

Quarterly Activity Report and Appendix 5B for 31 December 2022

Highlights

Uley 2 Project Site Preparation Works

During the quarter, significant site works at Uley 2 were undertaken in preparation for the installation of the new process plant. These siteworks targeted remediation of Uley legacy plant and related civil works, construction of the firebreak network and refurbishment of certain buildings.

Remediation works extended to the legacy process plant area and surrounds, various holding ponds supporting the legacy process plant and the removal of all remaining legacy plant except the existing infrastructure required for the Uley 2 Project. Remediation is substantially complete except for certain civil works associated with the fill and compaction of former ponds. This work is scheduled to be completed as part of the preparation of the pad to be constructed for the purpose of installation of the new process plant.

A requirement of the insurance package being negotiated by the Company for Uley 2 is the construction of an extensive firebreak network across the Uley 2 mining leases. This work was completed during the period and the Company's ongoing site maintenance plan will extend to the seasonal control of this network.

Several portable, demountable buildings, not required for the Uley 2 Project, were sold and removed from the site. The remaining buildings, including the main building formerly housing the legacy process plant, will now be refurbished and repurposed. The Company expects that no further buildings will be required for Uley 2 other than temporary shedding during the Uley 2 construction period.



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](https://www.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.sunlandscs.com/>

INEMET Thermal Energy Storage Test Work Completion

On 18 November 2022 the Company announced the successful completion of the test work program undertaken at TU Freiburg's INEMET campus. After frustrating delays of more than 12 months due to the pandemic, the extensive program prepared by thermal process engineers ProTherm Systems (Pty) Ltd and QSP was completed.

The program tested and conclusively measured the thermal performance of QSP's flake graphite-based storage media (Uley Media) under the same ultra-high temperature conditions of the long duration energy storage (LDES) battery developed by Sunlands Co. Uley Media is manufactured by QSP using Uley 2 flake products as the critical ingredient.

INEMET produced a comprehensive data set covering the Company's total flake product range i.e., the full range of Uley flake purity and flake size, 90% to 97% and 75microns to 300microns respectively. On 28 November 2022 the Company released detailed results of the test work program. A key finding was the high temperature performance of the Uley Media which achieved substantially the same levels of heat storage capacity as high-grade isostatic graphite.

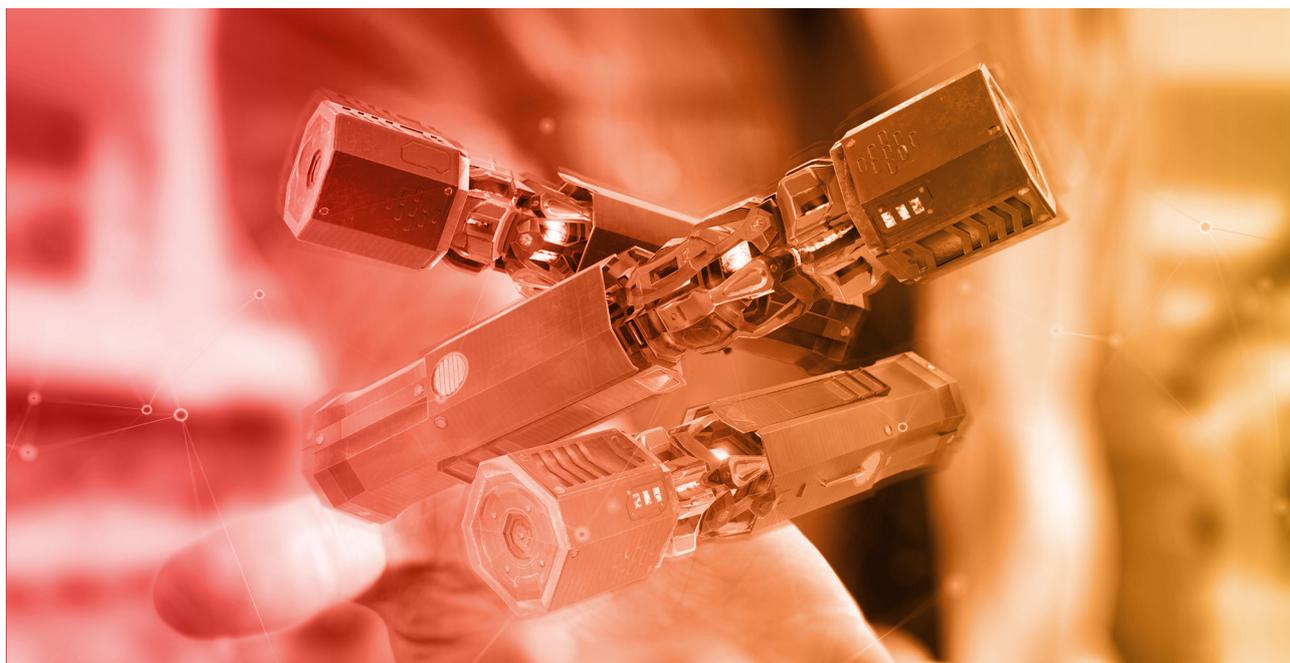
The results highlights of the program are summarised below:

