



CLEANSING PROSPECTUS

This Prospectus (Prospectus) is issued by Quantum Graphite Limited (Company) primarily for the purpose of section 708A(11) of the *Corporations Act 2001* (Cth) to remove any trading restrictions on the sale of shares issued by the Company prior to the Closing Date or otherwise under this Prospectus.

This Prospectus also relates to an offer of 11,842,200 fully paid ordinary shares (New Shares) in the Company @\$0.38 per share to raise up to \$4,500,036 (Offer).

The Offer is not subject to the approval by the Company's Shareholders.

IMPORTANT NOTICE

This Prospectus is an important document and requires your immediate attention. It should be read in its entirety and in conjunction with the Company's disclosures including financial reporting available at <https://www2.asx.com.au/markets/company/QGL>. The most recent financial statements are the Interim Financial Statements for the six months ending 31 December 2021

If you have any questions about the securities being offered under this Prospectus or any other matter, you should consult your stockbroker, accountant or other professional adviser. The New Shares offered under this Prospectus should be considered speculative.

This is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act.

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.

Important Information

General

This Prospectus (**Prospectus**) is dated 22 July 2022 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates.

The expiry date for this Prospectus is the date which is 13 months after the date of this Prospectus (**Expiry Date**). No Applications for New Shares will be accepted nor will New Shares be issued on the basis of this Prospectus after the Expiry Date.

Transaction Specific Prospectus

This Prospectus is a transaction specific prospectus for the offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus.

Representations made in this Prospectus should be read in the context of the Company's status as a "disclosing entity" for the purposes of the Corporations Act. Accordingly, certain matters may reasonably be expected to be known to investors and their professional advisers.

Nevertheless, this Prospectus contains important information and should be read in its entirety before deciding to apply for New Shares. In particular, it is important that potential investors consider the risk factors (see Section 6 of this Prospectus) that could affect the performance of the Company before making an investment decision.

Investors should obtain professional investment advice

Potential investors should obtain professional investment advice before accepting the Offer. The information provided in this Prospectus and the accompanying Application Form is not a financial product nor financial product advice and has been prepared without considering any investor's investment objectives, financial circumstances or needs. The information contained in this Prospectus and the accompanying Application Form should not be considered comprehensive or comprising all the information which a potential investor may require to determine whether to apply for New Shares.

Disclaimer of representations

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

Overseas shareholders

This Prospectus has been prepared having regard to the Australian disclosure requirements. It does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The Offer is not being extended and New Shares will not be issued to investors with a registered address which is outside Australia. It is not practicable for the Company to comply with the securities laws of jurisdictions outside Australia having regard to the number of potential overseas investors, the number and value of New Shares being offered and the cost of complying with regulatory requirements in jurisdictions outside Australia.

United States investors

This Offer does not constitute an offer in the United States, nor does it constitute an offer to a person who is a US Person or someone who is acting on behalf of a US Person.

No Shares have been, nor will be, registered under the US Securities Act, nor may be offered or sold in the United States of America, or to, or for the account or benefit of, US Persons except under an available exemption from registration under the US Securities Act. Shares may only be resold or transferred if registered under the US Securities Act or pursuant to an exemption from registration under the US Securities Act and in compliance with state securities laws. The Company is under no obligation and has no intention to register the Shares in the United States of America.

New Zealand Shareholders

The Offer is not being made in New Zealand.

Availability

Potential investors can obtain a copy of this Prospectus during the Offer period on the Company's website at <https://quantumgraphite.wp.gate.com/investors/> or by contacting the Company at +61 3 8614 8414. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The Offer does not consider the investment objectives, personal circumstances (including financial and taxation issues) and needs of potential investors. Potential investors should consider the prospects of the Company in the light of their individual objectives, circumstances and needs.

The electronic copy of this Prospectus available from the Company's website does not include a personalised Application Form. Potential investors will only be able to accept the Offer by completing the personalised Application Form which accompanies this Prospectus (refer to Section 5 for further information).

Defined terms

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 9 of this Prospectus.

Forward-looking statements and risks

This Prospectus contains forward-looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in the Offer Overview and Section 6 of this Prospectus. Forward-looking statements do not constitute, and should not be regarded as, representations that the relevant results will be achieved or that the underlying assumptions are valid. The opinions, estimates, forecasts and projections are subject to uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of the Company.

Competent Person's Statement

The Company confirms that it is not aware of any new information or data that materially affects the information included in this Prospectus 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 and includes the reports released to the ASX under the company's

previous ASX code, VXL (specifically the reports released on 17 December 2014, 5 May 2015 and 15 May 2015 respectively).

Website

Any references to documents included on the Company's website at <https://quantumgraphite.wp.gate.com/> are for convenience only, and none of the documents or other information available on the Company's website or filed with ASIC or ASX are incorporated by reference into this Prospectus.

Privacy Act

If you complete an Application Form, you will be providing personal information to the Company (directly or to the Share Registry). The Company collects, holds and uses that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or the Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

Corporate Directory

Directors

Sal Catalano
Bruno Ruggiero
Robert Osmetti
David Trimboli

Company Secretary

Rochelle Pattison

Registered office

Level 5, 349 Collins Street,
Melbourne, Victoria, 3000
Tel: +61 3 8614 8414

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne, Victoria, 3008
T +61 3 9847 9125
www.linkmarketservices.com.au

Legal Advisers

PricewaterhouseCoopers
2 Riverside Quay
Southbank, Victoria, 3006
www.pwc.com

Auditor

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne, Victoria, 3000
www.rsm.com.au

Offer Overview

Key Investment Aspects	
Offer Price	\$0.38 per New Share
Total amount to be raised under the Offer	Up to \$4,500,036
Maximum Number of New Shares to be issued under the Offer	11,842,200 Fully Paid Ordinary Shares

Timetable for the Offer	
Announcement of Offer and Lodgement of Prospectus – Announcement of Offer and Appendix 3B lodged with ASX	Friday, 22 July 2022
Prospectus lodged with ASIC and ASX	Friday, 22 July 2022
Closing Date – The last day for receipt of Application Forms	Tuesday, 26 July 2022
Issue date – Allotment of New Shares under the Offer	Thursday, 28 July 2022
Quotation of New Shares and expected commencement of normal trading in Shares on ASX (subject to approval by the ASX)	Monday, 1 August 2022
Despatch date - Despatch of holding statements for New Shares	Monday, 1 August 2022

These dates are indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, the Company reserves the right to amend this indicative timetable. This may include extending the Closing Date, accepting late Applications, or to withdraw the Offer. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

No cooling-off rights apply to Applications submitted under the Offer.

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1. Details of the Offer

1. Details of the Offer

1.1 The Offer

The Offer is being made by the Company. Further details of the Company and its business are set out in Section 3. This Prospectus has also been prepared for the purpose of section 708A(11) of the Corporations Act (see section 1.3 below).

The Company is making an Offer pursuant to this Prospectus. The Offer is only available to those who are personally invited to accept the Offer. There is no general offer to the Shareholders or other investors.

A maximum of 11,842,200 New Shares will be issued under this Offer to raise up to \$4,500,036. Further information, including a description of the use of funds and the key risks relating to the Offer, is set out further below in this Prospectus.

Applications for New Shares offered under this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The Directors have determined that the minimum subscription amount for New Shares will be \$1,000.

All New Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus.

The Directors may at any time decide to withdraw this Prospectus, the offer of New Shares made under this Prospectus, in which case the Company will return all Application Monies (without interest) within 28 days of giving such notice of withdrawal.

1.2 Background to the Offer

On 8 December 2021, the Company issued and allotted 7,465,565 Shares to Sophisticated and Institutional Investors at \$0.115 per Share pursuant to the prospectus dated 30 November 2021 (the **December Issue**)

In February 2022, 919,800 Shares were issued as consideration to service providers. These Shares were issued pursuant to approval granted at the Annual General Meeting held on 19 November 2021 (**February Placement**).

On 18 March 2022, the Company issued and allotted 252,000 Shares as consideration to service providers (**March Placement**).

On 20 June 2022, the Company issued and allotted 260,000 Shares as consideration to service providers (**June Placement**).

The Shares issued pursuant to the February Placement, the March Placement and the June Placement were issued without disclosure under Chapter 6D of the Corporations Act.

A full impact of the February Placement, the March Placement and the June Placement on the Company's share capital are as follows:

Total Shares on issue prior to the February Placement	293,000,000
New Shares issued and allotted under the February Placement	919,800
New Shares issued and allotted under the March Placement	252,000
New shares issued and allotted under the June Placement	260,000
Total Shares on issue following completion of the February Placement, March Placement and June Placement	294,431,800
Maximum New Shares to be issued under this Offer	11,842,200
Maximum Total Shares on issue following completion of this Offer	306,274,000

This Offer will raise up to \$4,500,036.

1.3 Purpose of Prospectus

The primary purpose of this Prospectus is to remove any on-sale trading restrictions that may have attached to the Shares issued under the February Placement, the March Placement, the June Placement and the Offer and any other Shares issued by the Company without disclosure under Chapter 6D of the Corporations Act on or before the Closing Date. Compliance with section 708A(11) of the Corporations Act, enables Shareholders who received Shares to sell those Shares within the next twelve months without the issue of a prospectus or other disclosure document.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either
 - (i) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made;
 - or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

1.4 Underwriting

The Offer will not be underwritten.

1.5 Applications

Applications for New Shares under the Offer must only be made those persons personally invited to accept the Offer and submitted using an Application Form provided by the Company to those Applicants.

By completing an Application Form, an Applicant will be taken to have declared that all details and statements made by the Applicant are complete and accurate and that the Applicant has personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Payment for Shares must be made in full at the Offer Price of \$0.38 per New Share.

Completed Application Forms and accompanying evidence of payment of the Application Monies must be delivered to the address set out on the Application Form by no later than 5.00 pm (Melbourne Time) on the Closing Date, or any other later date as determined by the Company.

1.6 Quotation on ASX

The Company will make application to the ASX for the quotation of the New Shares on the ASX within 7 days of the date of this Prospectus. The commencement of quotation of the New Shares is subject to confirmation from ASX. If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not issue any Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may grant Official Quotation to the New Shares is not to be taken as an indication of the merits of the Company or the Shares being offered.

1.7 Issue and allotment of New Shares

New Shares will be issued in accordance with the Listing Rules and the Timetable.

Pending the issue of the New Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Share Registry in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives any right to claim such interest.

The issue of New Shares under this Prospectus and despatch of holding statements is expected to occur on the dates specified in the Timetable.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

Shares will not be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

1.8 Offer Dilution

Assuming all the New Shares are issued under the Offer, existing Shareholders in the Company will be diluted by approximately 8.5% (as compared to their holdings and number of Shares on issue as at the date immediately prior to the issue of this Prospectus).

1.9 Use of Funds

Funds raised by this Offer will be applied as follows:

Activity	Funds
A. the construction of the long duration energy storage cell pilot including the ultra-high temperature test work being conducted by Technische Universität Bergakademie Freiberg's INEMET group;	\$2,300,000
B. ongoing site preparation of Uley 2; and	\$200,000
C. the expansion of the Uley 2 definitive feasibility study from the existing production capacity of 55,000 tonnes per annum to a target capacity of approximately 95,000 tonnes per annum;	\$250,000
D. general working capital requirements including progressing the financing of the Uley 2 (Stage 1) Project.	\$1,750,036
TOTAL	\$4,000,036

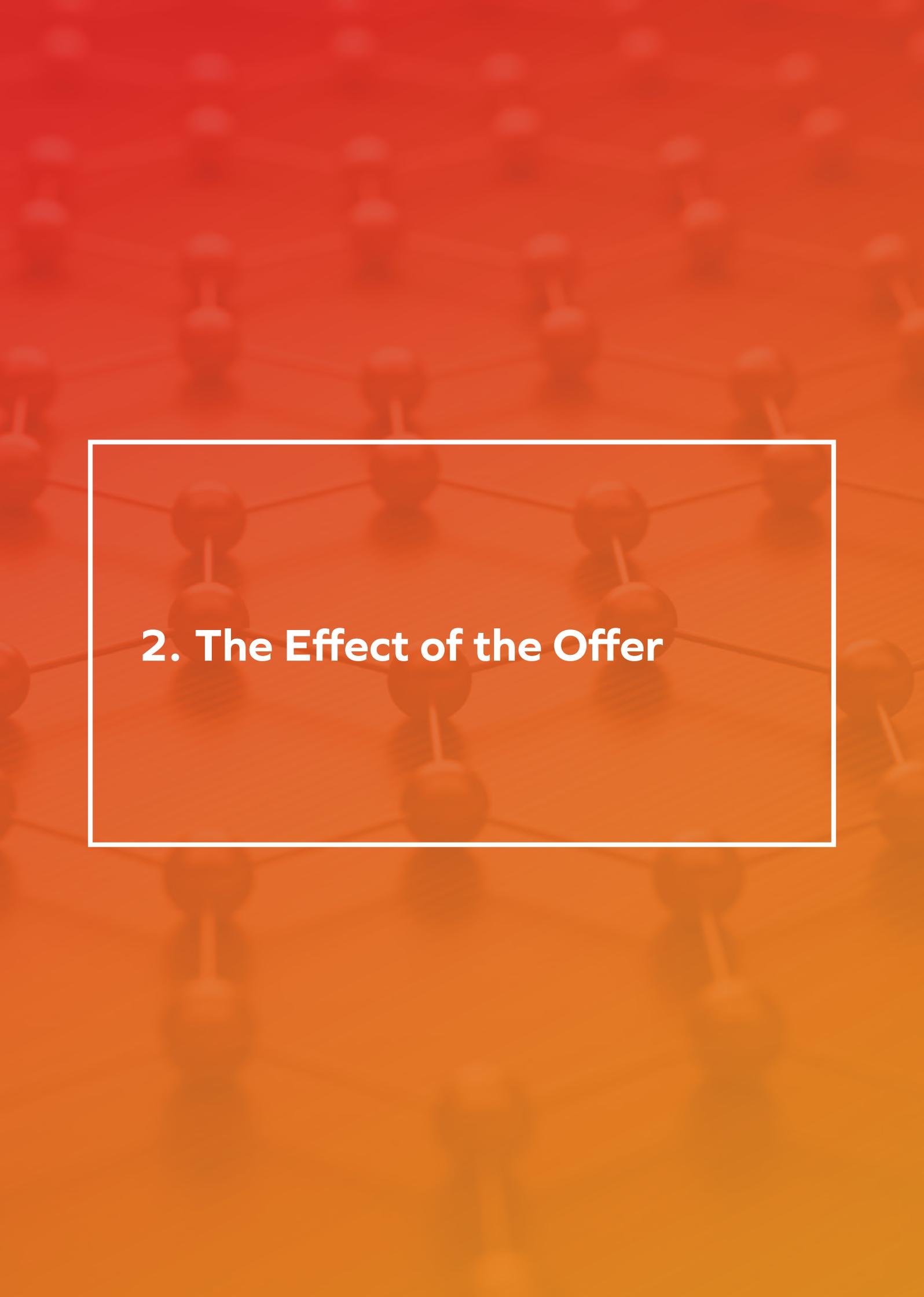
1.10 Amounts payable under the Offer

Other than the Offer Price of \$0.38 per New Share, there are no other fees or charges payable by Applicants to receive New Shares.

1.11 Offer of New Shares

The offer of 11,842,200 New Shares is being made to the potential investors:

No New Shares will be issued to any person under the Offer which would result in a person acquiring a Relevant Interest in the Company which results in someone's voting power in the Company increasing above 19.9% or increasing at all from a starting point that is above 20% and below 90%.



