

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

This reporting period
Prior corresponding period

1 July 2021 to 31 December 2021
1 July 2020 to 31 December 2020

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	This Period	Prior Period
Total revenue from ordinary activities	(70%)	75,151	254,365
(Loss)/profit from ordinary activities after tax attributable to members	(181%)	(1,146,674)	(407,806)
Net (loss)/profit attributable to members	(181%)	(1,146,674)	(407,806)

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 2021	As at 31 Dec 2020
Net tangible asset per ordinary share (cents per share)	6.20 [#]	6.76

[#]Includes impact of post reconstruction dilution

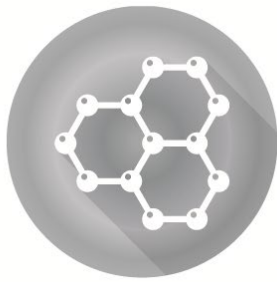
OTHER

Additional Appendix 4D disclosure requirements and further information can be found in the Financial Report for the Half Year to 31 December 2021.

This report is based upon the Financial Report for the Half Year to 31 December 2021 which has been reviewed by RSM Australia Partners. The auditors have issued an unmodified opinion.

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.



Quantum Graphite

Interim Financial Statements
for the half-year ended 31 December 2021
to be read in conjunction with the
30 June 2021 Annual Report.

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This Interim Report covers Quantum Graphite Limited ABN41 008 101 979 (QGL or the Company) as a Group consisting of Quantum Graphite Limited and its subsidiary, Quantum Graphite Operations Pty Ltd ABN 46 004 947 004, collectively referred to as "the Group" or "the consolidated entity". 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 2021.

Board of Directors

The directors of Quantum Graphite Limited during the financial year and up to the date of this report were:

Bruno Ruggiero	Chairman and Independent Non-Executive Director
Sal Catalano	Managing Director
Robert Osmetti	Independent Non-Executive Director
David Trimboli	Independent Non-Executive Director

Review of Operations and Financial Results

The loss of the consolidated entity for the period was \$1,146,673 (31 December 2020: loss of \$407,806). The loss results primarily from the ongoing technical activities related to the Uley 2 project, the downstream technical activities undertaken within the Quantum Sunlands Partnership (QSP) and costs associated with the requotation of the Company's securities. The Company's financial performance remains broadly in line with plan.

(a) Requotation of the Company's securities

Our shareholders are aware of the significant additional resources committed by the Company to the requotation of the Company's securities on 14 December 2021. Whilst the Board is pleased with the outcome it remains disappointed that it was denied resuming trading despite the filing of unqualified financial statements for the period immediately following the financial statements giving rise to the suspension of trading in the Company's securities.

As the Board outlined in its release to the market in October 2020 and again in the 2021 Half Year Report, COVID-19 detrimentally impacted both the level of industrial activity in our markets and access to project funding at that time. However, this in no way detracted from the market trend in technology and battery minerals and Uley 2's position as the leading graphite project available globally.

Frustrating for us all was the increase in both market activity and the value of companies in the natural flake graphite sector within weeks of the suspension of trading in the Company's securities. The market capitalisation of ASX listed companies multiplied with significant capital raisings completed for companies whose projects are at best no further progressed than Uley 2. It was cold comfort for the Board that its assessment that capital markets funding for such projects would and did resume with renewed strength was proven correct.

(b) Director Remuneration

Following shareholder approvals obtained at the 2021 AGM, the Company issued directors with 3,432,878 shares at \$0.09 per share as their quarterly director fees for the period 1 January 2021 to 31 December 2021:

Directors	No. Shares ¹	Quarterly Fees (\$)
B Ruggiero	1,029,864	18,000
S Catalano	1,029,864	18,000
R Osmetti	686,575	12,000
D Trimboli	686,575	12,000
Total	3,432,878	60,000

¹ Shares issued to Directors represent compensation for the period 1 January 2021 to 31 December 2021.

The issued and outstanding securities following the above issue are 293,000,000 fully paid ordinary shares and 28,571,429 options.

(c) Continued Technical Work on Uley 2 Flake Products

With the completion of the Uley 2 (Stage 1) definitive feasibility study in the first half of FY2020, the Company continued the technical work aimed at further improvement to the purity of the Uley 2 coarse flake specification. As most of this work is being conducted at high temperatures, the Company is taking advantage of the synergies with the high temperature test work being undertaken by QSP.