- **Heat storage capability** - Confirmation of the heat storage capacity and performance of Uley Media for Sunlands Co. LDES battery cells driving utility scale turbine generation facilities
- **High Performance** - Uley Media performs at substantially similar levels to that of high-grade isostatic products thereby significantly reducing the unit cost of LDES battery cells
- **Uniformity** - Uley Media performance is consistent across the purity and size fractions of Uley 2 flake products used to manufacture the media
- **Scale of Manufacturing** – The uniformity and performance of Uley Media enable QSP's manufacture of Uley Media to be undertaken at a far greater scale than anticipated
- **Purity** – the level of volatilisation of impurities within the Uley Media during the experimental program strongly suggests a material increase in purity and the potential viability of thermal purification of Uley 2 flake for the Li-ion battery anode market.

ProTherm Systems director, Dr Leon Koekemoer, explained two of the key advantages of the results of the test work program "The uniformity of the Cp values and resulting heat storage capacity and performance results provide QSP with obvious advantages in the scalable manufacture of Uley Media blocks. For Sunlands Co. this provides it with extraordinary scope in the design of various configurations of Uley Media blocks to meet diverse applications and deployments of LDES cells".

Completion of the program marked the final milestone for the determination of the unit contribution to the Company of every tonne of media sold by QSP to Sunlands Co. and commencement of construction of the long duration energy storage Pilot Plant.

As announced in November 2022, the program data will be the subject of the next phase of test work aimed at assessing the viability of the thermal purification of Uley flake for the production of anode.



Corporate

Takeover Offer

On 9 August 2022 the Company made a takeover offer (Offer) for all the shares of Lincoln Minerals Limited (Lincoln) on issue as at the date of the Offer. The Offer price is one (1) of the Company's shares for every forty (40) Lincoln shares. During the period the Offer was extended and remains open as at the date of this report.

Lincoln holds several mineral tenements within South Australia's Eyre Peninsula with graphite resource potential including the Kookaburra Gully Project. The development of the Kookaburra Gully Project within the Company's business has the potential to deliver significant synergies that will generate greater value for the shareholders of both companies compared to their separate development by the companies.

The Company sought relief from the Takeovers Panel during the period but was unsuccessful. The Company's application to the Takeovers Panel was based on the following Lincoln failures:

- (a) The continued failure to maintain a shareholders' register as required by section 169 of the Corporations Act (Cth);
- (b) The continued failure by several Lincoln shareholders to disclose their relationship as associates for the purposes of the Corporations Act (Cth);
- (c) The continued failure by certain Lincoln directors to disclose their relationship as associates of several Lincoln shareholders for the purposes of the Corporations Act (Cth); and
- (d) The issue of certain disclosure documents, including the Target Statement and the prospectus for the entitlements offer that closed shortly after the period, that failed to meet the minimum disclosure requirements required by the Corporations Act (Cth).

