

Quarterly Activity Report and Appendix 5B for 30 September 2021

Highlights

Corporate

Preparing for resumption of trading

With the near completion of the Eastern Conductor drilling program, the Company is preparing for the resumption of trading in its securities.

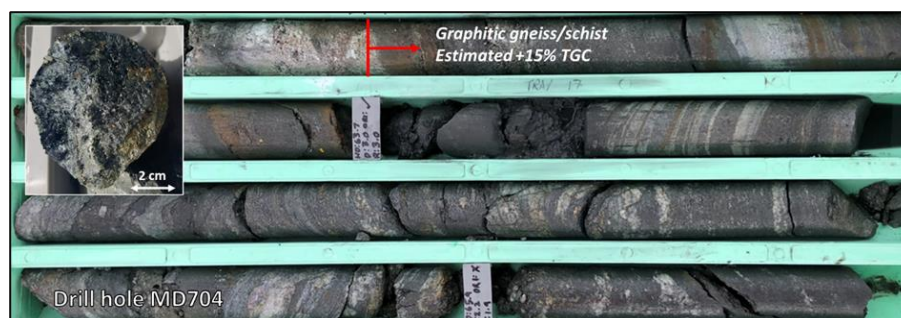
Drilling Program

Eastern Conductor – Uley 2 extensional drilling

The Eastern Conductor drilling program, representing the extensional drilling campaign immediately to the east of the proposed Uley 2 pit, is concluding. The first set of results are expected to be announced within the next 10 days.

The announcement of 13 September 2021 included the following visual results of significant graphitic intersections from drillhole MD704:

- 51.8m to 53.1m graphitic gneiss/schist estimated as **+20% TGC**
- 57.0m to 58.2m graphitic gneiss/schist estimated as **+10-20%**
- TGC. 62.8m to 70.5m graphitic gneiss/schist estimated as **+20% TGC**



Sunlands Co. Joint Venture

Negotiation of Operating Agreement

Following agreement on the equity and commercial elements of the joint venture, the parties focused efforts on the negotiation of the joint venture operating agreement. This agreement will detail the Board and management structure and govern all aspects of day-to-day activities. The parties expect to conclude this agreement by the end of 2021.

Research & Development

High temperature research

The Company continues its research and development on the upgrading of Uley 2 coarse flake beyond the existing 98% purity level. The next stage of this work involves a high temperature testwork program which will also assist the Company advance the work being undertaking with Sunlands Co. for the manufacturing pathway of the thermal storage media for Sunlands Co.'s thermal energy storage cells.

Corporate

The Company has previously announced that the ASX has advised the Company's securities will be reinstated to quotation once sufficient exploration has been undertaken. We will release the results of the Eastern Conductor drilling program to the market as they become available. As drilling is nearing completion a further update of the drilling activities has been provided to the ASX. The update also included a summary of the Company's other activities, all of which have been the subject of announcements to the market.

During drilling, the Company moved significant sample inventory to Melbourne to enable the resumption of technical sales engagements with key target customers. This will ensure that samples can now be shipped to prospective customers free of COVID-19 disruptions to interstate travel.

Work on the Company's ACT Capital Luxembourg bond offering was mainly directed at updating the financial modelling for the proposed structure preferred by the arrangers and preparing the risk submission documentation for the rating agencies. The Company expects that arrangers will commence discussions with ratings agencies during this quarter prior to finalising this documentation. These discussions will provide arrangers with valuable feedback on the Company's preferred structure and terms and enable the parties to finalise the risk submission documentation. The Company is prioritising this work and is targeting completion by the end of this quarter. This is the critical and final step prior to work commencing on the LuxSE regulatory/disclosure documentation (including the prospectus).

Eastern Conductor Extensional Drilling Program

Despite significant setbacks resulting from COVID-19, mobilisation of plant and personnel was successfully completed in early September 2021. Drilling was well progressed by the end of the quarter and is now nearing completion.

The Eastern Conductor is immediately adjacent to the proposed Uley 2 Pit as illustrated in Figure 1. The location of drill holes is set out in Figure 2. This area was considered highly prospective and results from the drill program will have a significant impact on the Company's Uley 2 expansion strategy. Importantly, and subject to acceptable results from this 8-hole program, the Eastern Conductor represents an early pathway to a very low-cost expansion of Uley 2.



Figure 1: Uley 2 with Eastern Conductor highlighted



Figure 2: Eastern Conductor Drillhole Locations

Sunlands Co. Joint Venture and Energy Storage

The Company's 50:50 joint venture with Sunlands Co. effectively integrates the Uley 2 project with Sunlands Co.'s energy storage business. Following agreement on the equity and commercial elements of the joint venture, the parties

commenced negotiations on the joint venture operating agreement. This agreement will cover all aspects of the operations of the joint venture and detail the Board and management structure. The parties have agreed certain key terms of this agreement including equal Board representation, an independent management structure and a separate location. The parties expect to conclude this agreement by the end of 2021.