Directors' Report (continued)

(d) Sales and Marketing Strategy

The Company was disappointed that it could not conclude agreements in CY2021 despite extending its sales and marketing activities in North Asia and North America. These activities have been the subject of prolonged delays and interruptions due to the impact of COVID-19. During the period, and especially following the Northern hemisphere winter, the deepening impact of the pandemic resulted in structural shifts in work patterns and production cycles. The level of industrial activity, whilst improving, remained subdued.

Despite this challenge the Company is very well positioned to conclude supply agreements and existing negotiations are at advanced stage. Importantly the Company's strategy to expand its focus to North Asia (i.e., ex China) has provided further support to the Board's planning for the expansion of Uley 2 beyond Stage 1 as one of the Company's key priorities.

(e) Capital Raising and Uley 2 Financing

The Company is progressing its European bond financing plans and interest from other prospective financiers of Uley 2 continued to be fielded during the period. For much of the second half of the reporting period the Company's resources were largely diverted to the requotation of our securities and the Uley 3 drill program. This slowed our progress on the bond financing but work on the proposal has recommenced this quarter with a focus on the identification of the major risk mitigants for the financing such as offtake partner credit exposure and process plant construction and commissioning risks.

Other equity capital raising initiatives were pursued in the lead up to the requotation of the Company's securities. The Board was very pleased with the response from the market and investor feedback remains very positive. As at the date of this report, the Company's share price has delivered solid returns for our shareholders.

(f) Flake Graphite Market

As indicated in prior announcements, the market for Uley 2 material remains unchanged from the prior period. Global supply of flake size of greater than 150 microns remains 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 maintains its market expectations that modest growth in demand in this area will have a significant impact on price.

Uley 3 Drill Program and Update to 2019 JORC 2012 Mineral Resources Estimate

During the period the Company completed the Uley 3 drilling program. Despite the challenges of mobilisation across three states during the height of the pandemic, we were pleased to successfully complete the program, rehabilitate the drill site and announce a maiden Mineral Resource estimate (MRE) for Uley 3.

The program targeted the geophysical anomaly, previously referred to as the Eastern Conductor. The MRE is reported under the JORC 2012 guidelines. The maiden MRE confirms the continuation of graphitic mineralisation to the east of Uley 2 along strike to the north of drill holes previously targeting the Eastern Conductor/Uley 3 geophysical anomaly. Importantly mineralisation remains open along strike to the south and north and at depth, well within the Company's Mining and Retention leases.

Thermal Energy Storage Initiative – Formation of Quantum Sunlands Partnership (QSP) with Sunlands Co.

The Company's collaboration with Sunlands Co. was transformed to a manufacturing partnership responsible for production of the thermal storage media to be fitted in Sunlands Co.'s thermal energy storage cells. The Board has viewed the relationship with Sunlands Co. as a strategic opportunity to participate in the global energy markets. QSP converts this relationship to a structural arrangement within which the Company will play a critical role in delivering Sunlands Co.'s proprietary thermal energy storage technology to the global energy markets.

Investors have recognised that QSP adds both a major downstream business and material diversification from the Company's traditional flake graphite markets including refractories and related thermal management products such as foils and expandables.

Our diversification is a key differentiator from all other graphite mining companies. Most of these companies do not produce a specification that is acceptable to manufacturers of high-end refractory products and almost all of the emerging graphite companies of the last 5 to 7 years are critically dependent on the acceleration of the growing demand from the electrical vehicles market.



Directors' Report (continued)

The energy market exposure delivers a massive potential market for the Company's flake. The recently completed Australian National Electricity Market (NEM) study completed by Macroeconomics Advisory has confirmed that approximately 100,000 tonnes of Uley 2 flake would be required every year for every GW of energy storage provided to the NEM based on the emissions reduction plan published by AEMO.

QSP is now participating in certain technical studies essential to the construction of the Sunlands Co. pilot facility. The design of the pilot thermal energy storage cell has largely been concluded and these technical studies will provide valuable data to determine the final Uley 2 flake specification required by QSP to manufacture graphite-based storage media to be fitted into the cell. The Company was very pleased with QSP's selection of TU Freiberg's Institute for Non-Ferrous Metallurgy and High Purity Materials (INEMET) to conduct this work. INEMET has globally recognised expertise in this area and the test work program will also deliver benefits to the further refinement of our coarse flake specification.

Mining Titles

All mining titles are current and remain in good standing. During the reporting period, an application was lodged for the extension of the renewal of EL6224 to at least 12 October 2023.

