

Quarterly Activity Report and Appendix 5B for 30 June 2021

Highlights

Corporate

Appointment of Lead Arranger for Bond Offering

On 21 May 2021, the Company announced the appointment of ACT Capital GmbH as Lead Arranger and Placement Agent in connection with the proposed bond offering for the financing of stage 1 of the Uley 2 process plant and related infrastructure.

March 2021 Placement

During the quarter, the Company completed the formalities relating to the March 2021 A\$2million share placement at 6.5 cents per share. The Cleansing Prospectus in respect of the placement was released to the market on 27 April 2021. The General Meeting held on 28 May 2021 approved the issue of shares to director related parties that participated in the placement and to Chimaera Capital Markets on achieving the initial milestone under its advisory mandate with the Company in respect of the bond offering.

June 2021 Placement

In June 2021, the Company completed a further A\$965,000 share placement at 9 cents per share, representing more than a 75% premium to the Company's last traded share price. Included in the June 2021 placement was the issue of shares to the value of A\$540,000 to key technical consultants in respect of mine engineering, geology and research and development works.

Sunlands Co. Energy Storage

QGL and Sunlands Co Manufacturing Joint Venture

The Company completed a transformational step in the development of a major downstream business with the announcement of the joint venture between the Company and Sunlands Co. After significant ongoing negotiations extending for more than 18 months, the parties concluded that the joint ownership of the manufacturing of the graphite storage media for the Sunlands Co. technology was preferred to a conventional offtake arrangement. The Company will be the exclusive supplier of flake graphite products to the joint venture. Further, the joint venture will be the exclusive supplier of graphite storage media for Sunlands Co's TES battery cells.

Sunlands Co. Commercial Pilot

Independently of the Company's joint venture with Sunlands Co, it continues to support the development of Sunlands Co's commercial pilot facility. The Company will provide initial coarse flake media for the pilot facility.

Drilling Program

During the quarter, the Company announced the next stage of drilling on its mineral tenements. The focus of the Uley 2 drilling is the extensional drilling campaign within the Eastern Conductor. Planning for this drilling has been completed and mobilisation of appropriate equipment and personnel is waiting only on the lifting of COVID-19 border restrictions. The Company expects mobilisation to occur within the next 2 weeks.

Research & Development Workstreams

The Company's R&D workstreams cover two distinct projects; the first is the continuing research and development on advanced processing pathways for the further upgrading of Uley 2 coarse flake products. The second relates to the manufacturing pathway for the local production of thermal storage media for Sunlands Co.'s energy storage cells. This particular R&D program was the subject of a Federal Government Modern Manufacturing Initiative – Translation Stream Grant Application.

Key Customer Engagement

In the previous quarter, the Company resumed technical sales engagements with key target customers and began shipping samples from existing inventories to Europe. The Company's shipping schedule was disrupted by COVID-19, however it expects to resume these activities by mid-August 2021.

Corporate

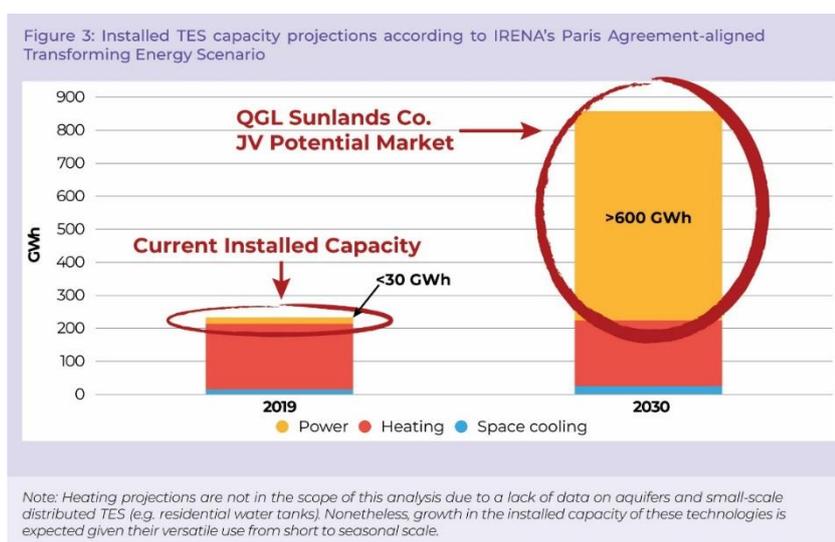
The Company’s capital raising activities during the quarter enabled the acceleration of works especially in relation to its research and development programs and the joint venture concluded with Sunlands Co.