2. The Effect of the Offer

2. The Effect of the Offer

2.1 Capital Structure

The effect of the Offer on the capital structure of the Company is set out below:

Security	Number
Total Shares on issue at the date of this Prospectus (which includes the Shares issued under the February Placement, the March Placement and the June Placement)	294,431,800 Shares
Partly Paid Shares	None
Maximum New Shares to be issued under the Offer	11,842,200 Shares
Maximum Total Shares on issue following completion of the Offer	306,274,000 Shares
Total Options on issue	28,571,429 options to acquire ordinary shares (exercise price \$0.00, expiry date 20 July 2023)
Total Options on issue following completion of the Offer	28,571,429 options to acquire ordinary shares (exercise price \$0.00, expiry date 20 July 2023) 3,000,000 options to acquire ordinary shares (exercise price \$0.75, expiry date 31 January 2024).

2.2 Effect of the Offer on control and voting power in the Company

The Company's substantial Shareholders and their shareholdings prior to the Offer are set out in below. The issue of New Shares under the Offer will have no effect on the control of the Company.

2.3 Financial Effect of the Offer

An unaudited pro-forma consolidated balance sheet as at 31 December 2021 showing the effect of the Offer is set out below.

The pro-forma balance sheet has been prepared assuming the maximum number of Shares offered under this Prospectus are issued.

The pro-forma consolidated balance sheet has been prepared to provide potential investors with information on the pro-forma assets and liabilities of the Company. The pro-forma financial information is presented in abbreviated form, insofar as it does not include all of the disclosure required by Australian Accounting Standards applicable to annual financial statements.

Proforma Balance Sheet

Consolidated Statement of Financial Position
As at 31 July 2022

	31-Dec 2021 \$	Post Raise
Current assets		
Cash and cash equivalents	1,793,831	3,912,529
Trade and other receivables	270,551	182,422
Total current assets	<u>2,064,382</u>	<u>4,094,950</u>
Non-current assets		
Receivable from the SA Department of Mining and Energy	1,073,863	1,073,863
Property, plant and equipment	299,769	283,460
Intangible assets	7,189	7,189
Development assets	14,744,608	14,799,753
Exploration and evaluation assets	2,161,827	2,527,675
Total non-current assets	<u>18,287,256</u>	<u>18,691,940</u>
Total assets	<u>20,351,638</u>	<u>22,786,890</u>
Current liabilities		
Trade and other payables	463,262	482,000
Total current liabilities	<u>463,262</u>	<u>482,000</u>
Non-current liabilities		
Borrowings	1,753,559	841,808
Rehabilitation provision	558,369	558,369
Total non-current liabilities	<u>2,311,928</u>	<u>1,400,177</u>
Total liabilities	<u>2,775,190</u>	<u>1,882,177</u>
Net assets	<u>17,576,448</u>	<u>20,904,713</u>
Equity		
Issued capital	59,645,726	63,842,526
Reserve	2,520,000	2,520,000
Accumulated losses	(44,589,278)	(45,457,814)
Total equity	<u>17,576,448</u>	<u>20,904,713</u>

2.4 Financial Accommodation provided by Chimaera Capital Limited

Chimaera Capital Limited has agreed to defer collection of certain outstanding amounts due to it until the earlier of either 31 December 2022 or the time that the Company next undertakes a capital raise (other than that being undertaken pursuant to this prospectus).

In addition, Chimaera Capital Limited has agreed to provide financial accommodation to the Company up to \$1,750,000, this includes \$488,128 in deferred liabilities and a drawn loan of \$1,261,872. The Company is able to reduce the interest on this accommodation by lodging funds with Chimaera Capital Limited in an offset

account, at the date of this Prospectus, the Company has lodged \$900,000 in the offset account. Effectively, as at the date of this Prospectus, the net amount drawn as against Chimaera Capital Limited is \$850,000.

Upon issuance of the New Shares, the Company and Chimaera Capital Limited intend to revise the terms of the facility.

2.5 Substantial Shareholders

Based on available information as at the date of this Prospectus, the persons (together with their associates) have a relevant interest in more than 5% of the Shares on issue are as follows:

Substantial Shareholder	Shares	Voting Power %
Chimaera Capital Limited	78,919,156	26.80%

2.6 Directors' Interests and Participation

Each Director's relevant interest in the securities of the Company at the date of this Prospectus is set out in the table below.

Name	Ordinary Shares	Options
Sal Catalano	60,410,531	28,571,429
Robert Osmetti	11,744,926	-
Bruno Ruggiero	18,760,297	-
David Trimboli	16,351,092	-

2.7 Disclosing entity

The Company is a "disclosing entity" for the purposes of the Corporations Act. The Company's Shares are enhanced disclosure securities for the purposes of the Corporations Act and quoted on the ASX.



3. Details of the Company and its Business

3. Details of the Company and its Business

3.1 Company History and Business Overview (Uley Graphite Mine)

The Company is the sole producer of coarse flake graphite in Australia from its historical Uley Graphite mine on the Eyre Peninsula in South Australia. The Uley mine is one of the many high-grade coarse-flake mineralised envelopes within the Company's broader 'Mikkira' graphite resource located on the southern tip of the Eyre Peninsula.

The next stage of development of the Uley mine is the Uley 2 Project represented by a new pit to be developed immediately to the south of the Uley 1 pit and the construction of a process plant and related infrastructure. The project is fully permitted by the Department of Energy and Mining of the Government of South Australia (see Program for Environmental Protection and Rehabilitation issued on 23 December 2014 under the South Australian Mining Act 1971 (**Uley 2 PEPR**) by the Department of Energy and Mining and https://www.energymining.sa.gov.au/minerals/mining/mines_and_quarries/uley_graphite_mine).

The Company has completed a feasibility study (**Feasibility Study**) for the Uley 2 Project and published a JORC 2012 compliant Mining Study and Reserves and Resources Estimate (**JORC 2012 Mining Study**) in December 2019. See further information below.

3.2 Tenement and Resource Information

Overview

The Company's mineral tenements are solely owned by the Company (through its wholly owned subsidiary, Quantum Graphite Operations Pty Ltd). Tenement locations are set out in Figure 1 below and comprise:

- (a) Mining Leases 5561 and 5562 totalling 66 ha (inner small rectangle bordered in blue in Figure 1) with an additional 412.5 ha in Retention Leases 66 and 67 (larger rectangle bordered in blue in Figure 1);
- (b) A large scale, Exploration Licence 6224 of approximately 75km² (area bordered in red in Figure 1) that includes a number of primary and secondary electromagnetic targets (indicated in Figure 1 as the areas shaded pink and bright yellow). An application for renewal of this this licence was lodged in September 2021.

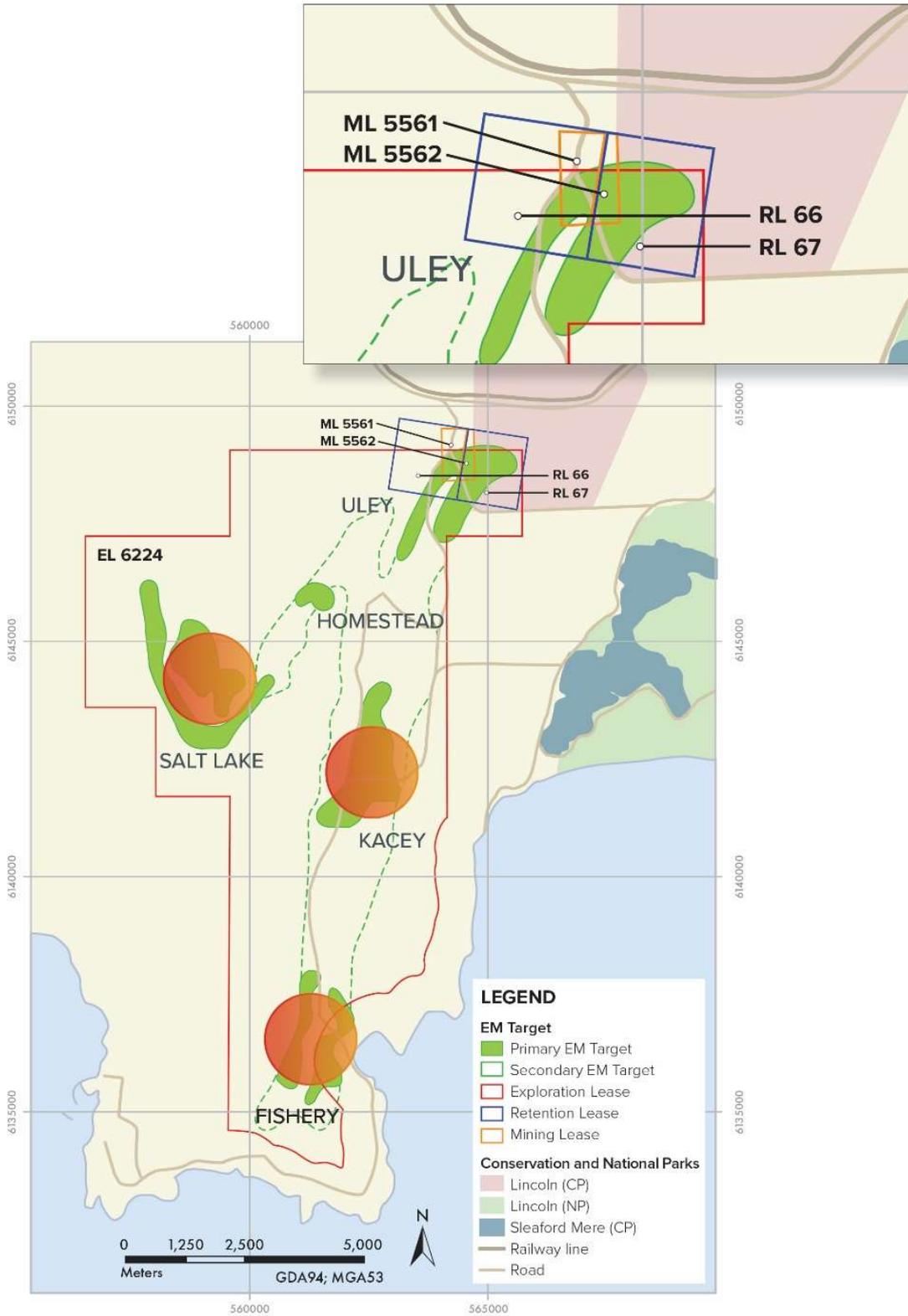


Figure 1

Mineral Resources Uley 2 and Uley 3

Details of the Company’s JORC 2021 mineral reserves and resources are summarised below

The Mineral Resource Estimate is calculated at a 3.5% TGC cut-off is as follows:

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		7,200	10.5	2.1	757

Note: Small discrepancies may occur due to rounding. Refer to the applicable JORC 2012 Code Table 1 (KT) = dry metric kilotonnes, (TGC %) = grade expressed in percentage of total graphitic carbon

Relationship between Uley 2 and Uley 3

Drilling at the Uley site in September and October 2021 led to an area of the Eastern Conductor site being designated as Uley 3 in November 2021.

The Uley 3 interpreted graphite mineralisation envelopes in relation to the Uley 2 mineralisation are shown in Figure 2.

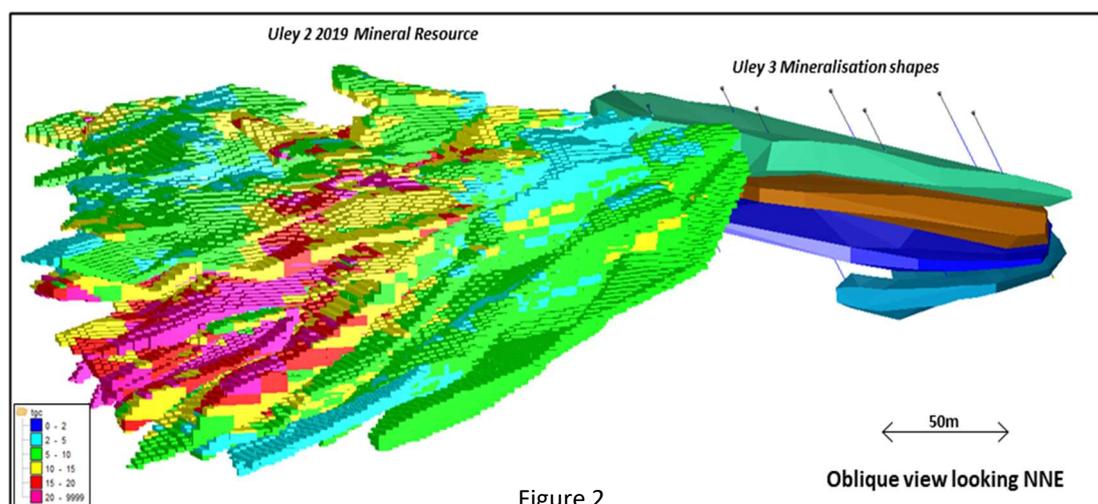


Figure 2

Uley is one of several mineralised lenses indicated by the known regional and local geology and geophysical data derived from surface SIROTEM (electromagnetic conductivity) and TMI (total magnetic intensity) explorative programs.

Stronger geophysical responses continue to be proven as key indicators for elevated graphitic mineralisation at Uley and are a valid tool for designing and prioritising drill programs aimed at targeting conductive graphitic layers.

Mineral Resource Expansion

Details of the immediate plans for the expansion of Uley 2 resource are set out in the attached presentation.

Uley 2 Reserve Estimates & Mining Study

ULEY PIT 2 – ORE RESERVE			
Classification	Tonnage (Mt)	Average Grade (%gC)	Contained Tonnes (Mt)
Proved	811,000	11.7	94,500
Probable	3,191,000	11.9	381,325

The JORC 2012 Mining Study’s detailed Pit Optimisation results for Uley 2 include Pit Shell 36 which provides the best case, undiscounted operating cashflow of A\$207M. This optimised shell comprises a single large pit and is illustrated in Figure 2.

Pit Shell 36 reaches a depth of 132m and contains approximately 4.0Mt of mill feed at 11.9% TGC (Total Graphitic Carbon).

Mineralisation is open at depth and continues in a south westerly direction. Assays reported on 30 November 2018 in accordance with JORC 2012 included total graphitic carbon grades of more than 50%.

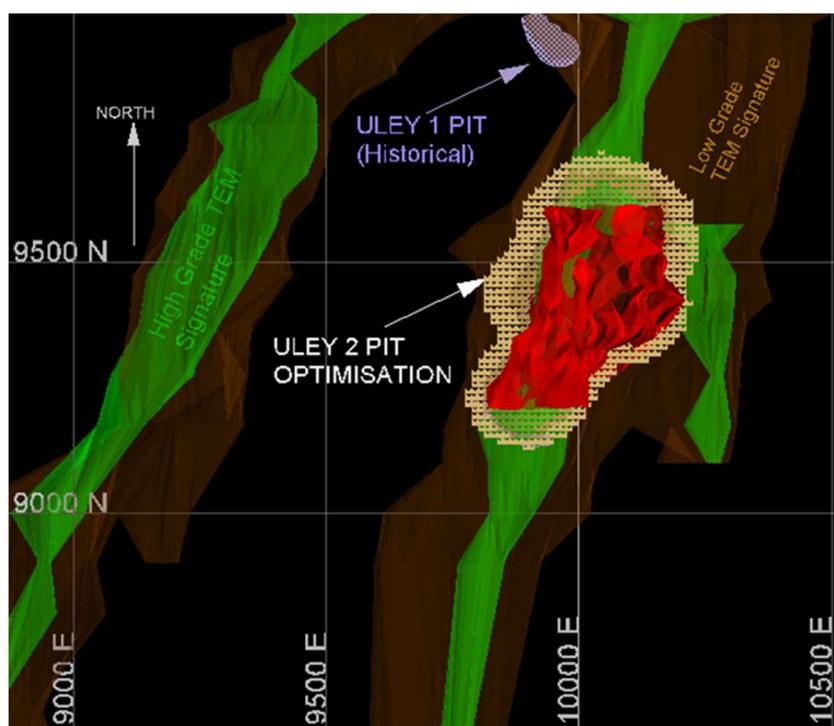


Figure 3

Close up of the results of the transient electromagnetic survey (TEM) of Uley Pit 2 illustrated in Figure 3 and surrounds are illustrated in Figure 4 below. Exploration utilising TEM has proven to be a reliable marker for high grade graphitic carbon envelopes within the broader Mikkira deposit. The Company’s exploration model and long-term development strategy are based on its interpretation of TEM geophysical signatures.