Events Arising Since the End of The Reporting Period

Shares to the value of \$196,800 were issued on 11 February 2022 in satisfaction of professional fees payable to contractors for services rendered. This is consistent with the Company's practice of conserving cash and paying creditors with equity if possible.

There were no other events that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group 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 4 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the directors.

Bruno Ruggiero
Chairman
15 March 2021

Sal Catalano
Executive Director
15 March 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Quantum Graphite Limited for the half year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



R J MORILLO MALDONADO

Partner

Dated: 15 March 2022

Melbourne, Victoria



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2021

	Notes	31 December 2021 \$	31 December 2020 \$
Other income	2	75,151	254,365
Corporate and asset management expenses	3	(1,181,758)	(638,412)
Depreciation	3	(36,567)	(23,759)
Total operating loss		(1,143,174)	(407,806)
Interest revenue		60	-
Interest expense		(3,559)	-
Net financing expense		(3,499)	-
Loss before tax		(1,146,673)	(407,806)
Income tax benefit / (expense)		-	-
Loss for the reporting period attributable to owners of the parent entity		(1,146,673)	(407,806)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to owners of the parent entity		(1,146,673)	(407,806)
Loss per share from continuing operations			
Basic and diluted loss – cents per share	4	(0.40)	(0.19)

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



Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	31 December 2021 \$	30 June 2021 \$
Current assets			
Cash and cash equivalents		1,793,831	1,236,231
Trade and other receivables		270,551	261,082
Total current assets		2,064,382	1,497,313
Non-current assets			
Deposit with the SA Department of Mining and Energy		1,073,863	1,073,863
Intangible assets		7,189	7,189
Development assets	5	14,744,608	14,245,139
Exploration and evaluation assets	6	2,161,827	1,991,005
Plant and equipment	7	299,769	336,336
Total non-current assets		18,287,256	17,653,532
TOTAL ASSETS		20,351,638	19,150,845
Current liabilities			
Payables		463,262	1,060,853
Total current liabilities		463,262	1,060,853
Non-current liabilities			
Borrowings		1,753,559	-
Rehabilitation provisions		558,369	558,369
Total non-current liabilities		2,311,928	558,369
TOTAL LIABILITIES		2,775,190	1,619,222
NET ASSETS		17,576,448	17,531,623
EQUITY			
Issued capital	8	59,645,726	58,454,227
Reserves	9	2,520,000	2,520,000
Accumulated losses		(44,589,278)	(43,442,604)
TOTAL EQUITY		17,576,448	17,531,623

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 2021

	Share Capital \$	Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2021	58,454,228	2,520,000	(43,442,605)	17,531,623
Shares issued in lieu of directors' fees	308,958	-	-	308,958
Shares issued in lieu of company secretary fees	24,000	-	-	24,000
Issue of share capital	858,540	-	-	858,540
Total transactions with owners in their capacity as owners	1,191,498	-	-	1,191,498
Comprehensive income:				
Total loss for the reporting period	-	-	(1,146,673)	(1,146,673)
Other comprehensive income for the reporting period	-	-	-	-
Total Comprehensive loss for the period	-	-	(1,146,673)	(1,146,673)
Balance 31 December 2021	59,645,726	2,520,000	(44,589,278)	17,576,448
	Share Capital \$	Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2020	54,249,795	2,520,000	(41,374,234)	15,395,561
Shares issued in lieu of directors fees	567,526	-	-	567,526
Total transactions with owners in their capacity as owners	567,526	-	-	567,526
Comprehensive income:				
Total loss for the reporting period	-	-	(407,806)	(407,806)
Other comprehensive income for the reporting period	-	-	-	-
Total Comprehensive loss for the period	-	-	(407,806)	(407,806)
Balance 31 December 2020	54,817,321	2,520,000	(41,782,040)	15,555,281

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 2021

	31 December 2021 \$	31 December 2020 \$
Cash flow from Operating activities		
Payments to suppliers and employees	(868,858)	(44,691)
Interest paid	-	(79)
Interest received	60	-
R&D tax concession received	-	110,219
Net cash provided by operating activities	<u>(868,798)</u>	<u>65,449</u>
Cash flow from Investing activities		
Payments for exploration and evaluation assets	(163,120)	(16,668)
Payments for development assets	(530,894)	(34,434)
Net cash used in investing activities	<u>(694,014)</u>	<u>(51,102)</u>
Cash flow from Financing activities		
Proceeds from borrowings	1,261,872	-
Proceeds from issue of share capital	858,540	-
Net cash from financing activities	<u>2,120,412</u>	<u>-</u>
Net change in cash and cash equivalents	557,600	14,347
Cash and cash equivalents, beginning of reporting period	<u>1,236,231</u>	<u>13,436</u>
Cash and cash equivalents, end of period	<u>1,793,831</u>	<u>27,783</u>

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



Notes to the consolidated financial statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of operations

Quantum Graphite Limited's principal activity is the exploration and mining of graphite deposits in South Australia and the manufacture of high-grade flake graphite products.