At a corporate level, the Company’s focus will continue to be the progressing of the ACT Capital bond offering, specifically the completion of key milestones essential to the registration of regulatory disclosure documents and the marketing of the bond offering. The Company has settled the available options for the transaction’s legal structure. It will now turn to preparing key documents to enable the preparation of submissions to the ratings agency and the preparation of regulatory (i.e., LuxSE) disclosure documentation.

Sunlands Co. Joint Venture and Energy Storage

The Company completed a transformational step in the development of a significant downstream business with the formation of the manufacturing joint venture with Sunlands Co. The 50:50 joint venture effectively integrates the Uley 2 project with Sunlands’s Co’s energy storage business. The Company considers that the joint venture will firmly position it to participate directly in a vital emerging market segment with extraordinary grow potential.

Sunlands Co’s energy storage delivers long duration storage solution critical to the transition to 100% renewable. Recent forecasts by the International Renewable Energy Agency (see chart below), estimate electricity generation derived from thermal energy storage is set to increase by 20 to 30 times the 2019 installed base.



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Under the joint venture agreement, Sunlands Co. will contribute technology comprising certain advanced processing technologies and the specifications of the flake required to produce the thermal storage media for Sunlands Co.’s storage cells. The Company will be required to successfully complete its existing research program, including the research which is the subject of the MMI Translation grant application and contribute this technology to the joint venture.

In the event that Quantum is unable to fund the research and development, Sunlands Co. has the right but not the obligation to contribute any research and development funding shortfall. Any shortfall will not impact the Company’s joint venture interest however, the transfer price attributed to the storage media in respect of the sale by the joint venture to Sunlands Co. will be adjusted by way of a discount to the price of the manufactured storage media supplied to Sunlands Co.

Under the joint venture agreement, both the transfer price in relation to the sale of flake product by the Company to the joint venture and the joint venture’s sale of the storage media to Sunlands Co. will be negotiated no later than the commencement of production from the Uley 2 mine.

Drilling Program

The new drilling program is aimed at increasing the JORC 2012 Uley 2 Reserve and Resources. The focus of this drilling is the extensional drilling of the Eastern Conductor, immediately adjacent to the Uley 2 Pit (see Figure 1). Subject to drilling results, the 8-hole program together with existing drill hole information from prior Eastern Conductor drilling, potentially enables an additional pathway to a low-cost expansion for Uley 2.

The location of drill holes (see Figure 2) is based on the Company’s extensive geophysical survey data combined with the structural data generated from the 2014/2015 drill program from which the existing JORC 2012 Reserve and Resources were derived.

All preparations for drilling have been completed and mobilisation of equipment and personnel is subject to the lifting of Covid 19 border restrictions.

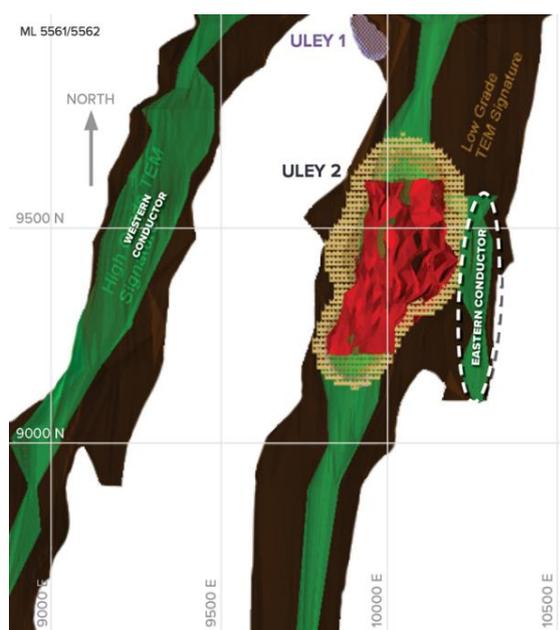


Figure 1: Uley 2 with Eastern Conductor highlighted



Figure 2: Eastern Conductor Drillhole Locations

Key Customer Engagement

During the quarter the Company continued its technical sales engagement with key target customers. The Company experienced further interest as various COVID-19 restrictions, including lockdowns, across most of Europe and North Asia were either ceasing or scheduled to cease by the end of the quarter.

The Company has significant +196, +197 and +592 inventories available to meet its planned shipping schedule to these target customers. Although COVID-19 caused disruptions during the quarter, the Company expects to resume these activities by mid-August 2021.

Research and Development Workstreams

During the quarter, the Company’s advanced processing R & D workstream focussed on the development of a further metallurgical test work program designed to measure the efficacy of an additional process for increasing the purity of its coarse flake products. The Company has scheduled this work to be undertaken in the third and fourth quarter of calendar 2021. The complexity and specialised conditions required for this test work may require it to be completed outside Australia unless a suitable laboratory is located.

