



Quarterly Activity Report and Appendix 5B  
Period Ending 30 September 2020  
For Immediate Release  
29 October 2020

## Highlights

- **Sunlands Co. MOU Renewal**

During the quarter, the memorandum of understanding (MOU) between the Company and The Sunlands Company Pty Ltd (Sunlands) was renewed.

The MOU will continue to govern the working relationship between the parties especially in relation to Sunlands' commercialisation of its energy storage technologies.

With the completion of Sunlands feasibility last quarter, it has now moved to the design phase of its commercial pilot facility that will demonstrate the technology's performance with Uley 2 flake product.
- **Offtake Arrangements Update**

The offtake arrangements being negotiated with Sunlands has been delayed by Sunlands' flake test work program. The Company expects to conclude an offtake agreement with Sunlands by 30 November 2020.
- **COVID-19 Impact: Flake Graphite Market and Company Marketing**

Adverse impacts of the pandemic continue to weigh heavily on European industrial activity as well as the global supply chain. Accordingly market prices for the Company's medium, large and extra-large flake graphite (i.e., > 95%, >+100 mesh) remain strong and trade at a premium Chinese sourced supply.

The Company continues to progress discussions and negotiations with prospective customers in Europe and North Asia. The Company has expanded its end user marketing strategy to include key industrial mineral trading groups in North Asia.

## Sunlands Co. MOU Collaboration

During the period, the Company and Sunlands renewed the MOU between them extending the collaboration of the parties in respect of the commercialisation of the Sunlands energy storage technologies. The MOU also continues the Company's support for the technical work being undertaken by Sunlands on the Uley 2 flake graphite product required by it for its thermal energy storage (TES) cells.

Sunlands has advised the Company that its work on the commercial pilot of the Sunlands technology is progressing. It has now moved to the design phase and detailed engineering for the design of the initial commercial pilot has commenced.

#### Offtake Arrangements

The renewal of the MOU with Sunlands excluded offtake as the parties had commenced negotiations to conclude an offtake agreement. Negotiations have been delayed due to Sunlands' test program in respect of Uley 2 flake. Critical to Sunlands energy storage technologies is the purity of the flake and Sunlands has made significant progress towards achieving the desired product specification. This is particularly important for micro and small-scale storage systems which require a higher level of purity to achieve the operating requirements for network or grid connected systems.

The parties expect that detailed offtake arrangements will be completed prior to the Company's 2020 Annual General Meeting and an announcement of the key terms and conditions will be presented at the AGM.

Sunlands has also delivered an investor presentation which will also be the subject of a separate announcement by the Company. This presentation is summary of the Sunlands technologies which utilise Uley 2 flake and includes the advantages of the technologies compared to other current technologies such as lithium-ion batteries and pumped hydro.

#### COVID 19 Impact: Global Flake Graphite Market and Company Marketing Status

Adverse impacts of COVID-19 on the Company's key target customers in North Asia and especially Europe continue to weigh on the resumption of industrial activity. The recent increase in infections in Western Europe have raised the prospect of further widespread lockdowns in key markets such as Germany, Italy, France and Spain. This is likely to limit any return to significant industrial activity until at least the end of 2020.