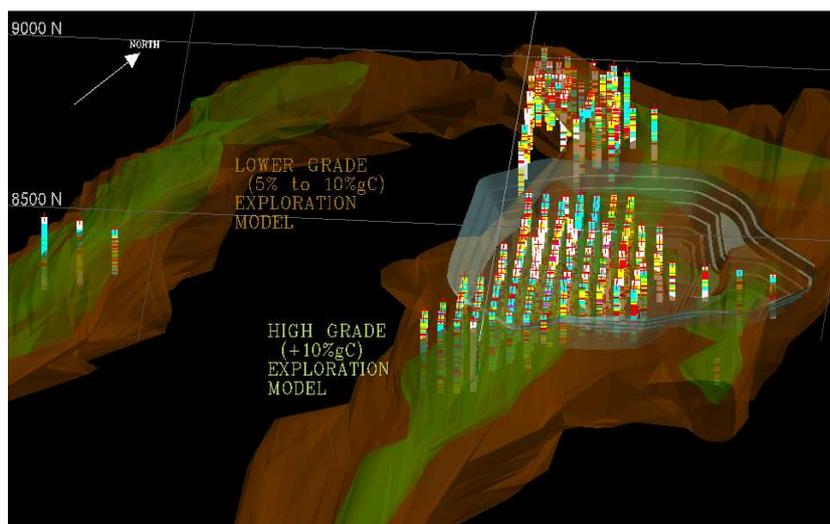


Figure 4

Uley 2 Project Development

The Uley 2 Feasibility Study was undertaken by Lycopodium Minerals and together with the JORC 2012 Mining Study represent the key technical studies underpinning the Uley 2 Project economics. The Company's announcement of 11 December 2019 contains the results of the studies together with applicable sensitivities (DFS Update, Mining Study and Ore Reserve Estimate available on the Company's website or at <https://www2.asx.com.au/markets/trade-our-cash-market/announcements.qgl>).

The Feasibility Study does not consider the possible contribution of Uley 3 (that area known as Uley 3 did not have a mineral resource calculation attributed to it at the time the Feasibility Study was completed).

Uley 2 Project capital costs were estimated at A\$79.977 million and the key life of mine economic and financial input parameters and relevant modifying factors as summarised in the abovementioned announcement are set out in the table below:

Crusher feed	500,000 tonnes per annum
Estimated Production	55,800 tpa
Graphitic carbon grade	11.89%
Graphitic carbon recovery	84%
Concentrate purity	Min 94% total graphitic carbon (TGC)
Processing cost (PCAF)	A\$55.3 per tonne
Mining cost (MCAF)	A\$2.5/t milled at surface plus 5c for every 4m
Operating Costs	A\$439 dmt (inclusive of drying & bagging)
Product price	US\$919 dmt (Ex works)

Based on the process path designed by Lycopodium Minerals and the Company, the production of coarse flake at purities exceeding 97% TGC was clearly demonstrated by the detailed independent metallurgical testwork undertaken by ALS Global. The results were included in the Company's announcement of 11 June 2019 (DFS Update, Results of Metallurgical Testwork available on the Company's website or at <https://www2.asx.com.au/markets/trade-our-cash-market/announcements.qgl>) and consistent with the Company's historical production.

The Company has developed a dual market strategy that takes immediate advantage of the Company's historical market relationships whilst simultaneously developing alternative markets, i.e.,

- Under its binding offtake agreement with MRI Trading AG https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02523857-3A594060?access_token=83ff96335c2d45a094df02a206a39ff4, sell to the Company's traditional

customer base, principally end user refractory manufacturers in Europe and North Asia. Included in this strategy are the major North Asian traders in Japan and South Korea ; and

- The alternative markets strategy is focussed on collaboration with technology partners principally relating to the use of the Company’s graphite for the manufacture of thermal energy storage media solutions in the renewables sector. The Company’s collaboration with The Sunlands Company Pty Ltd is the centrepiece of this strategy.

Future Plans: Likely Regulatory Impacts

The Uley 2 Project is fully permitted under the Uley 2 PEPR. The Company expects to develop Uley 2 as prescribed in the Uley 2 PEPR and does not anticipate any material changes will be required to the approvals for the Uley 2 Project.

3.3 Directors

Name	Experience & Expertise
<p>Sal Catalano BJuris., LLB, FITA, Managing Director Chairman of audit committee.</p>	<p>Mr Catalano has over 30 years’ experience across business, the law and investment banking. He brings strong leadership skills and international business experience to the Board. He was a former Principal of Paloma Partners’ securities financing group, Head of Donaldson Lufkin & Jenrette’s (Pershing Division) Asian securities business and a Director of Credit Suisse’s Alternative Capital Group. He is a Principal of the Chimaera Financial Group.</p>
<p>Bruno Ruggiero BE (Mech), Grad Dip MinSc (Ext. Met), Grad Cert Eng Tech (Struct) Chairman and Independent Non-Executive Director Member of audit committee.</p>	<p>Mr Ruggiero has multiple degrees in engineering and over 30 years’ global experience in the minerals industry, crossing all facets from scoping to operations, and is a founding partner of the publicly listed Lycopodium Ltd. Currently Technical Director with Lycopodium Minerals, he sets the technical direction and standards for new project initiatives that Lycopodium Minerals undertakes globally.</p>
<p>Robert (Bob) Osmetti BE (Civ), MIE Aust, CPEng, Independent Non-Executive Director</p>	<p>Mr Osmetti is a Civil Engineer with over 39 years’ experience in project management and construction management of projects globally in an EPCM role including for major contractors in the minerals and construction sectors. He brings direct experience in all aspects of project implementation, estimating, scheduling and construction management as well as the management of a number of feasibility studies for major resource projects in Australia and overseas.</p>
<p>David Trimboli BCom, Independent Non-Executive Director</p>	<p>Mr Trimboli is an experienced global investor with significant experience in commodities financing and trading. He was formerly a long serving senior coal trader at the world’s largest commodities trading group, Glencore International AG, and was a key member of the Glencore team when the group successfully completed its IPO in London and Hong Kong. Mr Trimboli</p>

Name	Experience & Expertise
	<p>has undertaken significant investments activities and holds diverse interests in commodities, industrial minerals, real estate and technology in Australia and internationally.</p> <p>Mr Trimboli is the founder of Seefeld Investments, with offices in London, Zug and Perth and has been an integral part of the rapid growth of the Seefeld Investments business. He brings a wealth of experience in cultivating partnerships and key commercial relationships globally.</p>

3.4 Key Management Personnel

Name	Experience & Expertise
<p>Dr. Karen Lloyd MBA, Curtin University BSc (Honours) University of Manchester – School of Earth Sciences</p>	<p><i>Consulting Mining Engineer</i></p> <p>Formerly a senior consultant with major global mining consultancies, Golder, Coffey and SRK Consulting and in senior roles for various major mining companies. Karen is a founder and a principal consultant of Jorvik Resources and provides independent mining engineering and related technical services. She delivers an exceptional suite of skills in mining engineering, geology and project technical diligence combined with a working knowledge of the Uley deposit.</p>
<p>Rochelle Pattison LLB, BCom, ACA</p>	<p><i>Company Secretary</i></p> <p>A lawyer and chartered accountant, Ms Rochelle Pattison has broad experience across business, the law, tax and investment banking. She brings broad leadership, management and international business experience to the Board. She is a founder and director of Chimaera Capital Limited. She was previously a director of the Company from 10 December 2014 to 18 November 2016.</p>

4. Industry Overview

4. Industry Overview

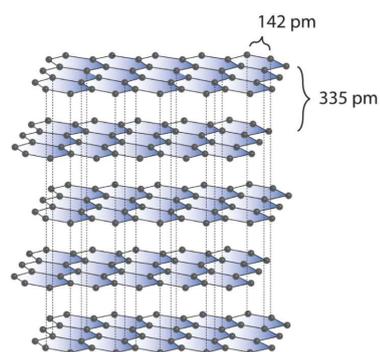
4.1 What is Natural Flake Graphite?

Natural flake graphite is a grey to black soft mineral with a metallic sheen. It is flexible and compressible and exhibits both thermal and electrical conductivity as well as inertness, high thermal resistance and lubricity making it suitable for a variety of industrial applications and markets.

Flake graphite is best known for its extensive use in refractories (thermal), lubricants, friction (lubricity), powdered metal (lubricity), and carbon brushes (conductivity).

It is increasingly being adopted in emerging technologies as the preferred media for thermal energy storage and thermal management products such as expandables.

Flake graphite is not a commoditised or homogeneous product. It comes in a variety of specifications, including in terms of mesh size and purity levels. The flake graphite 'signature' for each mine and processing plant reflects a unique physical and chemical properties of flake graphite from that source.



The arrangement of flake graphite's carbon atoms in its layered hexagonal structure. Strong chemical bonds within the hexagonal structure and weak bonds within the layers highlight the minerals versatility in the areas of lubricity and conductivity and ultimate commercial value.

4.2 The Market for Natural Flake Graphite

Flake graphite is not an exchange-traded commodity. It is not traded on any trading platform and prices are negotiated directly between counterparty buyers and sellers. Independent sources of information regarding graphite pricing and market supply and demand is not generally publicly available. Minerals consulting firms do provide market information however, this information is typically obtained through market survey rather than specific knowledge of transactional data.

A feature of the market is the confidentiality required by market participants in their dealings with each other because of the proprietary nature of the detailed specifications of the products being traded. Further potential customers require vendor suppliers to undergo a process of technical qualification to ensure the vendor's product specification meets the customer requirements.

As a long-standing producer and supplier of flake graphite products, Quantum has a significant market advantage. Quantum's Uley product signature is well known, having been the subject of various successful pre-qualifications by major manufacturers in Europe and North Asia.

Flake graphite customers, including Quantum's targeted customers, will generally require its products to be requalified and the supply of one or more bulk trial shipments (usually between 20t and 100t) from its commissioned process plant as part of the contracted supply arrangements. This process verifies laboratory scale results and ensures delivery of repeatable results from Quantum's process plant. Pre-development sales agreements will generally lack quantity and pricing certainty to be legally binding or enforceable until this initial supply process has been concluded.

Quantum continues to engage with potential customers in Australia, Europe, USA, Korea and Japan and expects to successfully progress pre-qualification in calendar 2022.

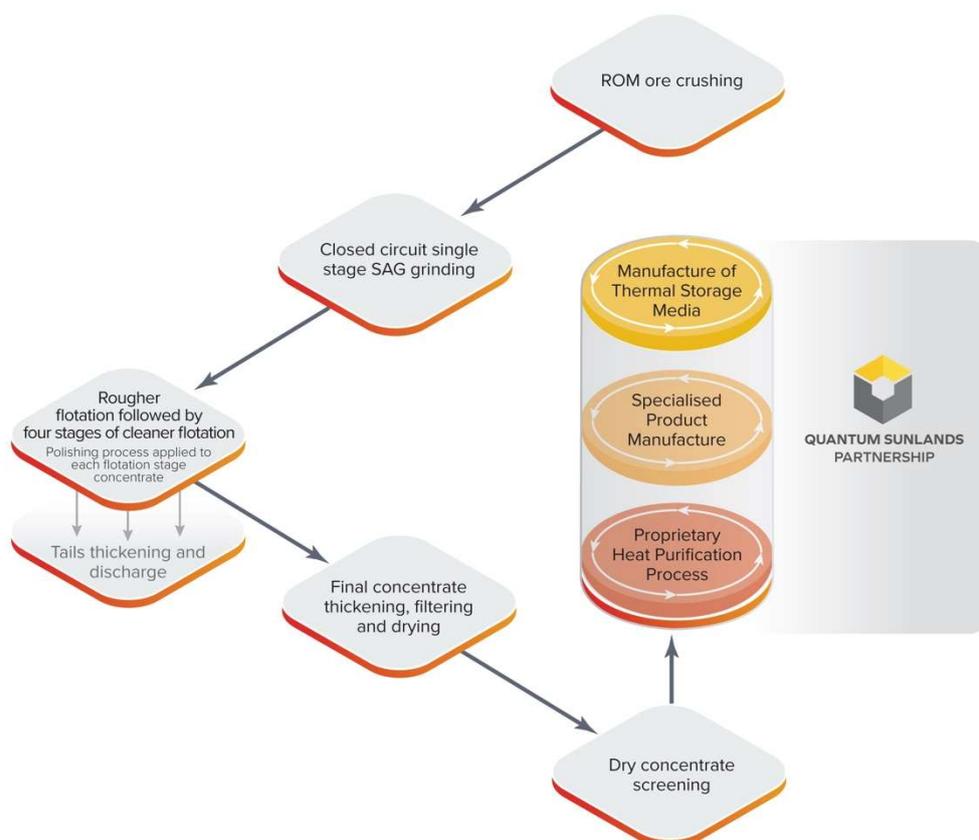
4.3 Flake Graphite Products and Advanced Processing Opportunities

The characteristics of Uley graphite are suitable for a diverse range of thermal management related products from the traditional refractory market segment to the rapidly emerging expandables market segment characterised by an extensive range of applications in industries such as petrochemicals, construction, medical and environmental.

Quantum has identified certain advanced processing opportunities to service key markets with a premium product superior to the products offered by competitors. An overview of these advanced processing opportunities is summarised below:

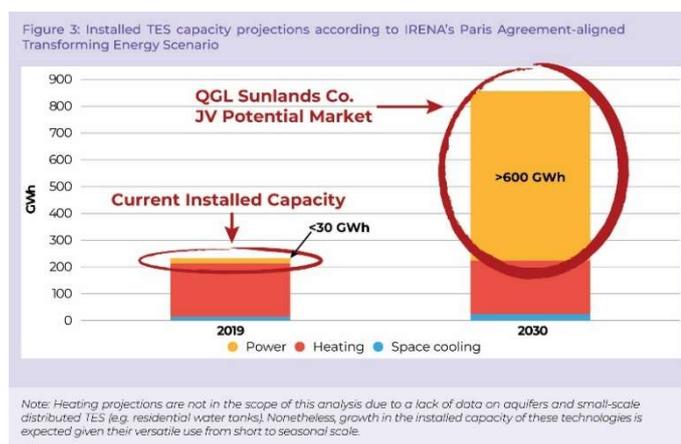
(i) High Temperature Thermal Treatment

The thermal treatment and purification of Uley graphite is a key element of Quantum’s strategy to produce natural flake products for high technology manufacturers of thermal management products. Utilising, certain technologies, including that of its joint venture partner, Sunlands Co. Uley coarse graphite has the potential to be upgraded to a purity of more than 99%.



(ii) Manufacture of Thermal Storage Media

The joint venture with the Sunlands Co., will undertake the manufacture of thermal energy storage media to be installed within Sunlands Co.’s thermal energy storage battery cells. Under the joint venture Quantum directly participates in the significant added value associated with the manufacturing and sale of the media. Subject to the successful commercialisation of the Sunlands Co. technology, the high margins associated with the manufacturing of this media will deliver a significant contribution to Quantum’s annual performance.



4.4 Flake Graphite Supply and Demand

Natural graphite supply has been dominated by China, which has historically produced up to 80% of the world’s flake graphite. Whilst China has significant production capacity, Chinese reserves are generally finer flake. Details of the current and forecast global flake graphite supply and demand are set out in the attached presentation.

The graphite industry is experiencing a transition in the demand profile with emerging, high-tech applications beginning to outpace demand from traditional industries, such as refractories, foundries, and crucibles (although these traditional consumers continue to be the largest market for flake graphite).