The Company’s manufacturing pathway R & D workstream for the local production of thermal storage media was also advanced during the quarter. The main activity undertaken during the quarter continued the development of a test work program to evaluate the optimum forms of thermal media utilising Uley 2 course flake. The test work program is being developed with the support of Sunlands Co. which has provided some of the critical specifications that the final form of the media must achieve to qualify it as a viable option for Sunlands Co.’s storage cells.

Schedule of Tenements (ASX Listing Rule 5.3.3)

Tenement	Tenement Type	Interest ¹	Changes during the Quarter
ML5561	Mining Licence	100%	Nil
ML5562	Mining Licence	100%	Nil
RL66	Retention Licence	100%	Nil
RL67	Retention Licence	100%	Nil
EL6224	Exploration Licence	100%	Nil

All interests are registered in the name of the company’s subsidiary, Quantum Graphite Operations Pty Ltd and held as at the end of the quarter.

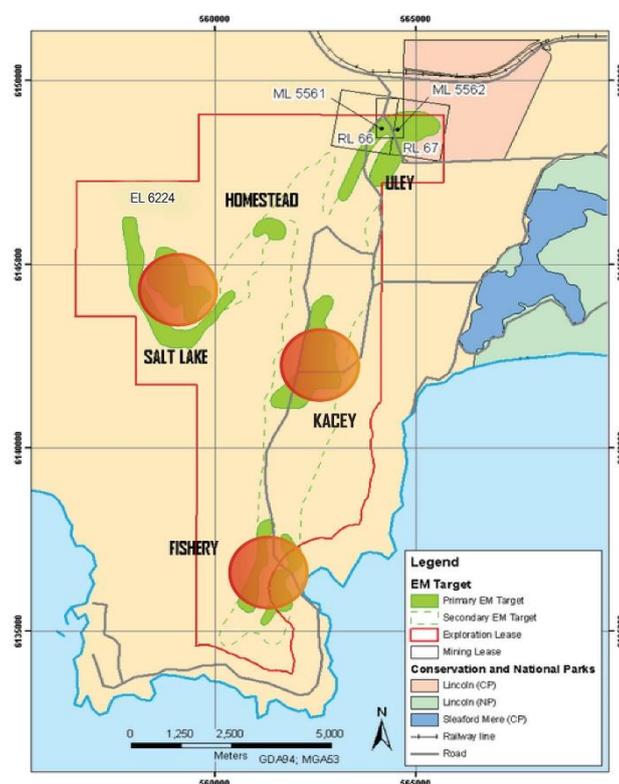


Figure 3 Tenement Locations

Corporate Information and Announcements

As at 30 June 2021 the company had 281,834,890 ordinary shares and 28,571,429 unlisted options on issue and 1,012 shareholders. The top 20 shareholders held 62.72% of the issued ordinary shares in the company.

As at 30 June 2021 the company held cash at bank of \$1,236,230.51. As at 30 July 2021 the company held cash at bank of \$791,045.73.

This report should be read in conjunction with all prior announcements made by the company to the ASX available at <http://quantumgraphite.com/investors>.

The pro forma Appendix 5B (Mining exploration entity and oil and gas exploration entity quarterly report) is attached to this report.

Competent Persons Statement

QGL confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters relating to Mineral Resources is based on, and fairly represent, the Mineral Resources and information and supporting documentation extracted from the reports prepared by a competent person in compliance with the JORC Code (2012 edition) and released to the ASX (including under the company's previous code, VXL on 17 December 2014, 5 May 2015 and 15 May 2015 respectively).

Forward Looking Statements

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects' or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the company, its directors and management of QGL, that could cause QGL'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

For further information contact:

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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 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(23)	(93)
(e) administration and corporate costs	(737)	(788)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(760)	(881)
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)	(166)	(198)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	(166)	(198)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	934	2425
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	(233)	(233)
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	701	2,192

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1461	13
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(760)	(771)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(166)	(198)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	701	2,192

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,236	1,236

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	-	-
5.2	Call deposits	1,236	(18)
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,236	(18)

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(687)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(760)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(166)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(926)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,236
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,236
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1

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

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:

Expected operating cash flows are expected to decrease. Significant tax receivables will be collected. Whilst costs for drilling activities will increase, other cash flows will reduce.

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:

As announced to the market on 21 May 2021, ACT Capital has been appointed as the Company's lead arranger and placement agent in connection with a bond offering for the financing of stage 1 of the Uley 2 process plant and related infrastructure.

Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Pending finalisation of the bond offering, with the exception of the drilling program announced, significant discretion exists to reduce cash flows if required.

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 June 2021
AUTHORISED BY:	ROCHELLE PATTISON COMPANY SECRETARY

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.