

Quarterly Activity Report and Appendix 5B for 30 September 2022

Highlights

Capital Raising

In July 2022 the Company undertook an equity capital raising initiative to raise approximately \$4 million by way of the issue of ordinary shares at 38 cents per share. The Company raised \$4,765,078 issuing:

- (a) 11,703,200 ordinary shares at 38 cents per share on 28 July 2022; and
- (b) A further 1,176,884 ordinary shares at 38 cents per share on 1 August 2022.

On 4 August 2022, the Company issued 17,865,000 ordinary shares as a result of Chimaera Capital Limited's exercise of 17,865,000 unlisted restructure options (Nil exercise price, expiry 23 July 2023).

The funds raised ensure that the Company's mine site preparations, product development activities and QSP pilot project (see below) can continue at the accelerated rate set by the Board at the beginning of calendar 2022.



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.



ABOUT THE QUANTUM SUNLANDS PARTNERSHIP

QSP is our joint venture with Sunlands Co. for the manufacture of coarse natural flake based thermal storage media. The flake will be sourced exclusively from the QGL's Uley mine. The manufactured media will be fitted within Sunlands Co.'s long duration energy storage cells. <https://www.sunlandsco.com/>

Board Changes

In August 2022 the Company announced two board changes, the retirement of Bob Osmetti and the appointment of Michael Wyer.

The Company has thanked Bob for his significant contribution during his tenure. The Board makes special mention of Bob's integral part in the restructure of the Company and the development plans for Uley 2. Together with David Trimboli he was instrumental in the strategic positioning of the Company's relationship with Sunlands Co. and ultimately establishing the Quantum Sunlands Partnership.

Michael Wyer accepted the Board's invitation to join in August 2022. Michael is a highly credentialed professional with more than 25 years' experience in global banking including resources and commodities financing, holding senior executive roles in finance and operations. This diversity of experience enhances the Board's overall skill set and is an excellent strategic fit as the Company moves to the next phase of its plans for Uley 2 and the Quantum Sunlands Partnership.

Quantum Sunlands Partnership - INEMET Testwork and Long Duration Energy Storage Pilot Project

In July 2022, Uley flake product was shipped to INEMET's (tu-freiberg.de/en/fakult5/inemet) facility at The Technische Universität Bergakademie Freiberg to undertake the ultra-high temperature testwork. Additional samples were shipped in September 2022.

QSP completed design of the testwork methodologies in May 2022. These methodologies were further refined by INEMET extending the thermal treatment cycles of Uley flake to temperatures exceeding 2,200°C.

Testwork program results were expected to be released during the quarter but have been delayed by an expansion of the program and the service and maintenance schedule of INEMET's vacuum furnace.

The testwork will provide the essential data required by QSP to manufacture the thermal energy storage media to be fitted within the Sunlands Co. long duration energy storage cells. Further, the results deliver a valuable data set that will provide QSP with the capability of optimising the scalability of media including its configuration for very large scale deployment such as the retrofitting of coal fire power stations.

One of the significant benefits of the results of this test work is the potential application of this data to the advanced processing of Uley 2 flake. This process would include ultra-high temperature treatment of Uley flake increasing purity in an environmentally sustainable process that does not require the use of harmful chemical processes such as acid leaching with hydrofluoric acid.

During the quarter detailed engineering of the long duration thermal energy storage pilot plant was completed and planning for the procurement of key items commenced.

A detailed update on both the INEMET testwork program and the pilot project will be provided by mid-November 2022.



Off-Market Takeover Bid for Lincoln Minerals Limited (Lincoln)

During the quarter, the Company lodged a Takeover Offer to acquire all of the shares in Lincoln. Details of the Takeover Offer are contained in the Company's bidder's statement lodged with the ASX and despatched to Lincoln shareholders in August 2022.

