2: High grade envelopes (marked in orange)

Technical & Commercial Sales Engagement with Key Customers

The Company has resumed technical sales engagements with key customers. This is particularly pleasing despite levels of industrial activity remaining subdued across Europe.

Building on its expertise in thermal based products, the Company is engaging with customers in USA and Germany seeking significant samples to undertake testing of Uley coarse flake for high temperature applications. The samples, which will be sourced from the Company's existing product stockpiles, will include +196, +197 and +595 product.

The testwork is aimed at pre-qualifying Uley flake well beyond the specifications required for refractory based products and underpins the Company's plans to become a key supplier of products for use in high value applications requiring high purity and very high conductivity levels, essential to a number of new and emerging thermal management technologies.

Commencement of New Research & Development Workstream

Earlier this week, the Company announced the lodgement of application with the Federal Government for a grant under the *Department of Industry, Science, Energy and Resources Modern Manufacturing Initiative* (MMI) lodged on 1 April 2021.

Sunlands has provided all necessary technical support, including relevant technology licensing, for the Company's application. Details of the *MMI's Translation Stream* concession can be found at <https://business.gov.au/grants-and-programs/modern-manufacturing-initiative-manufacturing-translation>. This concession caters specifically for companies seeking support for new innovative manufacturing processes that are intended to service new technologies/industries.

If successful, the grant will enable the Company to bridge the gap between the advanced processing of Uley 2 coarse flake (see below) to the actual manufacturing of high temperature thermal energy management and storage media.

Sunlands Collaboration

During the quarter Sunlands' confirmed that it had progressed its plans to construct a commercial pilot facility by the appointment of engineering and associated specialist contractors and had reached the final stages of selecting an appropriate Australian network grid participant as its National Electricity Market partner. The Company expects to make further announcements in respect of the pilot facility during this quarter,

The Company was finally able to resume the testwork program that was the subject of COVID-19 related interruptions in the last quarter of 2020. This testwork program is aimed at confirming certain characteristics essential to meeting Sunlands' coarse flake specifications. Results of the program to date are positive and consistent with the Company's expectations. Final results will be released to the market on completion of the testwork program.

As announced earlier this week, the proposed offtake arrangement between the Company and Sunlands is the subject of continuing negotiations principally focused on the individual specifications of the multiple coarse flake product mix required by Sunlands and the complexity associated with defining the endpoint of the advanced processing and manufacturing activities to be undertaken by the Company across this product mix. The Company has proposed a solution and expects Sunlands to respond by mid-May 2021.

The parties remain committed to the in-principle arrangements between the parties relating to the Company's exclusive supply of Sunlands coarse flake requirements and it expects to resolve all matters relating to offtake within this quarter.

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

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 March 2021 the company had 252,932,988 ordinary shares and 28,571,429 unlisted options on issue and 1,002 shareholders. The top 20 shareholders held 61.63% of the issued ordinary shares in the company.

As at 31 March 2021 the company held cash at bank of \$1,461,688.85. As at 30 April 2021 the company held cash at bank of \$1,217,592.23.

This report should be read in conjunction with all prior announcements made by the company to the ASX 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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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)	(70)
(e) administration and corporate costs	(20)	(51)
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	(43)	(121)
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)	(14)	(32)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(14)	(32)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,491	1,491
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	1,491	1,491

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27	13
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(43)	(11)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(14)	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,491	1,491

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,461	1,461

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	1,461	(18)
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)	1,461	(18)

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	(25)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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		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)	(43)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(14)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(57)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,461
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,461
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	26

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:

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:

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:

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:	30 April 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.