5. Required Actions by Investors

5. Required Actions by Investors

5.1 Application Form

Persons invited to participate in the Offer will be provided with a personalised Application Form accompanying this Prospectus. The Application Form shows the number of New Shares to which the Applicant has been allocated under the Offer.

5.2 How to Accept the Offer

Acceptance of the Offer must be made on the Application Form accompanying this Prospectus.

Applicants must return the completed Application Form and evidence of payment of the Application Monies to the address set out on the Application Form by no later than 5.00 pm (Melbourne Time) on the Closing Date, or any other later date as determined by the Company.

5.3 Implications of Acceptance

Returning a completed Application Form or paying any Application Monies will be taken to constitute a representation by the Applicant that:

- (a) the Applicant has received a copy of this Prospectus and the accompanying Application Form, and read them both in their entirety; and
- (b) the Applicant acknowledges that once the Application Form is returned, or payment of any Application Monies is made, the Application may not be varied or withdrawn, except as required by law.

5.4 Payment by cheque/bank draft

Applicants must pay their Application Monies by cheque or bank draft in accordance with the instructions on the personalised Application Form or in such other manner as agreed by the Company. Payments of the Application Monies via BPay® is not offered.

5.5 Enquiries

For further information, please telephone the Company between 8:30am and 5:30pm (Melbourne Time) Monday to Friday, except public holidays.

5.6 Cooling off period

There is no cooling off period.



6. Risk Factors

6. Risk Factors

As with any share investment, there are risks associated with an investment in the Company. The risk factors are either specific to the Company or of a general nature. Some risks can be mitigated using safeguards and appropriate systems and controls, but some are outside the control of the Company and its Directors and cannot be mitigated.

This Section identifies the major areas of risk identified by the Directors associated with an investment in the Company but should not be taken as an exhaustive list of the risk factors to which the Company, its business and its Shareholders are exposed now or may be exposed in the future. Investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for the New Shares offered under this Prospectus.

6.1 Specific Risks

(a) Speculative nature of mineral exploration

A significant risk for the Company is that any proposed exploration programmes will not result in exploration success. Mineral exploration by its nature is a high-risk endeavour and consequently there can be no assurance that exploration of the project areas described in this Prospectus, or any other projects that may be acquired in the future, will result in discovery of an economic mineral deposit.

Should a discovery be made, there is no guarantee that it will be commercially viable. While the Directors will make every effort to reduce these risks through their experience in the exploration and mining industry, the fact remains that a commercially viable mineral discovery is very much the exception rather than the rule and success can never be guaranteed.

(b) Risks associated with exploration and mining

The future viability and profitability of the Company as an exploration and mining company will be dependent on a number of factors including, but not limited to, the following:

- commodity prices and exchange rates and, in particular, the price of natural flake graphite;
- risks inherent in exploration and mining including, among other things, successful exploration and identification of ore reserves, satisfactory performance of mining operations (including risks relating to continuity of ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems) and competent management;
- risks associated with negative exploration results, including statutory or voluntary relinquishment (in whole or in part) of tenements or not exercising an option to acquire equity, even though a viable mineral deposit may be present, but undiscovered;
- poor weather conditions over a prolonged period which might adversely affect mining and exploration activities and the timing of earning revenues;
- risks associated with the financial failure or default by a participant in any of the joint ventures or other contractual relationships to which the Company is, or may become, a party.

(c) Native Title, Aboriginal Lands and Land Access

There may be risks arising because of native title and/or Aboriginal land rights which may affect the Company's ability to gain access to prospective exploration areas to obtain production titles; compensatory obligations may be necessary in settling native title claims lodged over any of the tenements held or acquired by the Company in the future; the level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company.

Further, Commonwealth and State legislation obliges the Company to protect sites of significance to Aboriginal custom and tradition. Some sites of significance may be identified within the tenements. It is therefore

possible that one or more sites of significance will exist in an area which the Company considers to be prospective. The Company's policy is to carry out clearance surveys prior to conducting exploration which would cause a disturbance to the land surface.

6.2 Environmental Risks

The minerals and mining industries have become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. There are environmental management issues with which the Company may be required to comply from time to time.

Exploration work will be carried out in a way that causes minimum impact on the environment. Consistent with this, it may be necessary in some cases to undertake baseline environmental studies prior to certain exploration or mining activities, so that the environmental impact can be monitored, and as far as possible, minimised. While the Company is not aware of any endangered species of fauna and flora within any of its project areas, no baseline environmental studies have been undertaken to date, and discovery of such could prevent further work in certain areas.

6.3 Grant, Renewal and Valuation of Tenements

The future viability and profitability of the Company as an exploration and mining company will be dependent on exploration and mining tenements. There are risks associated with obtaining grant of any exploration or mining tenements which are applications or renewal of tenements upon expiry of their current term.

Further, no valuation has been completed of the exploration projects or the Shares of the Company. The Company makes no representation in this Prospectus as to the value of the exploration assets. It is recommended that Shareholders and their advisors make their own assessment as to the value of the exploration projects and the tenements.

6.4 Reliance on plant and equipment

The Company's ongoing operations is dependent on certain plant and equipment and the mine structure.

There are risks associated with maintaining exploration and mining properties and, the costs of maintaining such properties requires the Company to have access to sufficient development capital.

Further, unforeseen major failures, breakdowns or repairs required to key items of exploration and mining plant and equipment or mine structure may result in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep, which can have an adverse impact on the Company's viability and profitability.

6.5 Retaining Key Personnel

The Company's ongoing success depends to a significant extent on its key personnel. These individuals have extensive knowledge of the exploration and mining industry and the Company's business. The loss of key personnel (including Directors) and an inability to recruit suitable replacement personnel may adversely affect the Company's future financial performance.

Further, the future viability and profitability of the Company as an exploration and mining company is dependent on its workforce. As a result, the Company is exposed to the risks that exploration and mining may be adversely affected or hampered by industrial disputes.

6.6 Liability and Insurance Risk

The Company's insurance arrangements may not be adequate to protect the Company against liability for losses relating to public liability, property damage, product liability, business interruption and other risks that may arise in the course of its operations. Should the Company be unable to maintain adequate insurance to cover these risks or experience claims for losses in excess of the level of its insurance coverage, the Company's financial performance could be materially affected.

6.7 Litigation and dispute risk

From time to time, the Company may be involved in litigation in relation to issues such as contractual, personal injury, employee and other claims, which may arise in the ordinary course of business.

Litigation may adversely impact upon the operational and financial performance of the Company, and may also negatively impact on the Company's share price. In addition, should the Company decide to pursue claims against a third party, including any party with whom the Company has entered into agreements, this process may incur significant management and financial resources, and a positive outcome for the Company cannot be guaranteed.

Further, even if the Company was successful in obtaining a judgment against a third party, the Company may be unable to recover any monies from that party. For example, the relevant third party may have inadequate financial resources to cover any damages judgment, which is awarded in favour of the Company.

6.8 Financing requirements

The Company's Directors expect that the Company will have sufficient capital resources to enable it to achieve its immediate business objectives. However, if circumstances arise that require further financing, there can be no assurance that further financing will be obtained on reasonable or acceptable terms.

6.9 Government legislation

Australian and international government legislation is subject to review and change from time to time. Any such change is likely to be beyond the control of the Company and could affect both industry and the Company's profitability. Revenues and operating costs of the Company may be affected by change in international, federal, state, or local government laws, regulations or policies, or in taxation legislation.

6.10 General Risks

In addition to the specific risks outlined above, there is a range of general risks associated with the Company's operations. Factors such as inflation, interest rates taxation law, accounting standards, natural disasters, social upheaval, war and terrorism may have an impact on prices, operating costs and market conditions generally.

The Company's operations and future profitability can be affected by these factors, which are beyond the control of the Company.

6.11 Economic uncertainty may affect the value of Shares

The price of the Shares on the ASX may rise or fall due to numerous factors including:

- general economic conditions including but not limited to inflation and interest rates and exchange rate movements;
- changes to government policy and legislation; and
- sentiment in the market for local and global listed stocks.

6.12 Trading in Shares might not be liquid

There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is a discount or premium to the price paid initially.

6.13 Taxation changes may occur

Any change to the existing rate of company income taxation may adversely impact on the financial performance of the Company and in turn impact Shareholder returns. Any other changes to Australian taxation law and practice that impact QGL, graphite and mining industry generally, could also have an adverse effect on Shareholder returns.

6.14 Catastrophic events could occur

Acts of terrorism, an outbreak of international hostilities, earthquakes, labour strikes and other natural disasters may cause an adverse change in investor sentiment with respect to the Company specifically, or the stock market more generally. This could have a negative impact on the value of an investment in the Company's Shares.

6.15 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under the Offer. Therefore, the New Shares to be issued pursuant to the Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Shareholders should consider that investment in the Company is speculative and should consult their professional advisors before deciding whether to apply for New Shares in the Company. Shareholders should consult their stockbroker, solicitor, accountant or other financial adviser if they are in any doubt as to the value of the Offer and in particular in relation to taxation implications.



7. Additional information

7. Additional information

7.1 Rights Attaching to Shares

The New Shares offered under this Prospectus will rank equally in all respects with Shares upon issue. Full details of the rights attaching to the Shares are set out in the Constitution, a copy of which can be inspected at the Company's registered office and is available on the Company's website at <https://quantumgraphite.wp.gate.com/investors/> under the 'Governance' tab.

The following is a summary of the principal rights that attach to the Shares under the Constitution:

<p>Voting</p>	<p>Every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands. On a poll, every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, registered in such Shareholder's name on the Company's share register.</p> <p>However, if a member is present at any meeting of the Company and any one or more proxy, attorney or representative for such a Shareholder is also present, or if more than one proxy, attorney or representative for a Shareholder is present at any meeting then no such proxy, attorney or representative is entitled to vote on a show of hands and on a poll, the vote of each one is of no effect unless such person is appointed to represent a specified proportion of the Shareholder's voting rights, not exceeding in the aggregate 100%.</p> <p>A poll may be demanded by the chairman of the meeting, by not less than five Shareholders entitled to vote at the meeting present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of the Shares of all those Shareholders having the right to vote on the resolution.</p>
<p>Dividends</p>	<p>Subject to the Corporations Act and the Listing Rules, the Directors may pay a dividend in respect of Shares as, in their judgment, the financial position of the Company justifies.</p>
<p>Transfer of Shares</p>	<p>Subject to the Constitution, a member may transfer all or any of the member's Shares by:</p> <ul style="list-style-type: none"> • a Proper ASTC Transfer; or • an instrument in writing in any usual form or in any other form that the Directors approve. <p>The Company may ask ASX Settlement to apply a holding lock to prevent a Proper ASTC Transfer or may decline to register an instrument of transfer in certain circumstances including: (a) in the circumstances permitted or required under the Listing Rules or the ASX Settlement Operating Rules, as applicable; (b) where the transfer is not in registrable form; (c) where the Company has a lien over any of the Shares transferred; (d) where the registration of the transfer may breach a law of Australian or would be in breach of any order of any Court; (e) where the transfer is paper-based and registration of the transfer will create a new holding, at the time the transfer is lodged, is less than a Marketable Parcel.</p> <p>Subject to the powers vested in the Directors to decline transfers as set out in the Constitution, where the Company receives a complying instrument of transfer it must register the transferee named in the instrument as the holder of the Shares to which it relates.</p>

Meetings and Notice	<p>Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.</p> <p>Shareholders may requisition meetings in accordance with section 249D of the Corporations Act.</p>
Liquidation rights	<p>If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the property of the Company, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.</p>
Shareholder liability	<p>As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.</p>
Changes to the Constitution	<p>The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice, specifying the intention to propose the resolution as a special resolution must be given.</p>
Unmarketable Parcels	<p>The Constitution contains provisions permitting it to sell Unmarketable Parcels of shares on terms consistent with the Listing Rules. Notice must be given to the holder of the intended sale and the holder must be given at least six weeks to notify the Company that it wishes to retain its Shares.</p>
Future increases in capital	<p>Subject to the Constitution, the directors have the right to issue shares or grant options over unissued shares to any person or to settle the manner in which fractions of share, however arising, are to be dealt with, and they may do so at such times as they think fit and on the conditions they think fit subject to the Listing Rules and the ASX Settlement Operating Rules and to any special rights conferred on the holders of any shares or any class of shares.</p>
Variation of rights	<p>The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:</p> <ol style="list-style-type: none"> i. with the written consent of the holders of 75% of the shares of the class; or ii. by a special resolution passed at a separate meeting of the holders of shares of the class.
Listing Rules	<p>The Company is admitted to the Official List, and as such despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done.</p> <p>Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.</p>

7.2 Directors' Interest

Other than as set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the last two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (c) the Offer of New Shares pursuant to this Prospectus.

Except as disclosed in this Prospectus, no amounts have been paid or agreed to be paid (in cash, Shares or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting.

Potential investors should refer to the Company's Remuneration Report for the financial year ended 30 June 2021 for full details of the remuneration of the Company's executive and non-executive Directors.

The Company's Remuneration Report is set out on pages 6 to 9 of the Company's 2021 Annual Report which was lodged with ASX on 29 September 2021. The Annual Report is available free of charge on the Company's website at <https://quantumgraphite.wp.gate.com/investors/>.

7.3 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as offeror of the New Shares), the Directors and persons named in the Prospectus with their consent as having made a statement in the Prospectus involved in a contravention in relation to the Prospectus with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 7:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section 7; and
- (b) in light of the above, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party named in this Section 7.

7.4 Auditor's Consent

RSM Australia Partners has given its written consent to being named as auditor to the Company in this Prospectus in the form and context in which the information and the report are included. RSM Australia Partners has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

7.5 Legal Adviser Consent

PricewaterhouseCoopers has given its written consent to being named as the legal adviser to the Company in this Prospectus, in the form and context in which the information is included. PricewaterhouseCoopers has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

7.6 Share Registry Consent

Link Market Services Limited has given its written consent to being named as the Share Registry in this Prospectus, in the form and context in which the information is included. Link Market Services has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

7.7 Taxation Implications

Shareholders should be aware that there may be taxation implications in relation to the Offer. These taxation implications will vary between different Shareholders.

Shareholders should consult their professional tax adviser. Shareholders should seek, and rely on, their own taxation advice regarding an investment in the Company. Neither the Company, nor any of its Directors, officers, employees, agents or advisers, accept any liability or responsibility with respect to the taxation consequences connected with the Offer.

7.8 CHESS

The Company participates in the security transfer system known as CHESS. CHESS is operated by ASX Settlement, a wholly-owned subsidiary of ASX, in accordance with the Listing Rules and the ASX Settlement Rules.

Holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

The Shares of Shareholders who are participants in CHESS or Shareholders sponsored by participants in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following the issue of the New Shares, Shareholders will be sent a holding statement that sets out the number of New Shares that have been allocated to them. This statement will also provide details of a Shareholder's HIN for CHESS holders or, where applicable, the Shareholder's SRN of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Registry in the case of a holding on the issuer sponsored subregister. The Company and the Shareholder Registry may charge a fee for these additional issuer sponsored statements.

7.9 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a “transaction specific prospectus” issued under section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities which has been quoted by the ASX at all times during the three (3) months before the date of the Prospectus or options to acquire such securities. In general terms, a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange.

Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of this Prospectus and the Closing Date:
 - (i) the annual financial report for the financial year ended 30 June 2021 (being the annual financial report most recently lodged by the Company with ASIC) (and is available in the ASX announcement on 29 September 2021);
 - (ii) the interim financial report for the half year ending 31 December 2021 (being the half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC); and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC (which are available in the ASX announcements detailed below).