Grant Thornton Legal Action

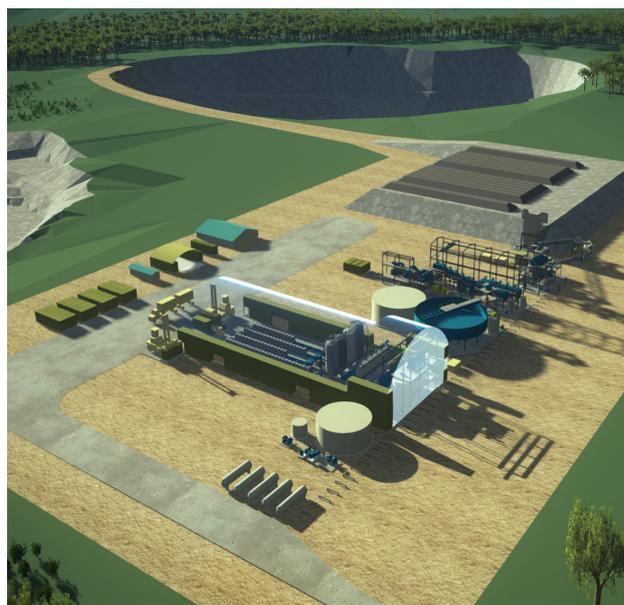
On 30 November 2022 the Company initiated proceedings against Grant Thornton in respect of its failure to deliver an audit opinion in respect of the 2020 Annual Financial Reports. The actions of Grant Thornton have caused loss and damage to the Company including delaying the development of the Uley 2 Project. Grant Thornton is expected to file a defence to the Company's statement of claim in February 2023.



Uley 2 Phase 1 Mining Study and Feasibility Summary Financial Metrics

| | |
|------------------------------|---|
| Total undiscounted cash flow | A\$207million ¹ |
| 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 |

¹ Includes JORC 2012 Reserves and Resources as outlined in the Mining Study and Ore Reserve estimate completed November 2019 announced to the market on 11 December 2019.



Schedule of JORC 2012 Minerals Reserves and Resources

JORC 2102 Mining Study and Reserve Statement, November 2019²

| 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 2021³

| 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 |

² Released to the market on 1 December 2019

³ Released to the market on 18 November 2021

Schedule of Tenements (ASX Listing Rule 5.3.3)

| Tenement | Tenement Type | Interest ⁴ | 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 ⁵ | Exploration Licence | 100% | Nil |

⁴ 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.

⁵ An application has been lodged for the renewal of EL6224.