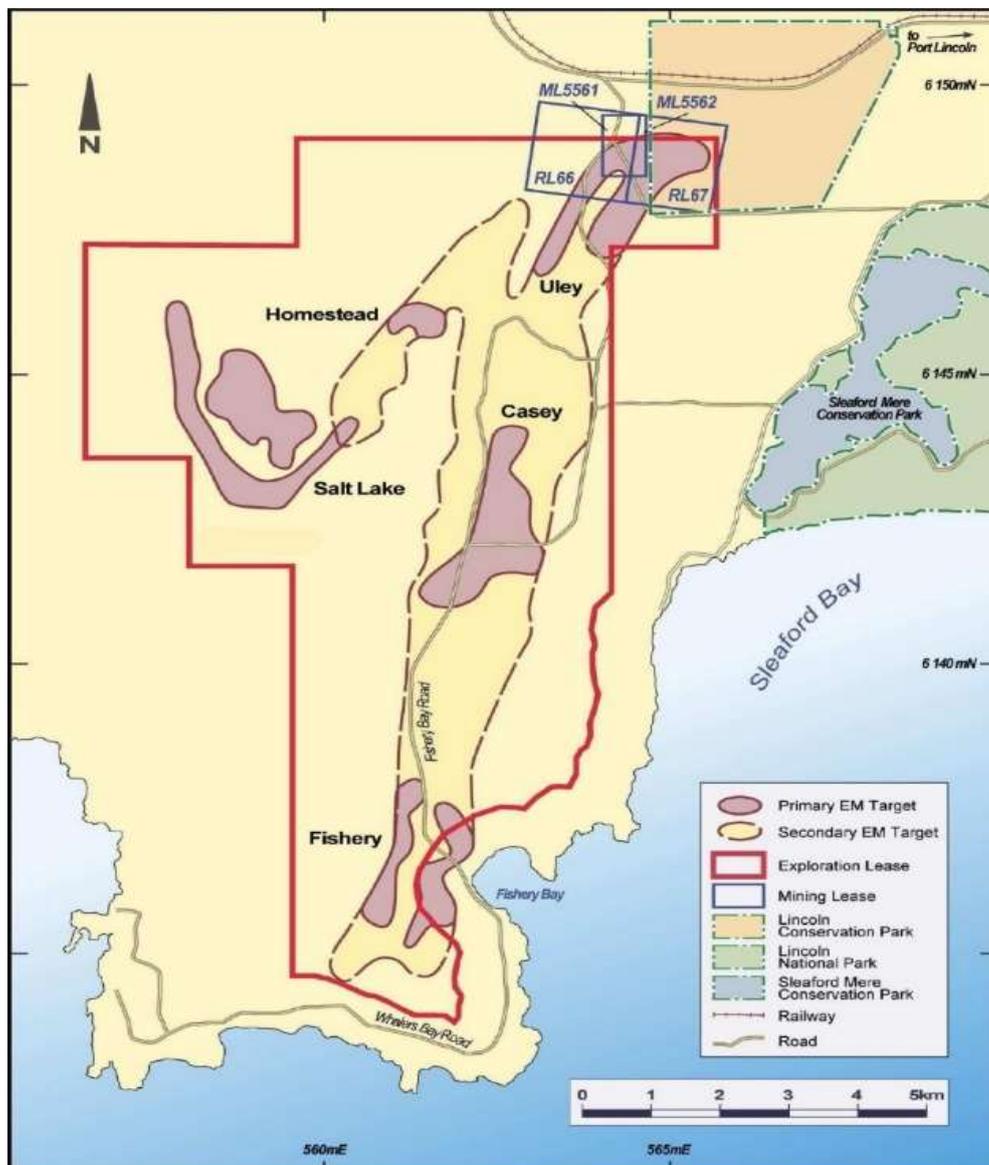
As a result, the Company has expanded its marketing efforts in North Asia, particularly, the major trading companies seeking diversification from their existing supply arrangements sourced predominately from mainland China and Africa. The Company considers that these prospects are likely to be more successful than its traditional European targets in the short term although at prices slightly below that offered by the major western European refractories.

European coarse flake prices remain strong. The combination of constrained industrial activity, constant interruption to supply chains and ongoing environmental controls imposed in China will underpin strong European coarse flake prices for the foreseeable future.

## Schedule of Tenements (ASX Listing Rule 5.3.3)

Tenement	Tenement Type	Interest <sup>1</sup>	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

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



### Corporate Information and Announcements

As at 30 September 2020 the company had 218,874,240 ordinary shares and 28,571,429 unlisted options on issue and 988 shareholders.

The top 20 shareholders held 67.05% of the issued ordinary shares in the company.

As at 30 September 2020 the company held cash at bank of \$57,627. As at 30 October 2020 the company held cash at bank of \$45,275.

This report should be read in conjunction with all prior announcements made by the company to the ASX including all announcements released under the company's previous code, VXL (on and from 18 November 2013 until 30 November 2016) 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.

### For further Information

For further information contact:  
Company Secretary  
Quantum Graphite Limited  
e: [info@qgraphite.com](mailto:info@qgraphite.com)

### 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.

## Appendix 5B

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

Name of entity

<b>Quantum Graphite Limited</b>
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ABN

41 008 101 979
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Quarter ended ("current quarter")

30 September 2020
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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(24)	(24)
(e) administration and corporate costs	(37)	(37)
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	110	110
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>49</b>	<b>49</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(5)	(5)
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(5)</b>	<b>(5)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	13	13
4.2	Net cash from / (used in) operating activities (item 1.9 above)	49	49
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)

## 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)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>57</b>	<b>57</b>

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	57	57
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>57</b>	<b>57</b>

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	(41)
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

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements		-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		
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.		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	49
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(5)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	44
8.4	Cash and cash equivalents at quarter end (Item 4.6)	57
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	57
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	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: No because the Company has substantially concluded the work in connection with the Uley 2 Definitive Feasibility Study and it has the capacity to reduce or defer cash outflows whilst maintaining its key operating activities

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. The Company plans to raise further capital by way of the issue of additional equity. The Company expects to be successful in the raising of equity capital.

## 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: Yes. The Company's operations will continue on substantially the same basis as recent quarters subject to the ongoing review, and if necessary, reduction or deferral, of non-essential cash outflows.

## 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: 22 October 2020

AUTHORISED BY: SAL CATALANO  
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.