Copies of all documents lodged with ASIC in relation to the Company can also be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company’s latest annual financial report on 29 September 2021 and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date	Heading
11 Oct 2021	Appendix 4G: Corporate Governance
15 Oct 2021	First Quarter Activities Report and Appendix 5B
18 Oct 2021	Notice of Annual General Meeting
22 Oct 2021	Eastern Conductor Drilling Progress Report

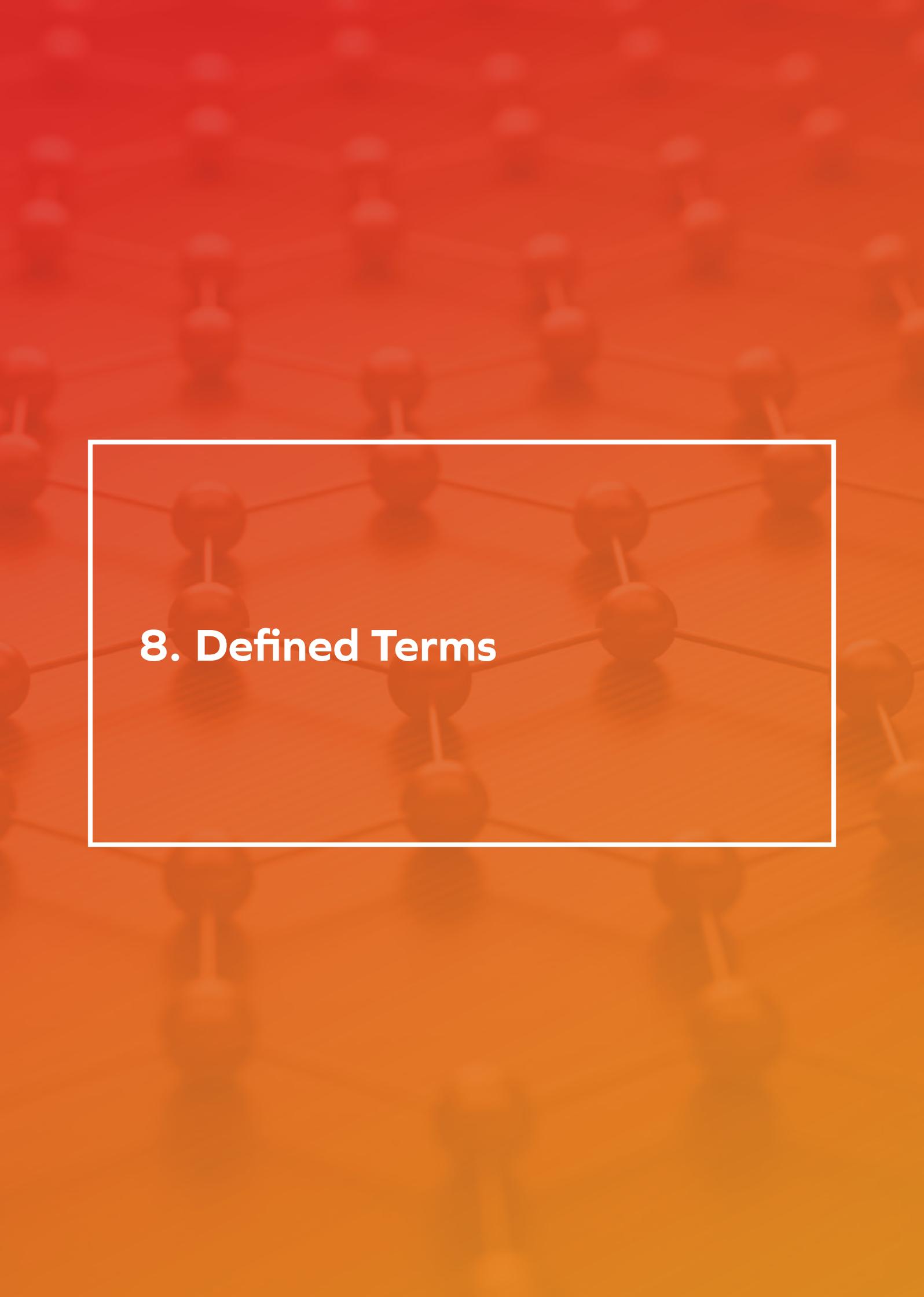
Date	Heading
2 Nov 2021	Uley 2 Extensional Drilling Assay Results
12 Nov 2021	Withdrawal of Resolutions 2(c) and 7(c) for the 2021 AGM
18 Nov 2021	Uley 3 Drill Program results in Mineral Resource Estimate
19 Nov 2021	AGM Presentation 2021
19 Nov 2021	Results of AGM 2021
26 Nov 2021	Appendix 3B
30 Nov 2021	Capital raise and Cleansing Prospectus
30 Nov 2021	Proposed issue of securities - QGL
3 Dec 2021	Appendix 3Y - David Trimboli
3 Dec 2021	Appendix 3Y - Bruno Ruggiero
3 Dec 2021	Appendix 3Y - Robert Osmetti
3 Dec 2021	Appendix 3Y - Sal Catalano
6 Dec 2021	Application for quotation of securities - QGL
6 Dec 2021	Application for quotation of securities - QGL
6 Dec 2021	Application for quotation of securities - QGL
7 Dec 2021	Prospectus Closed
8 Dec 2021	Application for quotation of securities - QGL
8 Dec 2021	Application for quotation of securities - QGL
13 Dec 2021	Reinstatement to Quotation
13 Dec 2021	Reinstatement Disclosure
13 Dec 2021	Exploration Update
22 Dec 2021	Joint Venture Partner Presentation
23 Dec 2021	Extension of DFS to incorporate Sunlands Co.
16 Mar 2022	Interim Financial Statements 31Dec2021
21 Jan 2022	Quarterly Activity Report and App 5B 31Dec2021

Date	Heading
3 Feb 2022	Sunlands Co South African Patent
10 Feb 2022	Investor Webinar Presentation
10 Feb 2022	Proposed issue of securities - QGL
11 Feb 2022	Lodgement of Submission AEMO Draft 2022 ISP
3 Mar 2022	Quantum Sunlands Partnership
10 Mar 2022	Completion of National Electricity Market Study
16 Mar 2022	Interim Financial Statements 31 Dec 2021
18 Mar 2022	Proposed issue of securities - QGL
5 Apr 2022	QSP Submission to Australian Energy Ministers
28 Apr 2022	The Future of Graphite Presentation
2 May 2022	Quarterly Activities/Appendix 5B Cash Flow Report
17 May 2022	QSP Thermal Energy Storage Pilot Project Update
23 May 2022	Execution of Binding Offtake Agreement
8 Jun 2022	Future of Graphite
17 Jun 2022	Proposed issue of securities - QGL
27 Jun 2022	Solving the Puzzle of an Emissions Free Grid
8 Jul 2022	QSP Pilot Update
19 Jul 2022	Trading Halt
21 Jul 2022	Capital Raising via Private Placement
21 Jul 2022	Proposed issue of securities - QGL

As at the date of this Prospectus, there is no other information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Board considers investors would reasonably require in order to assess the Company's assets and liabilities, financial position and prospects and the rights and liabilities attaching to the Shares in the Company.

7.10 Governing Law

The information in this Prospectus, the Offer and the contracts formed on acceptance of the Offer are governed by the law applicable in Victoria, Australia. Any person who applies for Shares submits to the non-exclusive jurisdiction of the courts of Victoria.



8. Defined Terms

8. Defined Terms

The following are defined terms for the purposes of this Prospectus

\$ means an Australian dollar.

Applicant means a potential investor who applies for New Shares under this Prospectus.

Application means an application for a specified number of New Shares by an Applicant under this Prospectus, which is made by completing and returning an Application Form by the Closing Date.

Application Form means the form by that name which is included in or accompanies this Prospectus.

Application Monies means monies accompanying a completed Application.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Ltd ACN 008 504 532.

ASX Settlement Operating Rules means the settlement operating rules of ASX Settlement.

ASX Settlement Rules means the operating rules of ASX Settlement.

Board means the board of directors of the Company.

Closing Date means 5:00pm (Melbourne Time) on Tuesday, 26 July 2022.

Company or Quantum Graphite Limited or QGL means Quantum Graphite Limited ABN 41 008 101 979.

Constitution means the constitution of the Company as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Listing Rules means the Listing Rules of ASX.

Marketable Parcels has the meaning given to that term in the ASX Listing Rules, and **Unmarketable Parcels** means parcels of Shares which are not Marketable Parcels.

Melbourne Time means the time in Melbourne, Victoria.

New Share means a Share offered under this Prospectus.

Offer means the offer of New Shares, as described in this Prospectus.

Prospectus or **Prospectus** means this Prospectus dated Monday, 30 June 2022.

Offer Price means \$0.38 per New Share.

Official List means the official list of the ASX.

Official Quotation means quotation of the New Shares on the ASX.

Option means an option to acquire a Share.

Proper ASTC Transfer has the meaning given to that term in the *Corporations Regulations 2001*(Cth).

Relevant Interest has the meaning given to that term in the Corporations Act.

Section means a section of this Prospectus.

Share means an ordinary fully paid share in the capital of the Company.

Share Registry means Link Market Services Limited ACN 083 241 537.

Shareholder means a holder of one or more Shares as recorded on the Share register for the Company maintained by the Share Registry.

Timetable means the indicative timetable in respect of the Offer set out on page vi of this Prospectus.

United States has the meaning given to that term by regulations made under the US Securities Act.

US Person has the meaning given to that term by regulations made under the US Securities Act.

US Securities Act means the US Securities Act 1933 (as amended).

9. Directors' Authorisation

9. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

A handwritten signature in black ink, appearing to read 'Sal Catalano', is written over a horizontal line.

Sal Catalano

For and on behalf of Quantum Graphite Limited



10. Application Form



QGL Application Form

July 2022

This application forms part and is subject to the terms of the Prospectus dated 22 July 2022.

Subscriber	
Name	
Address	
HIN	
Telephone	
E-mail	

Subscription Amount Details	
Number of Fully Paid Ordinary Shares	
Issue Price	38 cents per Share
Subscription Amount	
Payment Date	Tuesday, 26 July 2022

Payment Details	
Bank	Commonwealth Bank of Australia
Account name	Chimaera Capital Custody
BSB	063010
Account number	11972402
Reference	1788QFR

Execution	
Signed by the Subscriber:	
Individual/Director*	Witness/Director/Company Secretary*

***Please strike out as appropriate.**

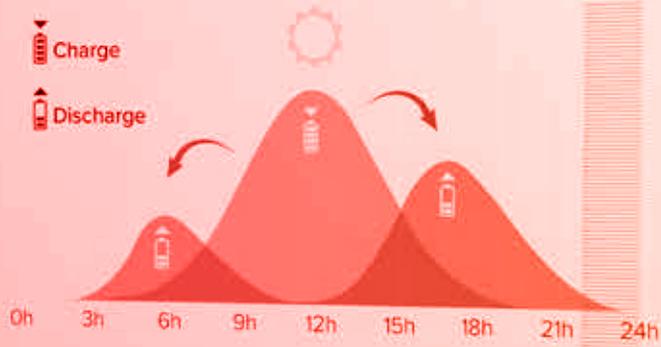
Sign in the spaces provided above:

Individual(s): The individual(s) must sign in the space(s) provided above.

Company: If the company is not a sole director company, a Sole Director must sign this form. For all other companies, this form must be signed by a Director jointly with either another Director or a Company Secretary.



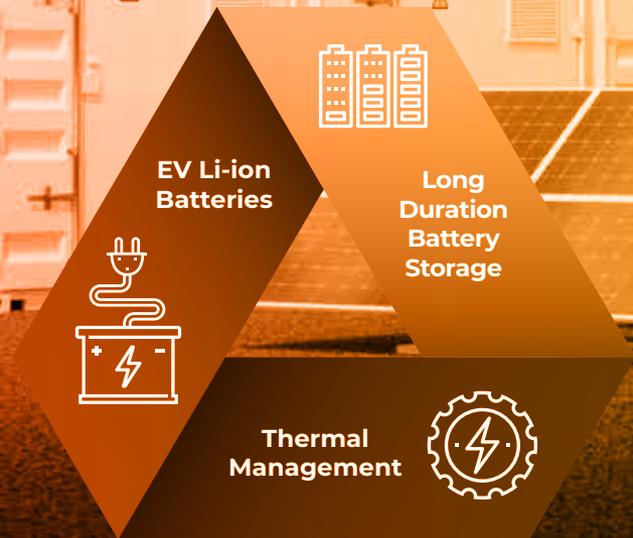
QUANTUM
GRAPHITE



THE FUTURE OF GRAPHITE

Presentation to Shaw and Partners

JUNE 2022



About Quantum Graphite Limited

Board of Directors

Bruno Ruggiero, Chairman
Sal Catalano, Managing Director
Bob Osmetti
David Trimboli

Key Technical Personnel/Partners

Mine Engineer, Dr. Karen Lloyd
(Jorvik Resources)
Metallurgical, Steven Chadwick
(Spectrum Metallurgical Consultants)
Mineral Process Engineers
(Lycopodium Minerals)
Thermal Process Engineers
(ProTherm Systems)
High Temperature Research Partner
(TU Freiburg, INEMET)

Capital Structure

Shares on Issue (on a fully diluted basis) approx.
323 million.
Top 50 Shareholders >75%.
Board represents approximately >40% shareholding.

Project

Uley 2 fully permitted - Program for Environmental
Protection and Remediation, PEPR 2014/110

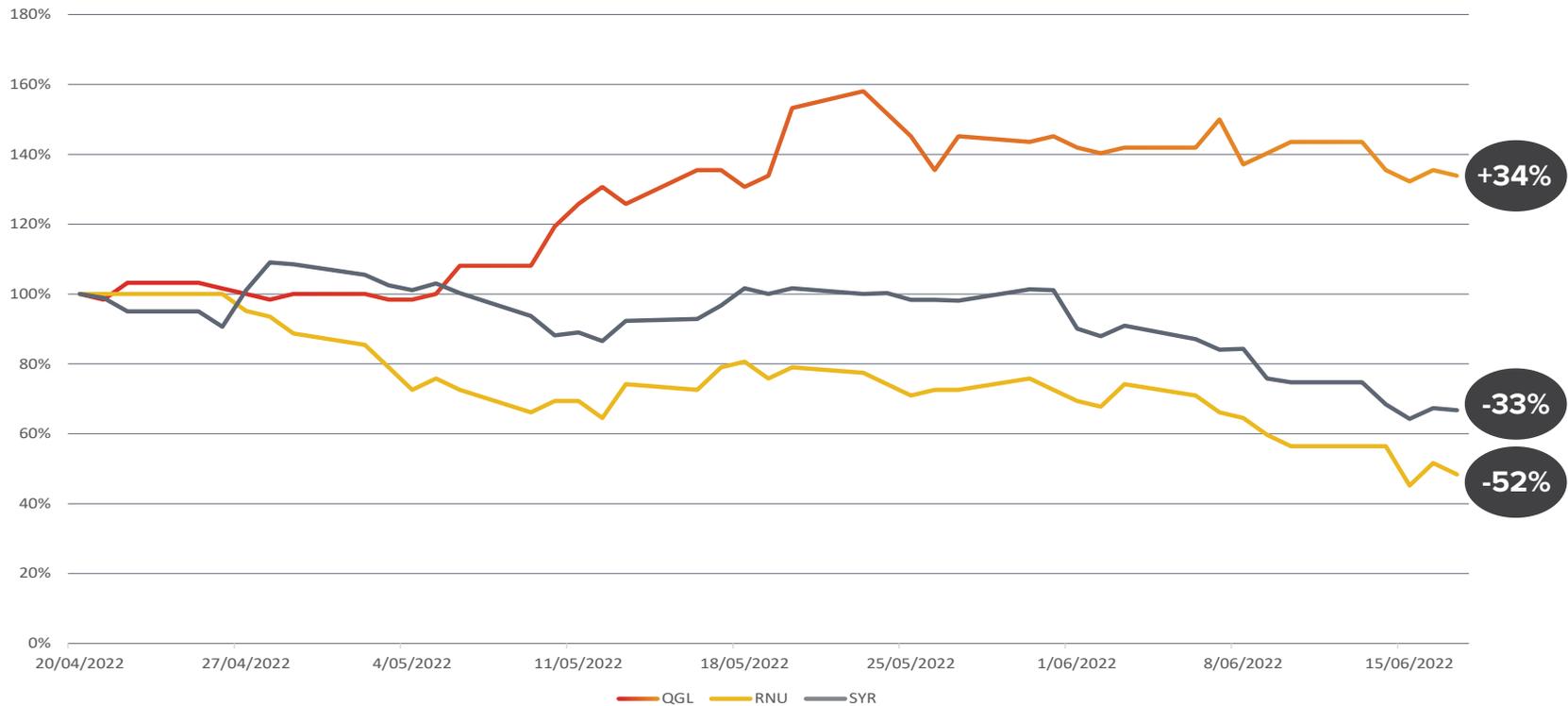
Tenement	Tenement Type	Interest
ML5561	Mining Licence	100%
ML5562	Mining Licence	100%
RL66	Retention Licence	100%
RL67	Retention Licence	100%
EL6224	Exploration Licence	100%