Research and Development

As previously announced, the scope of our research and development program has been expanded to include further proprietary test work aimed at increasing the purity of the coarse flake and its suitability as the essential raw material for thermal storage media products. During the quarter the focus of research activities shifted from metallurgical to high temperature treatment.

Whilst development of the program was substantially completed during the quarter, a suitable Australian laboratory is not available due to the very high temperatures and specialised conditions required for certain aspects of this research. The Company is considering overseas laboratories and has scheduled this work to be undertaken prior to the end of the year.

In addition to the benefits of this research for increasing the purity of the Company's coarse flake production, it also advances the current research associated with achieving the critical specifications of the flake to be utilised for the thermal storage media for Sunlands Co. thermal energy storage cells.

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 ²	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.

2. During the quarter an application has been lodged for the renewal of EL6224.

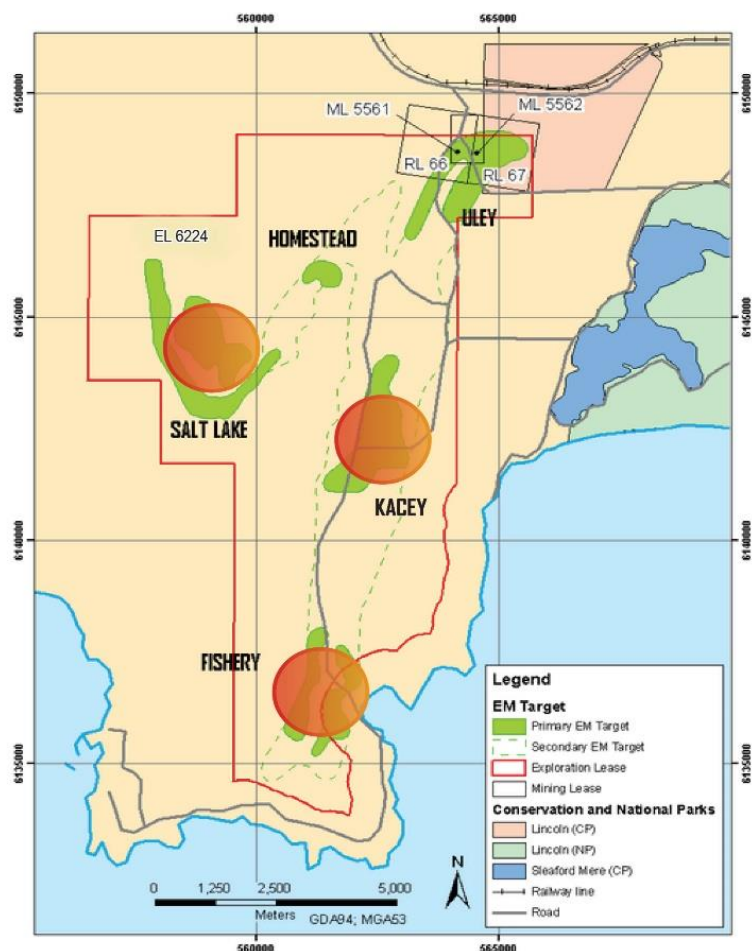


Figure 3 Tenement Locations

Corporate Information and Announcements

As at 30 September 2021 the company had 281,834,890 ordinary shares and 28,571,429 unlisted options on issue and 1,011 shareholders. The top 20 shareholders held 62.72% of the issued ordinary shares in the company..

As at 30 September 2021 the company held cash at bank of \$417,231. As at 14 October 2021 the company held cash at bank of \$276,275.

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.

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' 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.

For further Information

For further information contact:

Company Secretary
Quantum Graphite Limited
T: +61 3 8614 8414
e: info@qgraphite.com

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)

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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)	(93)
(e) administration and corporate costs	(418)	(418)
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	(441)	(441)

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)	(103)	(103)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(103)	(103)

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	(83)	(83)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(192)	(192)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(275)	(275)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,236	1,236
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(441)	(441)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(103)	(103)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(275)	(275)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	417	417

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	417	417
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)	417	417

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	(481)
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 <i>Note: the term 'facility' includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(441)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(103)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(544)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	417
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	417
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: Yes.

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 has taken steps to ensure it can fund its operations. These steps include the financial support from its principal shareholder, Chimaera Capital Limited and the raising of additional equity. If an equity raising was pursued by the Company, the Board considers the success of such a capital raising to be highly likely.

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 expects to continue to operate in the ordinary course, i.e., undertaking all activities included within its business plan and meeting its key corporate and commercial objectives. Subject to travel interruptions caused by COVID-19, the Company expects to continue operations on a business-as-usual basis.

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:	14 October 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.