(b) General information and basis of preparation

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards AASB 134 results in compliance with the International Financial Reporting Standards (IFRS) IAS 134 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(c) Going concern basis of accounting

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss after tax from continuing operations of \$1,146,673 and cash outflows from operating activities of \$868,798 for the six months ended 31 December 2021. In addition, as at 31 December 2021 the consolidated entity had borrowing and payables to Chimaera Capital Limited, a related party, amounting to \$1,261,872 and \$488,128, respectively (refer to note 12), with agreed repayment on the earliest of 16 January 2023 or at such time as the Company undertakes a significant capital raise. These matters indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Despite the above-mentioned matters, the Directors, after reviewing the cash flow forecast for a period of twelve months after the signing of this financial report, concluded that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern. The Directors assessment considered the following factors:

- The directors are planning to raise additional capital from existing and new shareholders and are confident that this is feasible based on the consolidated entity's history of successful capital raises; and
- Except for minimum expenditure commitment under the terms of the exploration license renewal (refer Note 11), the consolidated entity has the flexibility to defer any expenditure based on the availability of sufficient cash reserves.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.



Notes to the consolidated financial statements (continued)

(d) Impact of COVID-19 pandemic and the Group's response

Notwithstanding the impact of COVID-19, European market prices for the Company's products firmed significantly during the reporting period with prices continued to average significantly more than the Company's projected basket price of US\$919. The Company's DFS underpins its key strengths including low operating costs, lean overhead structure and ungeared capital structure.

The consolidated entity has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of twelve months from the date of issuing the financial statements including the effects of the COVID-19 pandemic which has had a material impact on the Company progressing the development of Uley 2.

(e) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(f) 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.

Key judgements

Development expenditure and plant and equipment

The future recoverability of fixed assets and capitalised development expenditure has been assessed by the directors and is dependent on a number of factors, including commodity prices, the level of reserves and resources, foreign currency rates and future technological changes that could impact the costs of mining and processing and future legal changes. Significant judgements and assumptions are required in making assessments regarding the presence of impairment indicators. This is particularly so in the assessment of long-life assets.



Notes to the consolidated financial statements (continued)

Exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

2. OTHER INCOME

	31 December 2021	31 December 2020
	\$	\$
R&D tax incentive ¹	75,151	41,891
Other income ²	-	212,474
Other income	75,151	254,365

¹R&D tax incentive income consists of an accrual of \$75,151 which is an estimate based on costs to be submitted for the future claim to be completed for 30 June 2022.

²Other income represents the gain on issue of shares in respect of directors' remuneration for the period 1 January 2020 to 31 December 2020. (The loss for the period 1 January 2021 to 31 December 2021 Allocated to Other Expenses see Notes 3)

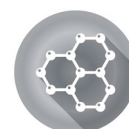


Notes to the consolidated financial statements (continued)

3. EXPENSES

	Corporate \$	Commercialisation \$	Pre-commissioning \$	Total \$
December 2021				
Employee benefits expense	120,000	-	-	120,000
Other expenses	1,061,758	-	-	1,061,758
Subtotal	1,181,758	-	-	1,181,758
Depreciation expense	36,567	-	-	36,567
Total	1,218,325	-	-	1,218,325
December 2020				
Employee benefits expense	156,000	-	-	156,000
Other expenses	482,412	-	-	482,412
Subtotal	638,412	-	-	638,412
Depreciation expense	23,759	-	-	23,759
Total	662,171	-	-	662,171

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 include expenses relating to the regulatory administration and compliance (including maintenance) of the company's mining titles.



Notes to the consolidated financial statements (continued)

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 2021	6 months to December 2020
Weighted average number of shares used in basic earnings per share	283,552,951	220,325,713
Loss per share (cents)	(0.40)	(0.19)

In accordance with AASB 133 'Earnings per Share', Options issued and outstanding at the end of the reporting period have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive in nature due to the losses incurred during the period.