Uley Graphite Mine

Recent Trading Performance... Resilient in the face of massive market turmoil

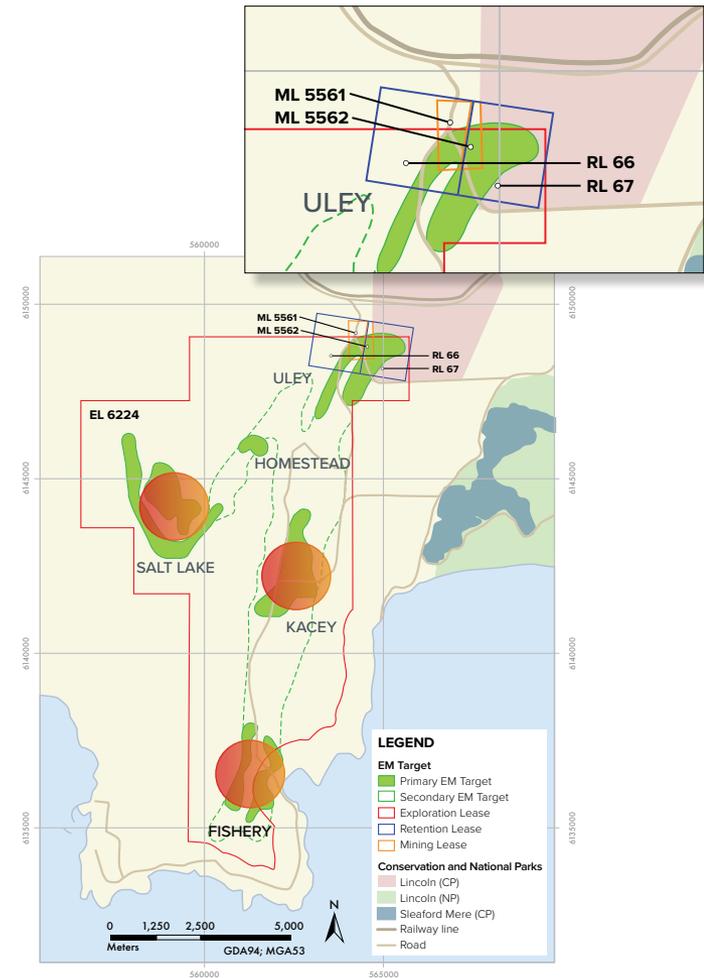
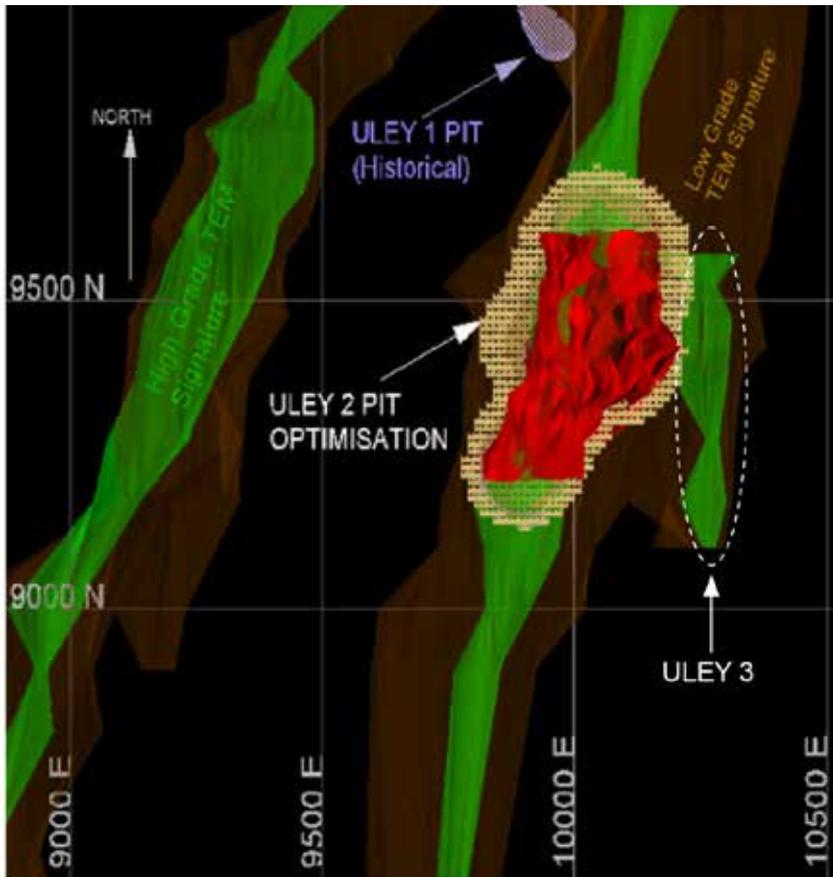
QGL v RNU & SYR
Price Performance

QGL
- 10 day VWAP 42.26
- 30 day VWAP 42.60



ULEY 2, PHASE 1 AT A GLANCE.

At a glance... large resource province



At a glance... immediate expansion options

Excluding the other mineralised envelopes (within EL 6224) the Uley 2 Project is a multi-generation project.

Priority 1 Short Term Ore Reserve extension

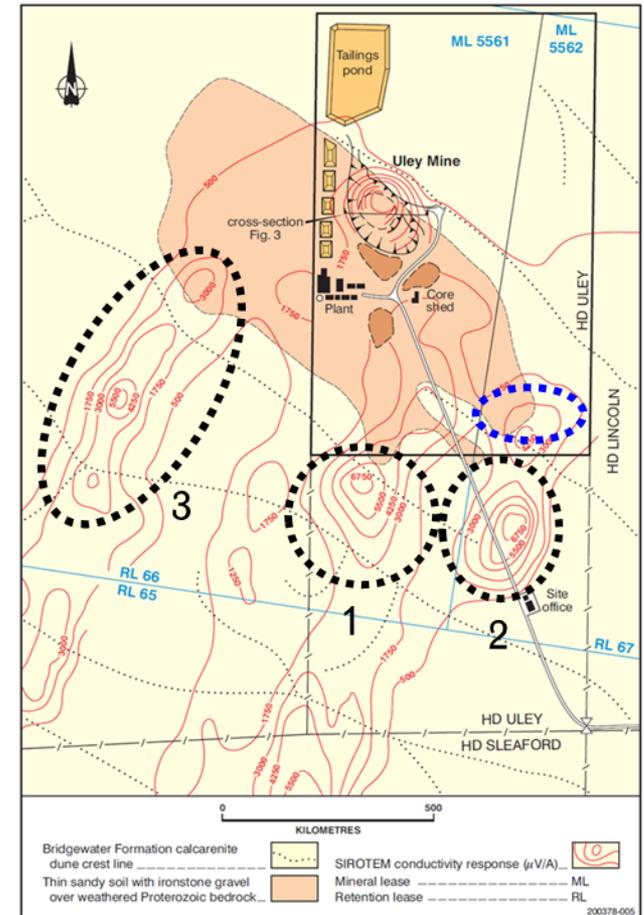
- Uley 2 South 50m
- Infill drilling at Uley 3 (area bordered by blue dotted line)

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.



Uley 2 Ore Reserve and near-mine extension target priorities

At a glance... Uley 2 Phase 1, low cost, high spec producer

Uley 2 Mining Study and Feasibility delivers strong 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

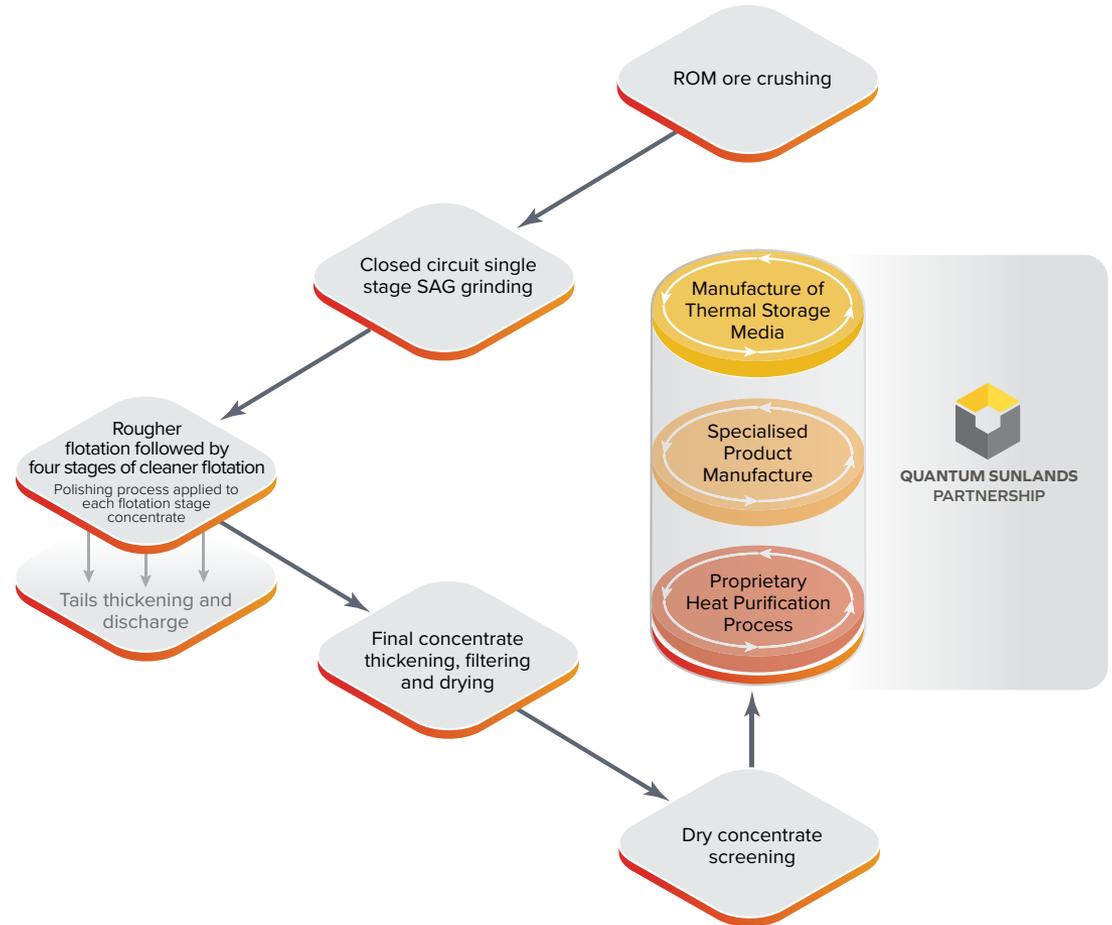


At a glance... Uley 2 Phase 1, processing and production

Comprehensive met results confirm historical high quality production mix

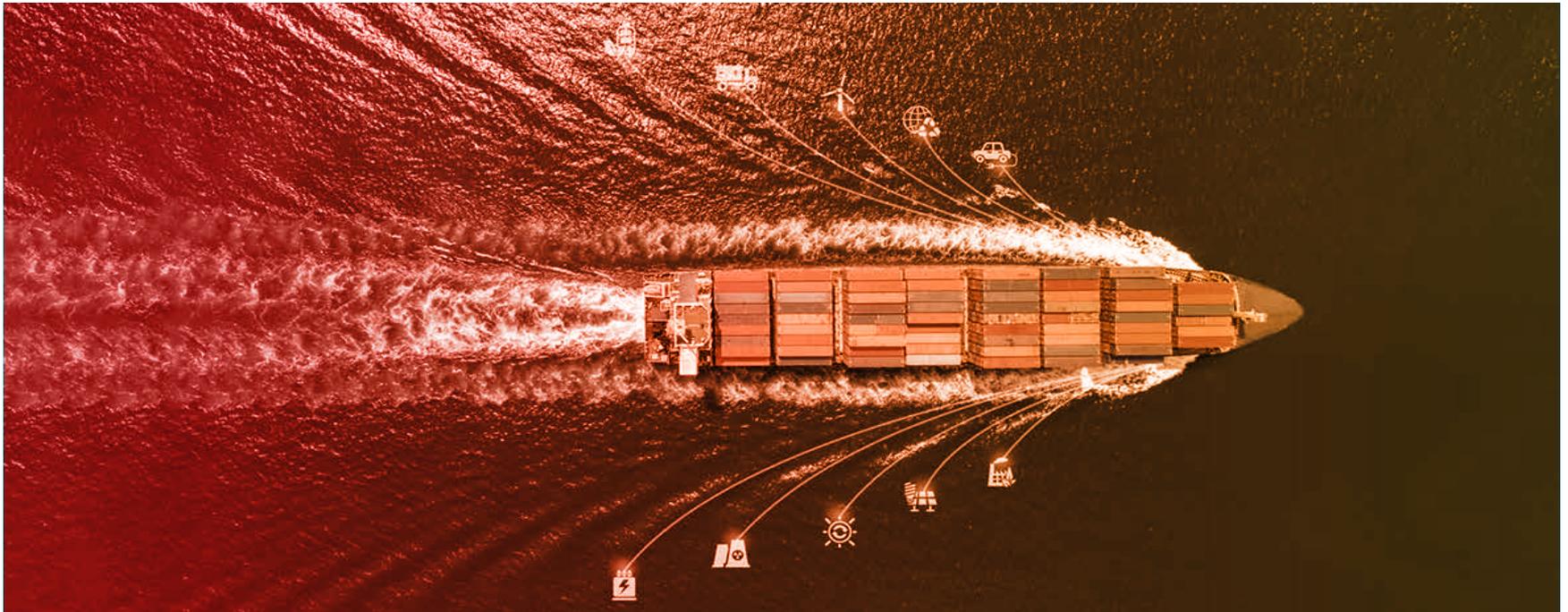
- Medium to Extra-Large Flake - **75% of overall production** of gC.
- Very clean geochemistry, no deleterious elements, remaining impurities are quartz and alumina.