Uley 2 Location and Resource Extension Priorities

Priority 1 Short Term Ore Reserve extension

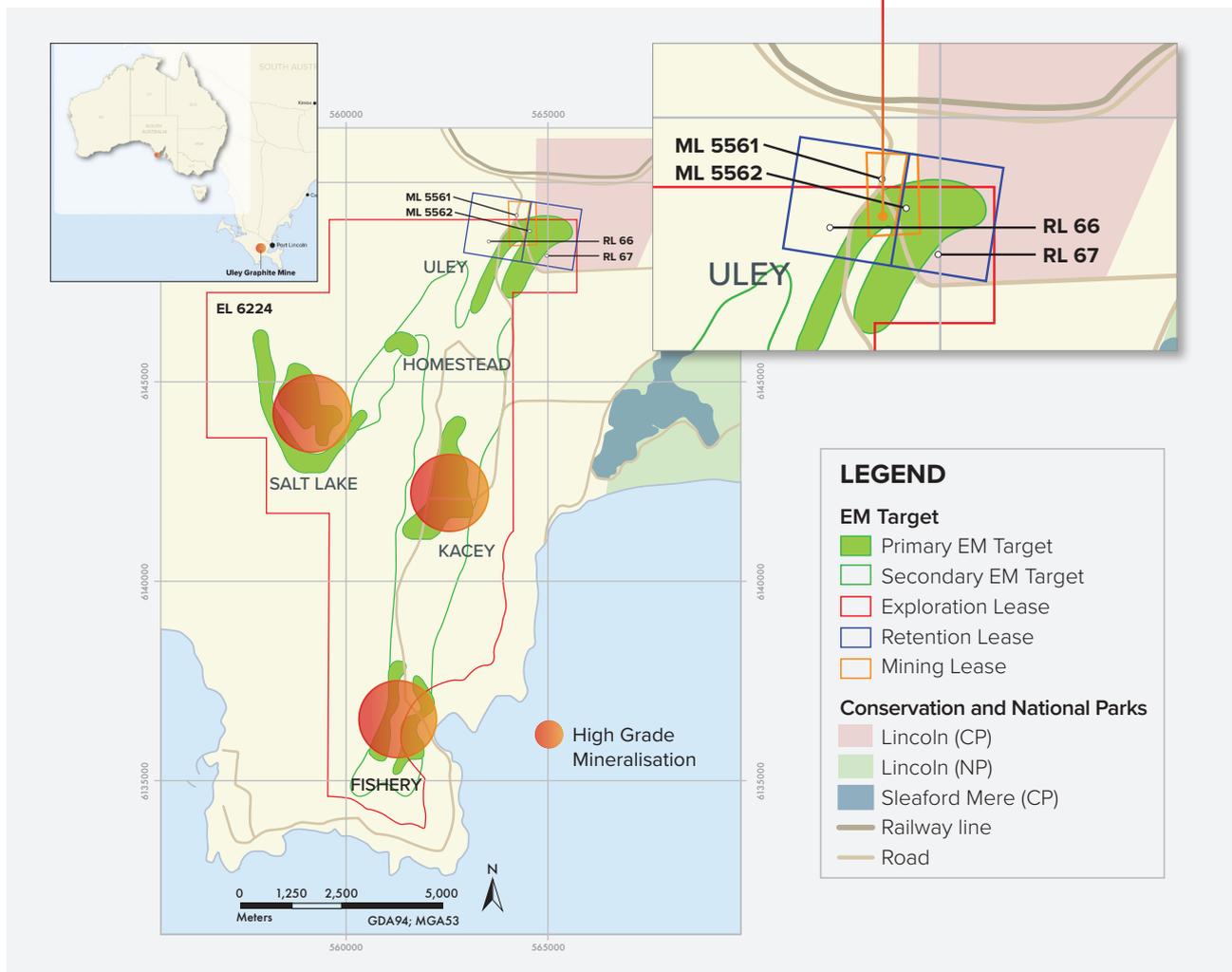
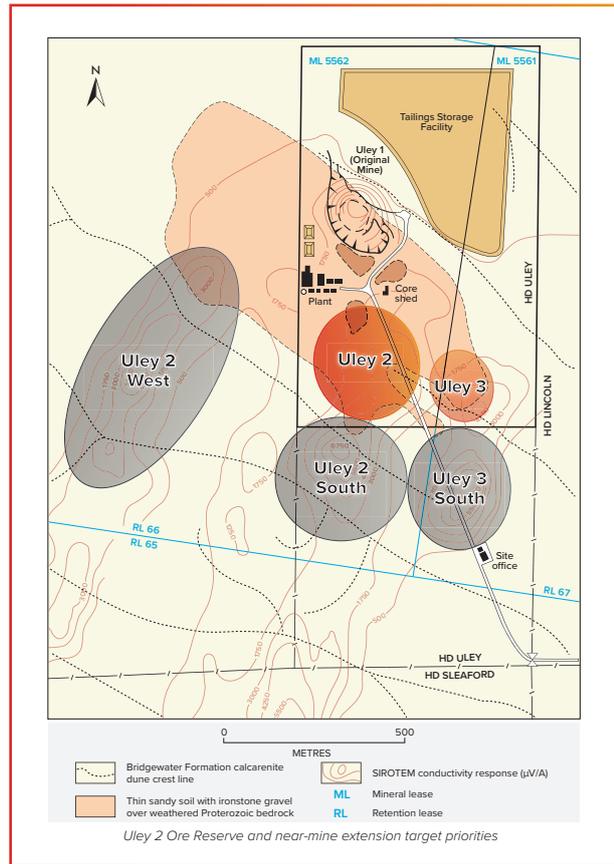
- Uley 2 South 50m
- Infill drilling at Uley 3

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 31 December 2022 the company had 336,400,000 ordinary shares and 3,000,000 unlisted options on issue and 1,958 shareholders. The top 20 shareholders held 56.08% of the issued ordinary shares in the company.