5. DEVELOPMENT ASSETS

	31 December 2021 \$	30 June 2021 \$
Gross carrying amount		
Opening balance	14,245,139	13,748,705
Additions during the year / period	499,469	496,434
Closing balance	<u>14,744,608</u>	<u>14,245,139</u>

The closing balance represents the capitalised portion of Uley 2 project expenditure. The directors have assessed that the carrying amount of the Uley 2 project (including all plant and equipment, environmental infrastructure e.g., Tailings Storage Facilities, mining titles, JORC 2012 Reserves and Resources and all project approvals under the South Australian Mining Act 1971) does not exceed the recoverable amount.



Notes to the consolidated financial statements (continued)

6. EXPLORATION & EVALUATION ASSETS

	31 December 2021 \$	30 June 2021 \$
Opening balance	1,991,005	1,754,371
Additions during the year / period	170,822	236,634
Closing balance	<u>2,161,827</u>	<u>1,991,005</u>

The Group has determined that it has a single cash-generating unit (CGU) represented by the Uley 2 Project. Accordingly, the associated plant and equipment, development, exploration and evaluation assets (“the Uley 2 Assets”) have been allocated to the CGU.

The consolidated entity expects to secure debt of US\$70M at an interest rate ranging from 6% to 8%, and continue the exploration activities, commence production and achieve sales of its products. The recoverable amount of the consolidated entity's Uley 2 Assets has been determined by a value-in-use calculation using a discounted cash flow model, based on the project period and production profile established under the Definitive Feasibility Study and approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

- 12.5% pre-tax discount rate;
- Plant utilisation and resource availability over the forecast period is from the Definitive Feasibility Study (DFS) report;
- Projected revenue growth rate based on Uley 2 production assuming no growth in basket prices per tonne of production (estimated at USD 900 - 920 per tonne); and

Subject to the comments in Sensitivity Analysis:

- (a) The discount rate of 12.5% pre-tax reflects management’s estimate of the time value of money and the consolidated entity’s weighted average cost of capital adjusted for the risk-free rate and the volatility of the share price relative to market movements; and
- (b) Management’s adoption of the projected revenue on the basis of no increase in basket prices is considered prudent and justified at this time.

Sensitivity Analysis

As disclosed in note 1, the directors have made judgements and estimates in respect of the impairment testing. Should these judgements and estimates not occur the resulting carrying amount of the assets may decrease. The sensitivities are as follows:

- Revenue over the projection period would need to decrease by more than 30% before the assets would need to be impaired, with all other assumptions remaining constant.
- The pre-tax discount rate would be required to increase by 30-40% before the assets would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the assets is based would not cause the cash-generating unit’s carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of the assets is based, this would result in a further impairment charge for the assets.



Notes to the consolidated financial statements (continued)

7. PLANT AND EQUIPMENT

December 2021	Plant & Equipment \$	Motor vehicles \$	Total \$
Gross carrying amount			
Opening balance	797,454	39,566	837,020
Write off assets as at 1 July 2021	(4,280)	-	(4,280)
Additions/Disposals	-	-	-
Balance 31 December 2021	793,174	39,566	832,740
Depreciation and impairment			
Opening balance	(461,118)	(39,566)	(500,684)
Write off assets as at 1 July 2021	4,280	-	4,280
Depreciation for the period	(36,567)	-	(36,567)
Balance 31 December 2021	(493,405)	(39,566)	(532,971)
Carrying amount 31 December 2021	299,769	-	299,769

The carrying amount does not exceed the director's assessment of the recoverable value of the plant and equipment.

June 2021	Plant & Equipment \$	Motor vehicles \$	Total \$
Gross carrying amount			
Opening balance	797,454	39,566	837,020
Balance 30 June 2021	797,454	39,566	837,020
Depreciation and impairment			
Opening balance	(413,853)	(39,566)	(453,419)
Depreciation for the year	(47,265)	-	(47,265)
Balance 30 June 2021	(461,118)	(39,566)	(500,684)
Carrying amount 30 June 2021	336,336	-	336,336



Notes to the consolidated financial statements (continued)