Size Fraction (Mesh)	Approx. Weight Dist. (%)	Graphitic C Purity (%)
+50	10.5	97.8
-50+100	35.8	97.3
-100+200	28.7	97.2
-200	25.0	90.7



At a glance... MRI offtake for 100% of Uley 2, Stage 1

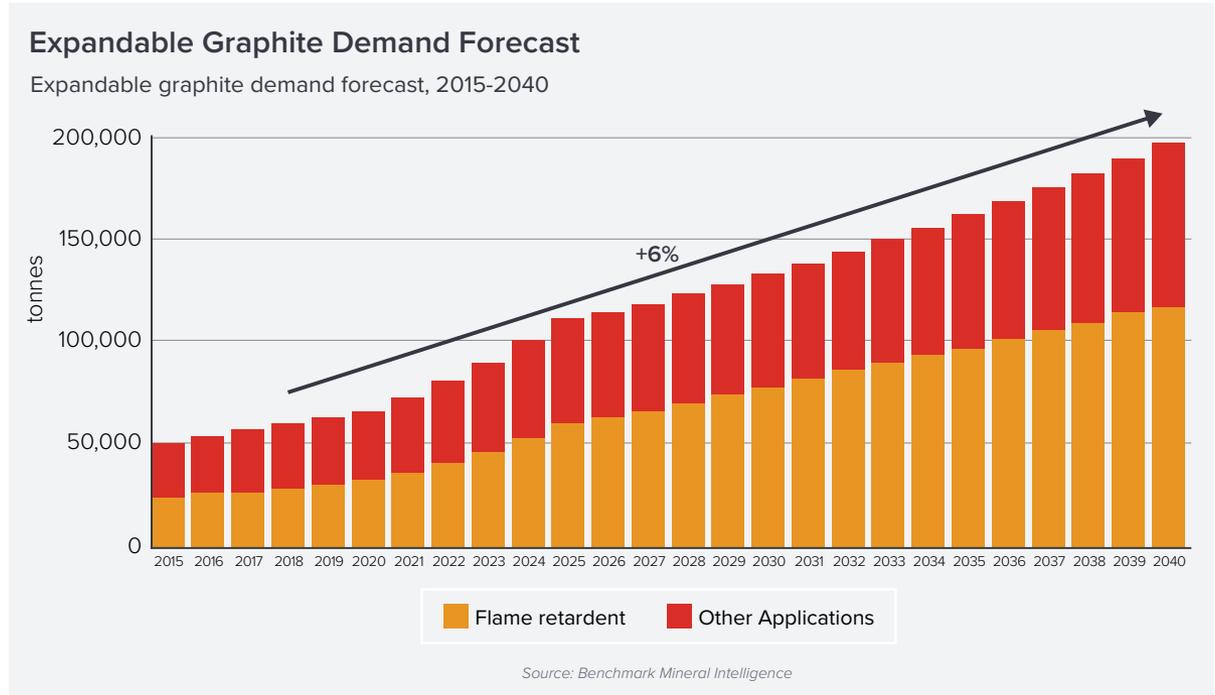
- Binding offtake with global metal and minerals trading group, MRI Trading AG delivers peer leading financial strength and unmatched commercial coverage
- Near perfect alignment with MRI markets and key customers focus, i.e., Europe, Japan, Korea
- MRI's regional freight capabilities provide excellent logistics fit and ensure access to best pricing options
- Innovative price setting methodology provides MRI with flexibility to contract strategically and the Company the opportunity to maximise prices in tight markets (see announcements for details)



**THE GRAPHITE
MARKET -
CRYSTAL BALL
GAZING**

Non EV Growth Segments... refractory, expandables, foils, etc.

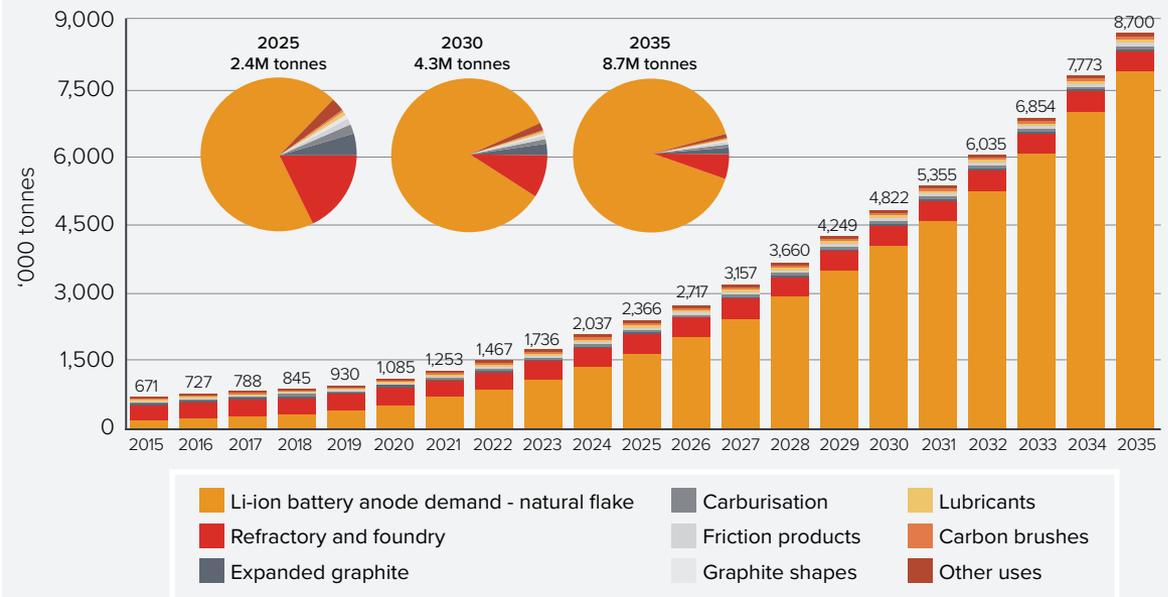
- Non EV long term growth of natural flake demand driven by higher end thermal management applications.
- Growth in expandables forecast at approximately 6% compared with approximately 3% for traditional refractory products.
- Specialised natural flake powders is the target market for QGL's extra large flake production.
- Does not include thermal storage media



Benchmark Mineral Intelligence... today, seems about right

- Anode has now emerged as dominant market for natural flake.
- Overall production of natural flake must double to meet rapid transition to EV.
- Doubling of natural flake graphite every 5 years will exert significant pressure on prices at short end of price curve (eg. lithium post Jan 2021).

Flake Long Term Demand Forecast

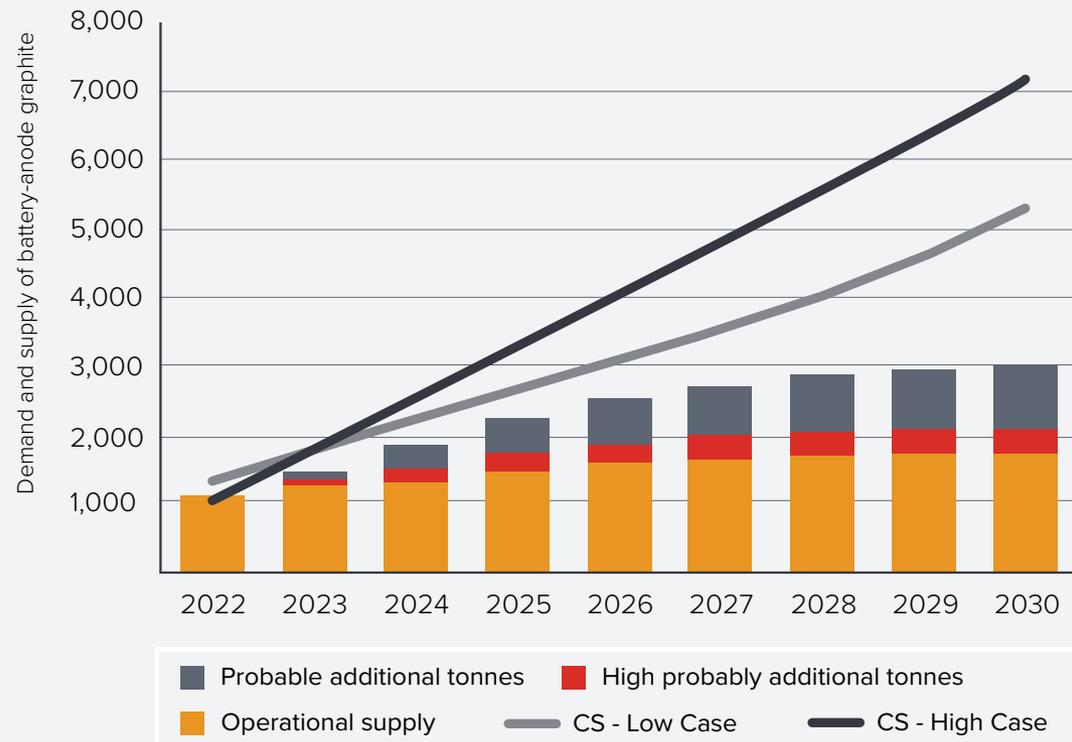


Source: Benchmark Mineral Intelligence

Credit Suisse... a little more bullish

- Structural deficit at least from 2025 but likely earlier.
- High probability that deficit may exceed forecasts given unreliability of historical forecasting.
- QGL remains one of the stand out options for high probability significant additional tonnage given completed permitting and brownfields status.

Demand outstrips supply in both a high and low case

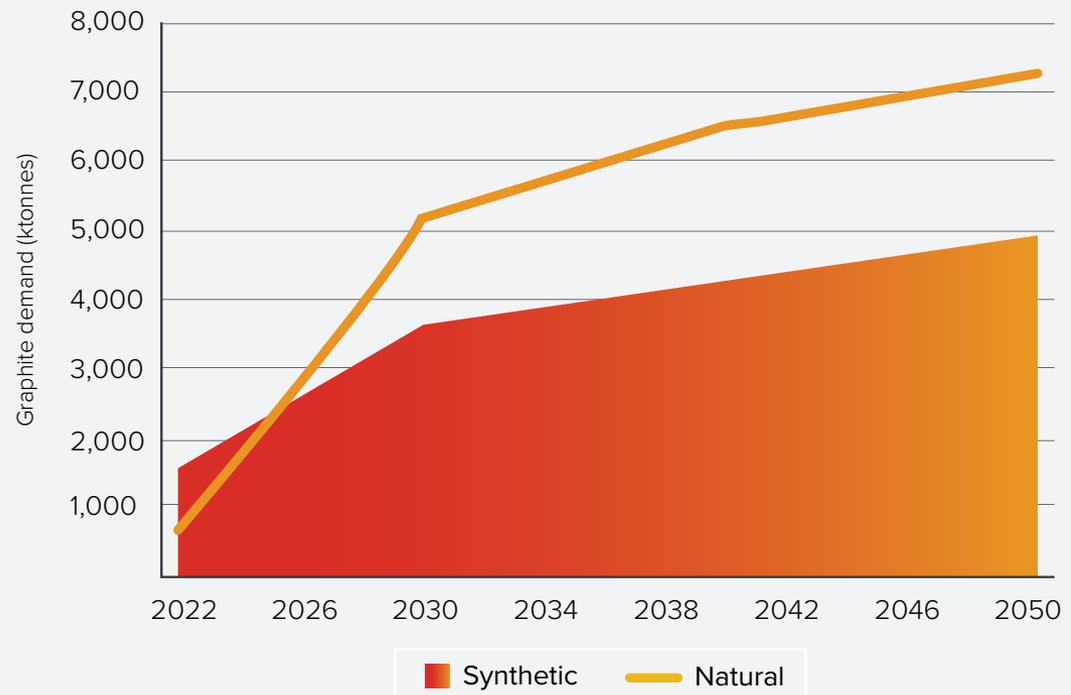


Source: Credit Suisse - Super Materials Demand Model; CS commodities

Critical metrics... these are the numbers to watch

- Anode raw material synthetic to natural flake market share currently set at 2:1.
- Over the next 12-18 months natural flake will increase from 1/3 anode market share to more than 50%.
- From 2025 onwards, natural flake dominates anode raw material.
- Dominance of natural flake coincides with structural market deficit resulting in significant price pressures.

Natural vs synthetic graphite demand - high case

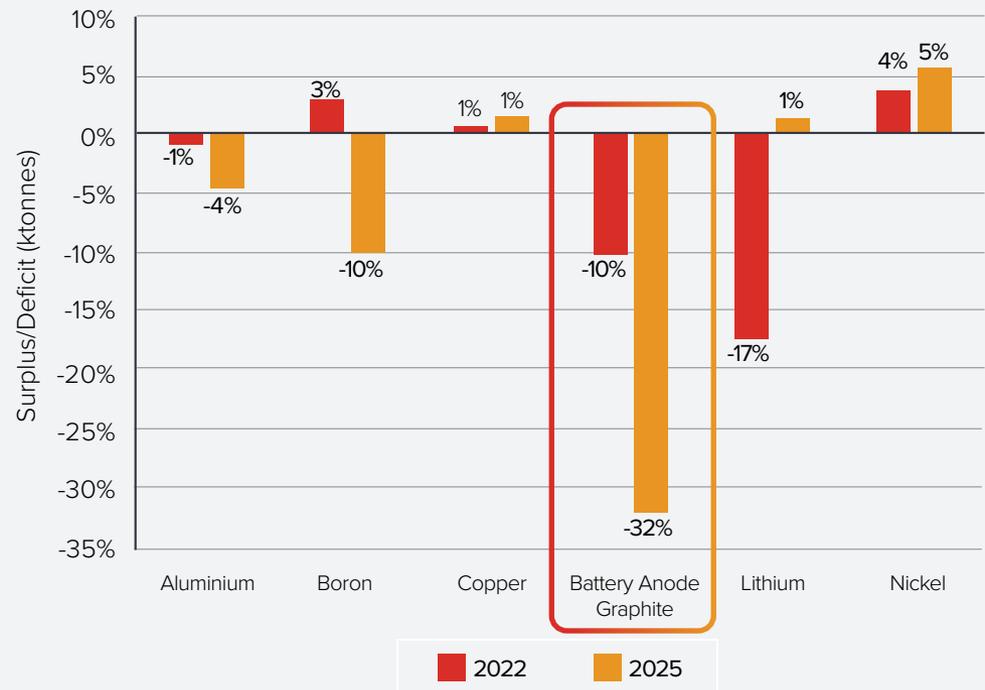


Source: Credit Suisse - Super Materials Demand Model

Short term... this is what we're facing

- 10% deficit this year largely covered by inventories, manageable impact on price.
- Significant higher prices will emerge well before forecast 2025 deficit of 32%
- QGL expansion strategy clearly aimed at providing maximum optionality to deliver increase in quality tonnage over the 2024 - 2027 period.

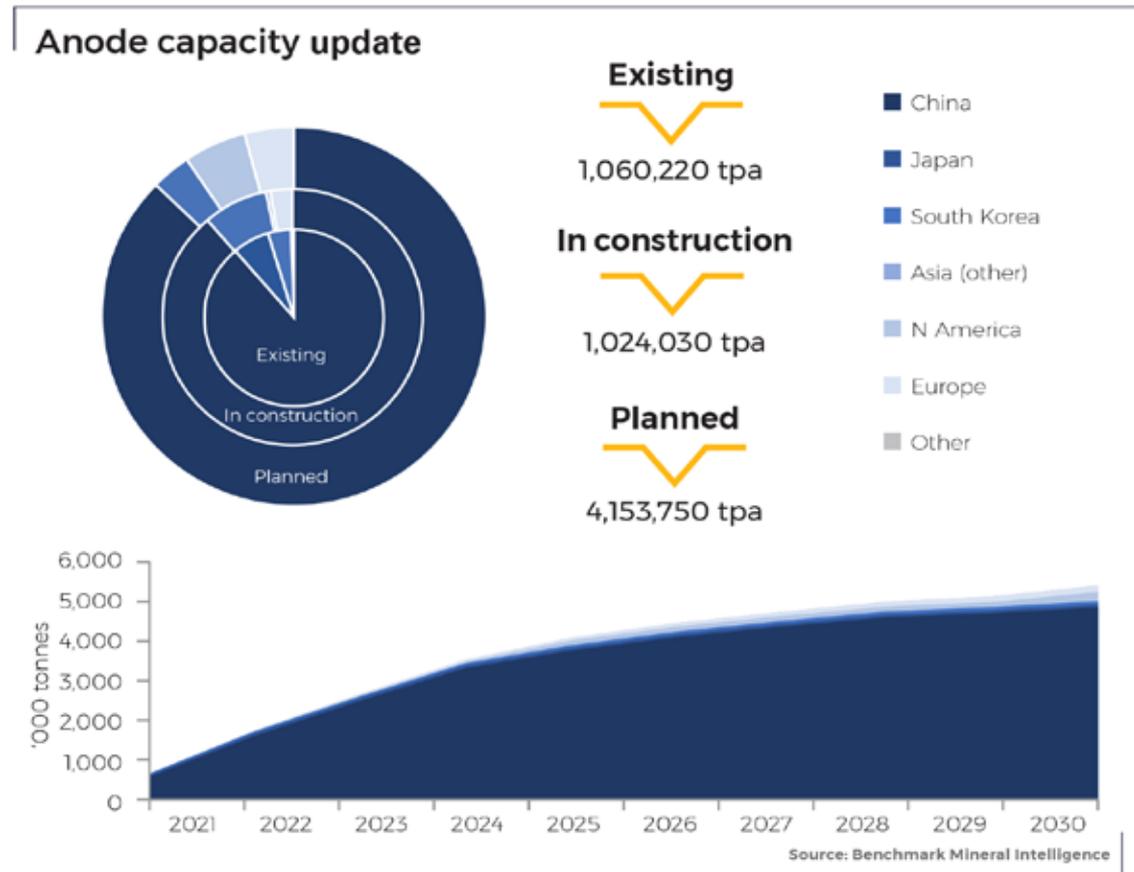
2022E vs 2025E forecasted surplus/deficit shows a sustained deficit for graphite used in Li-ion batteries



Source: Credit Suisse - Super Materials Demand Model; CS commodities

CSPG, Anode production ex China... unlikely without partnerships

- China is overwhelmingly the dominant producer.
- Current anode production estimated at 700,000 tonnes of which China represents approximately 610,000 tonnes.
- New capacity under construction will increase China's capacity by approximately 70%.
- Planned new Chinese capacity is almost 4 times capacity under construction.