The Company considers Lincoln's Kookaburra Gully flake graphite assets (**Kookaburra Gully**), to be an extension of its greater Mikkira flake graphite deposit. The joint development of the Uley 2 and Kookaburra Gully assets delivers a major opportunity to derive significant economic and environmental efficiencies. As summarised in the bidder's statement these efficiencies include:

- (a) Kookaburra Gully's mineralisation exhibits similar features and bears many of the same characteristics as that of the broader Uley geology. Importantly, the mineral resources of Kookaburra Gully contain an orebody whose metallurgical properties are similar to those of Uley 2;
- (b) The preferred mining method and the processing path for each of Uley 2 and Kookaburra Gully are indistinguishable. Production from Kookaburra Gully would be marketed under the same commercialisation and marketing strategy planned for Uley 2.
- (c) The Company has established a detailed intermodal framework for the transport of its material to the Port Adelaide Outer Harbour. This same logistics framework could be used for Kookaburra Gully which is en route to the Uley production's ultimate destination at Port Adelaide. Combining logistics would generate significant economies of scale especially in relation to container handling and trucking schedules.

A strategic advantage of the combination of Kookaburra Gully and Uley 2 is the optionality in the processing of ore. This optionality delivers synergies that are not otherwise available to Lincoln if it developed Kookaburra Gully on a standalone basis. For example, one of the synergies is the development of separate specialised processing paths at each site for certain products thereby increasing the efficiency (e.g., economies of scale) of each of the projects' mine operations by concentrating fewer products at each plant site.

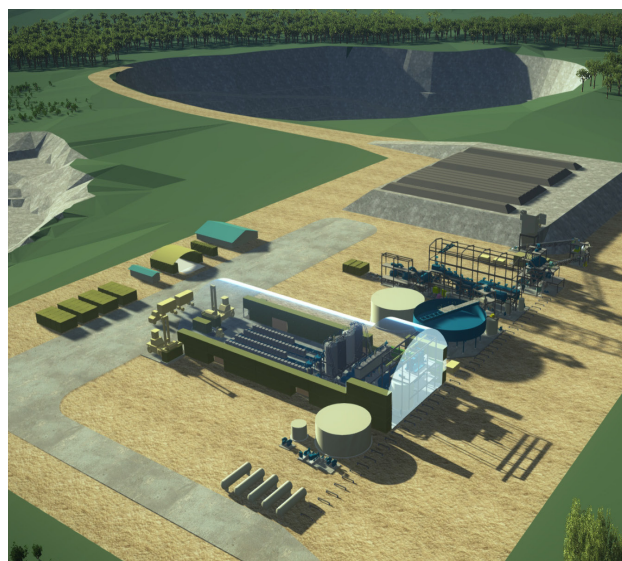
At the end of the quarter, the Company had received acceptances from Lincoln shareholders of approximately 1.4 million Lincoln shares.



Uley 2 Phase 1 Mining Study and Feasibility Summary Financial Metrics

Total undiscounted cash flow	A\$310.5million*
Crusher feed	500,000 tonnes per annum
Graphitic carbon grade	11.89%
Graphitic carbon recovery	84%
Concentrate purity	>97% graphitic carbon
Capital expenditure	A\$79.98 million
Processing cost (PCAF)	A\$55.3 per tonne
Mining cost (MCAF)	A\$2.5/t milled at surface plus 5c for every 4m
Production	55,000 tonnes per annum
Product Cost (Av LOM)	US\$368 dmt
Product Price (Ex-works)	US\$919 dmt

*Includes JORC 2012 Reserves and Resources



Schedule of JORC 2012 Minerals Reserves and Resources

JORC 2102 Mining Study and Reserve Statement, November 2019

Reserve	Classification	Tonnes (kt)	Total Graphitic Carbon (%)
Uley 2	Proved	811	11.66
Uley 2	Probable	3,191	11.95
	Total	4,003	11.89

JORC 2012 Mineral Resource Estimate, November 2021

Resource	Classification	Tonnes (kt)	TGC (%)	Density (t/m ³)	TGC (kt)
Uley 3	Inferred	900	6.6	2.1	59
	Uley 3 Total	900	6.6	2.1	59
Uley 2	Measured	800	15.6	2.1	125
	Indicated	4,200	10.4	2.1	435
	Inferred	1,300	10.5	2.2	137
	Uley 2 Total	6,300	11.1	2.1	697
Uley Project Total	TOTAL	7,200	10.5	2.1	757

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

¹All 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.