8. ISSUED CAPITAL

	Number of shares #	31 December 2021 \$
(a) Issued and paid up capital		
Fully paid ordinary shares	293,000,000	59,645,726
(b) Movements in fully paid ordinary shares		
Opening balance as 30 June 2021	281,834,890	58,454,227
Shares issued on 26 November 2021 – in lieu of directors fees	3,432,878	308,959
Shares issued on 26 November 2021 – in lieu of company secretary fees	266,667	24,000
Shares issued on 7 December 2021	7,465,565	858,540
Balance as 31 December 2021	293,000,000	59,645,726

In accordance with resolution 7 at the Annual General Meeting held on 19 November 2021, the Company has calculated the issuance price for shares for the quarter 1 January 2022 to 31 March 2022 as \$0.1483 per share. The ASX did not grant the company a waiver under rule 10.13.5 and the Company was unable to issue the shares in early January 2022. At the next shareholder meeting, the Company will seek approval to issue 404,660 shares to the directors.

9. RESERVES

	Number of options #	31 December 2021 \$
(a) Share options reserve		
Share options reserve	28,571,429	2,520,000

In connection with the Company's reconstruction in 2018, the Company issued 28,571,429 (as adjusted for the consolidation of share capital on 2 December 2019) nil cost options to acquire ordinary shares 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.

(b) Movements in share options reserve

Opening balance as 30 June 2021	28,571,429	2,520,000
Balance as 31 December 2021	28,571,429	2,520,000

10. 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.



Notes to the consolidated financial statements (continued)

11. COMMITMENTS AND CONTINGENCIES

Exploration commitments

An application was lodged for the extension of the renewal of EL6224 to 12 October 2023. The Company has met all expenditure commitments in respect of EL6224 as at 31 December 2021. The minimum expenditure commitment for renewal of this license is \$480,000 over the two years to 12 October 2023.

Contingent liabilities and assets

The Group has no contingent assets or liabilities.

12. RELATED PARTY TRANSACTIONS

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

	31 December 2021 \$	31 December 2020 \$
(a) Transactions with related parties		
Office rent charged	112,200	33,660
Tenement administration charged	102,000	27,540
IT services charged	91,800	30,600
Accounting services charged	102,000	30,600
Corporate administration fees charged	35,700	10,710
Research and development	66,300	19,890
	510,000	153,000
(b) Receivable from and payable to related parties		
	31 December 2021 \$	30 June 2021 \$
Trade and other payables	531,628	667,760
Borrowings	1,265,431	-

In addition to providing these services, \$1,785,422 (30 June 2021: \$1,227,628) of the Group's Cash and Cash Equivalents is held with Chimaera Custody Services, Chimaera Capital Limited.

(c) The Sunland Co. Pty Ltd Collaboration

The Company's collaboration with Sunlands Co. was transformed to a manufacturing partnership responsible for production of the thermal storage media to be fitted in Sunlands Co.'s thermal energy storage cells. The Board has viewed the relationship with Sunlands Co. as a strategic opportunity to participate in the global energy markets. QSP converts this relationship to a structural arrangement within which the Company will play a critical role in delivering Sunlands Co.'s proprietary thermal energy storage technology to the global energy markets.



Notes to the consolidated financial statements (continued)

13. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Shares to the value of \$196,800 were issued on 11 February 2022 in satisfaction of professional fees payable to contractors for services rendered. This is consistent with the Company's practice of offering service providers an equity option. This has the added benefit of assisting the management of the Company's cash position.

There are no events that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.



Directors' Declaration

In the opinion of the Directors of Quantum Graphite Limited:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- 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.

A handwritten signature in black ink, appearing to read 'Bruno Ruggiero', written in a cursive style.

Bruno Ruggiero
Chairman
15 March 2021

A handwritten signature in black ink, appearing to read 'Sal Catalano', written in a cursive style.

Sal Catalano
Executive Director
15 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT
To the Members of Quantum Graphite Limited

Conclusion

We have reviewed the accompanying half-year financial report of Quantum Graphite Limited (“the Company”), and its subsidiaries (together “the Group”), which comprises the consolidated statement of financial position as at 31 December 2021, 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, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors’ declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group’s financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (“ASRE 2410”). Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Quantum Graphite Limited, would be in the same terms if given to the directors as at the time of this auditor’s review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates that the Group incurred a net loss of \$1,146,673 and net cash outflows from operating activities of \$868,798 during the half-year ended 31 December 2021. 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 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*.

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.



RSM AUSTRALIA PARTNERS



R J MORILLO MALDONADO
Partner

Dated: 15 March 2022
Melbourne, Victoria