As at 31 December 2022 the company held cash at bank of \$2,620,199.23.

Related party payments in the amount of \$306,900 were made in the period. This were payments to either Chimaera Capital Limited for the provision of corporate, administrative, technical and asset management services to the Company including provision of the registered and main business office or payments to SC Capital Pty Ltd in connection with Sal Catalano's position as an executive of the Company.

As at 30 January 2023 the Company held cash at bank of \$2,319,572.44. 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'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.

FOR FURTHER INFORMATION CONTACT:

Company Secretary
Quantum Graphite Limited
E: info@qgraphite.com



ABOUT PROTHERM

Protherm Systems, founded in July 1987, is a leading thermal process engineering company, based in South Africa. The Company designs and supplies a wide range of thermal and related thermal processing plant and equipment for industrial users world wide, such as Plate Heat Exchangers, Shell and Tube Heat Exchangers, Air Dryers and Evaporators.



ABOUT INEMET

The Institute for Non-Ferrous Metallurgy and High Purity Materials focuses on sustainable and innovative processes that rethink existing production processes and the handling of supposed waste products in the spirit of the circular economy and zero waste thinking. INEMET's dedicated team work toward a greener future and the revolutionizing of non-ferrous metallurgy. It develops existing processes within pyrometallurgy, hydrometallurgy and the semiconductor industry in working groups and in a variety of projects. <https://tu-freiberg.de/en/fakult5/inemet>

Appendix 5B

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

Name of entity

| |
|---------------------------------|
| Quantum Graphite Limited |
|---------------------------------|

ABN

| |
|----------------|
| 41 008 101 979 |
|----------------|

Quarter ended ("current quarter")

| |
|------------------|
| 31 December 2022 |
|------------------|

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | - | - |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (75) | (155) |
| (e) administration and corporate costs | (1,659) | (2,253) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | (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 | (1,734) | (2,442) |

| | | |
|--|-------|-------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | - |
| (d) exploration & evaluation | (329) | (481) |
| (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 (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | 220 | 220 |
| | (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 | (109) | (261) |

| | | | |
|-------------|---|----------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 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. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 4,463 | 1,005 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,734) | (2,442) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (109) | (261) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 4,318 |

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 (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 2,620 | 2,620 |

| 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 | 2,620 | 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) | 2,620 | 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 | (307) |
| 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 | 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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | | |
| 7.1 Loan facilities | 1,767 | 1,767 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 1,767 | 1,767 |
| 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. | | |
| The finance facility was provided by Chimaera Capital Limited at an interest rate of 8.25%, the maturity date has been extended to the earlier of 24 January 2024 or the date of any capital raising being undertaken by the Company. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (1,734) |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (329) |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | (2,063) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 2,620 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (item 8.4 + item 8.5) | 2,620 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 1.3 |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | |
| 8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| 8.8.1 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: The net operating cash outflows for the December 2022 quarter were significantly higher than those anticipated for future quarters in the medium term and included one off costs that will not be repeated in future quarters (unless additional capital is raised). We expect that the current quarter and next quarter outflows costs will not exceed \$650,000 a quarter unless additional capital becomes available. | |

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

8.8.2 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. Steps include plans for the raising of further capital by way of the issue of additional equity. The Company expects to be successful in the raising of equity capital within the next six months.

8.8.3 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, refer response in 8.8.1. Cash operating outflows for the December quarter are higher than those forecast for the anticipated future quarters. The Company's operations will return to a substantially similar level of activity as that of prior quarters and if necessary, the Company may reduce or defer non-essential expenditures.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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 January 2023

Authorised by: ROCHELLE PATTISON
COMPANY SECRETARY
(Name of body or officer authorising release – see note 4)

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.