²An application has been lodged for the renewal of EL6224.

Uley 2 Location and Resource Extension Priorities

Priority 1 Short Term Ore Reserve extension

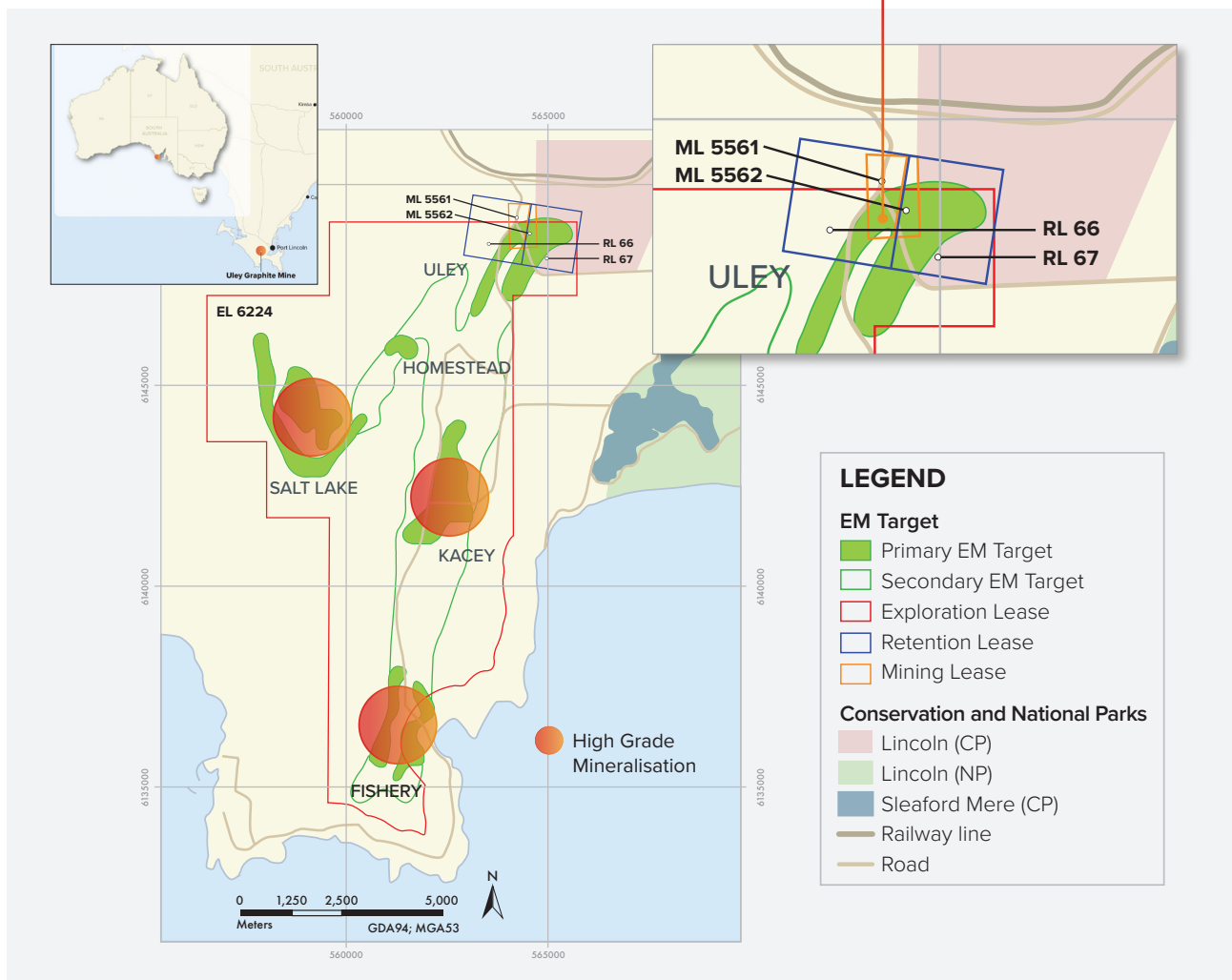
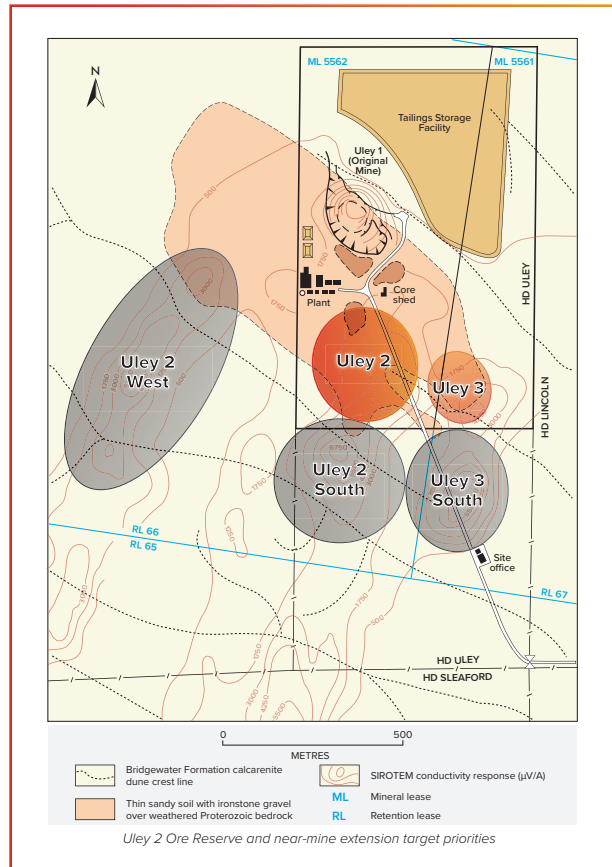
- Uley 2 South 50m
- Infill drilling at Uley 3

Priority 2 Medium Term Resource extension

- Uley 3 South
- Extension drilling to 50m-by-50m intervals

Priority 3 Long Term Resource extension

- Uley 2 West geophysical anomaly target
- Uley 2 South beyond Priority 1 along strike of the geophysical anomaly.



Corporate Information and Announcements

As at 30 September 2022 the company had 324,000,000 ordinary shares and 13,706,429 unlisted options on issue and 1,705 shareholders. The top 20 shareholders held 58.96% of the issued ordinary shares in the company.

As at 30 September 2022 the company held cash at bank of \$4,462,519.

As at 28 October 2022 the company held cash at bank of \$3,940,055. This report should be read in conjunction with all prior announcements made by the Company and 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

The Company 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 CONTACT:

Company Secretary
Quantum Graphite Limited
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 2022

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	(80)	(80)
(e) administration and corporate costs	(594)	(594)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(34)	(34)
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	(708)	(708)

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)	(152)	(152)
(e) investments	-	-
(f) other non-current assets	-	-

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

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	(152)	(152)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,318	4,318
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	4,318	4,318
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,005	1,005
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(708)	(708)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(152)	(152)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,318	4,318
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,463	4,463

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	4,463	4,463
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)	4,463	4,463

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	(363)
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

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

7.	Financing facilities <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>	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)	(708)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(152)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(860)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	4,463
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	4,463
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5

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

- 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: N/A

- 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: N/A

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

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: N/A

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: 31 October 2022

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.