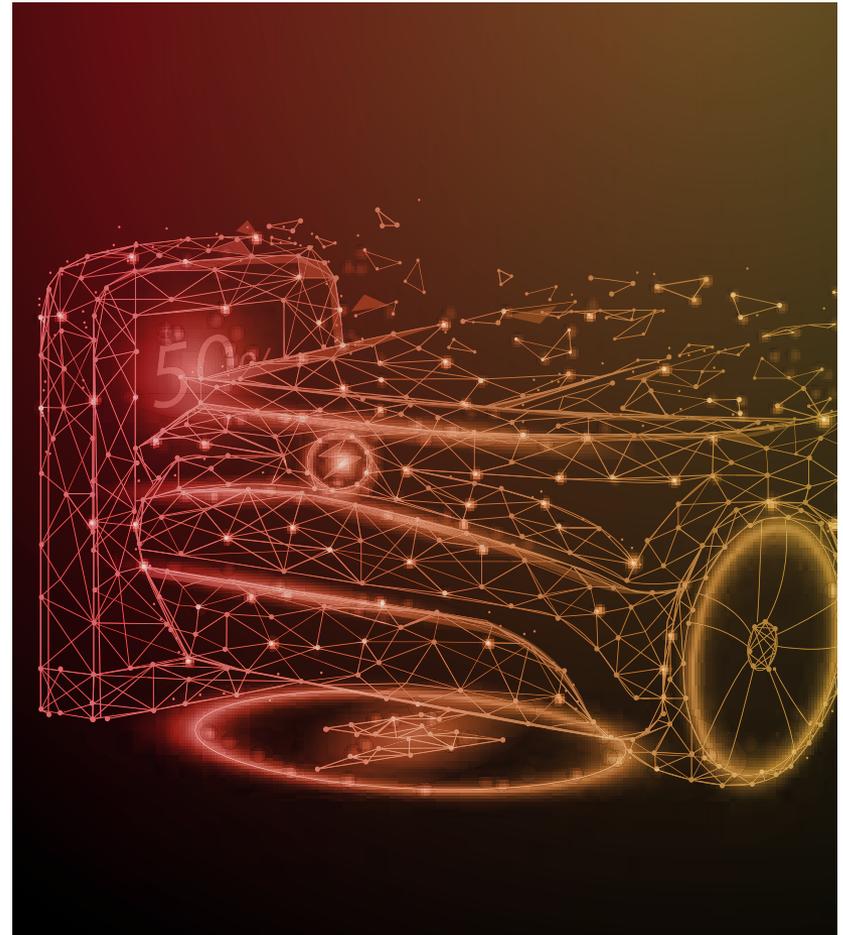


QGL EV market takeaways... tread carefully downstream, choose partners wisely

- Anode market (and natural flake) is moving to structural deficit within the next 30 months
- China remains the overwhelming producer of tier 1 and tier 2 quality anode material
- China's development of additional capacity ensures it remains the dominant producer of anode
- Natural flake set to dominate anode raw material - emerging technologies ex China directed at alternatives to hydrofluoric acid treatment

What this means for QGL

- Ex China strategy remains critical to exploiting flake graphite demand growth.
- Manufacture of CSPG (or anode!) by natural flake producers **is not an option**
- Development of downstream partnerships with alternative technology owners **is a medium to long term strategic priority**
- Development of key supply relationships with ex-China OEMs **is a short to medium term priority**
- **Ensure execution readiness of mine production expansion strategy**



**THE GRAPHITE
MARKET
MEETS THE
ELECTRICITY
MARKET - QGL'S
ELEPHANT IN
THE ROOM**

Crisis, transition, winners and losers...

OPINION ENERGY

Why it's hard to join the dots in Australia's energy puzzle

Jennifer Hewett

Jun 20, 2022

Anthony Albanese and the Energy Security Board are determined to get the states' agreement on a capacity mechanism to provide backup power. But that requires allowing Victoria to exclude coal and gas from any payment.

Germany's decision to pass emergency laws to reopen mothballed coal mines is "bitter but essential", according to its economic minister, Robert Habeck.

That Habeck is a member of the Green Party in coalition with the Social Democrats demonstrates the political contortions in a global energy transformation suddenly desperately short of fossil fuels.

Even Australia's recent energy woes are only a mild version of the trauma threatening to cripple the German economy as Vladimir Putin further reduces supplies of Russian gas to a needy Europe. The price of Angela Merkel's deadline for shutting Germany's nuclear power and coal generation to rely on Russian gas and renewables is now stark.



The Albanese government is determined to avoid imposing such direct costs on Australian consumers and businesses despite supporting a much faster shift to more renewable energy as part of its 2030 emissions reduction target.

That balancing act is more difficult at a time of soaring global prices for coal and gas, and with no relief likely this year.

But as the past few weeks have proven, the practicalities of Australia's national energy transition and timetable are more complicated than suggested by the embrace of renewables. Energy security has become a much more important focus of public debate.

Crisis, transition, winners and losers...

FINANCIAL REVIEW

PLATINUM 70 YEAR



ENERGY SECURITY

Tension over energy crisis plan as ESB backs coal and gas back-up

Patrick Durkin, Elouise Fowler and Andrew Tillett
Jun 20, 2022

All existing electricity generators – including coal and gas – should be paid to be on standby to avoid blackouts and bolster the stability of the east coast power grid, the Energy Security Board (ESB) says in its response to the energy crisis.



ENERGY SECURITY

Victoria slammed for ‘hypocrisy’ on coal power

Angela Macdonald-Smith, Mark Ludlow and Patrick Durkin
Jun 20, 2022

Energy users and thermal power producers have blasted Victoria’s point-blank refusal to allow payments to coal and gas generators to help avoid blackouts, pointing to its secret deal with EnergyAustralia to support the Yallourn brown coal power station.



OPINION ENERGY

New tripwire for power politics

Jennifer Hewett
Jun 20, 2022

The Energy Security Board warns Australia is likely to get the timing and mix of the energy transition wrong unless it has a capacity market that includes all resources as potential backups.

There’s nothing like a crisis to speed up political timetables – and show-up policy contradictions.

The puzzle of an emissions free grid... summing up the challenges

- Current renewables generation numbers
 - 20% of NEM load
 - 35% of generation capacity
 - 2.4 million solar PV systems delivering 10.7GW

BUT

- Continued penetration of renewables limited by:
 - Operational and regulatory hurdles due to intermittency
 - Low marginal value of despatch

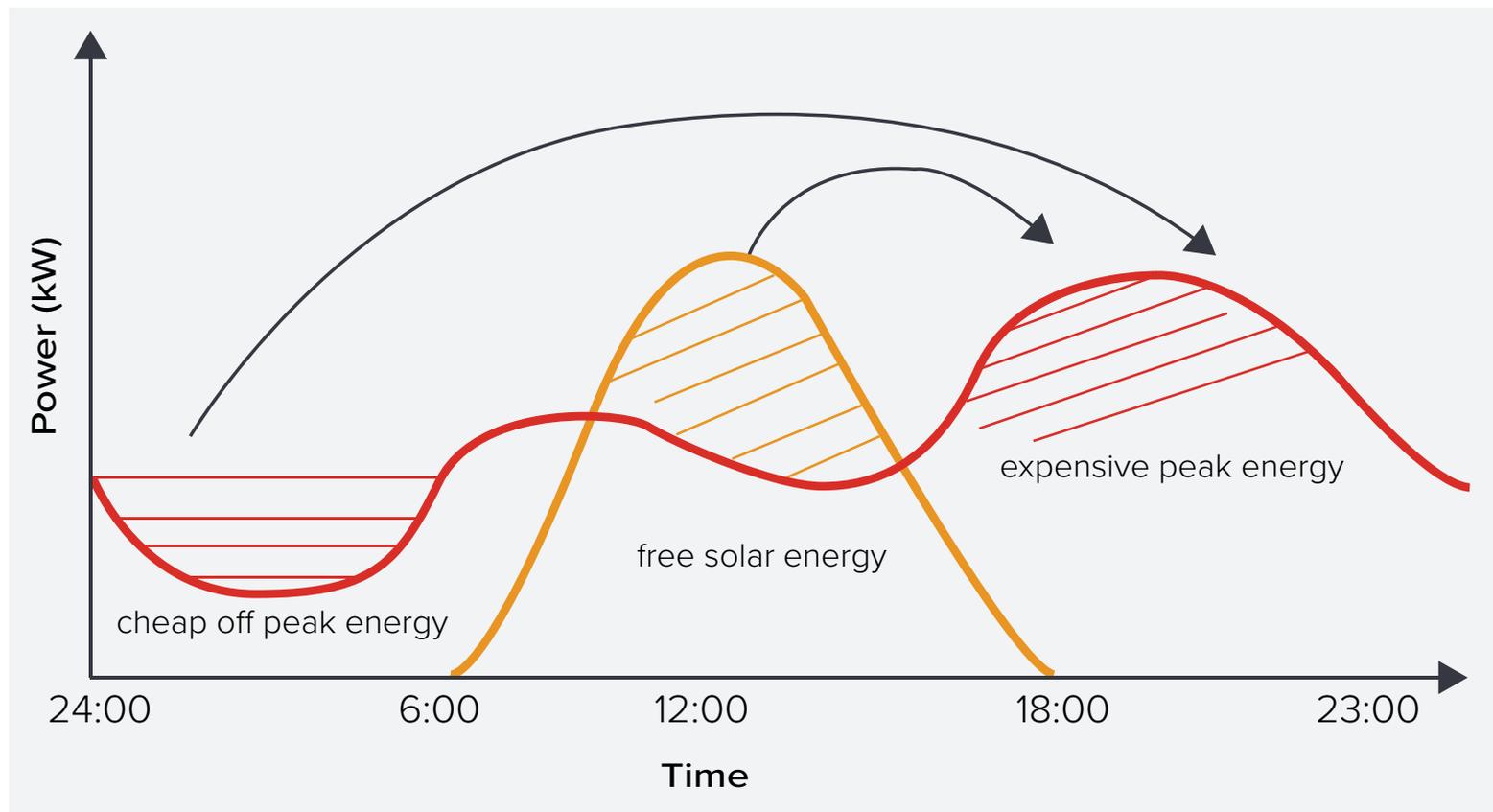
- Coal fired generators provide >40% of the NEM's base load and substantially all its inertia.

BUT

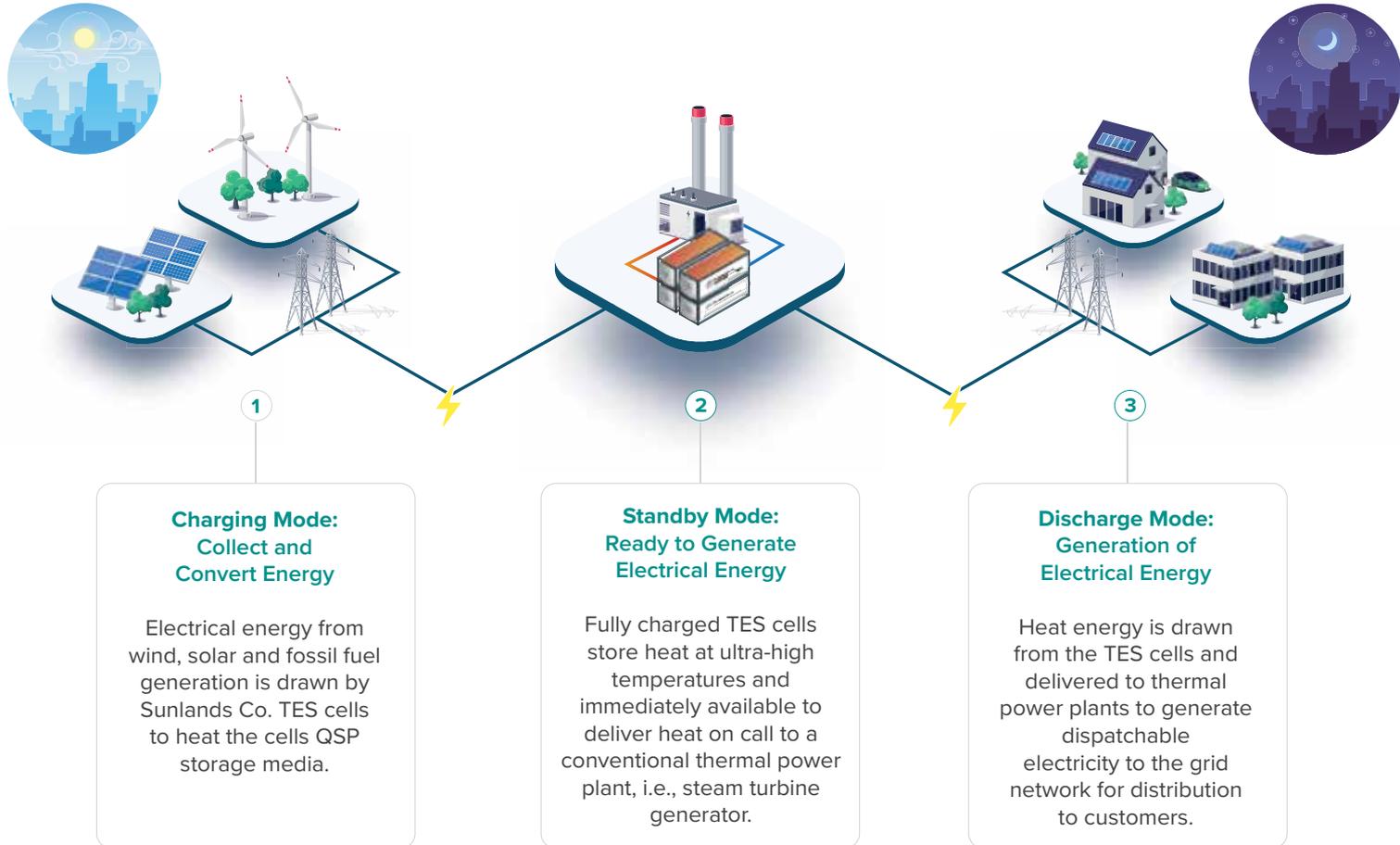
- Most of these facilities are scheduled to close within the next 7-15 years and solutions to replace the loss of inertia and dispatchability remain illusive.

The Solution... long duration storage and the magic of time shifting

- Practically this is how long duration storage works

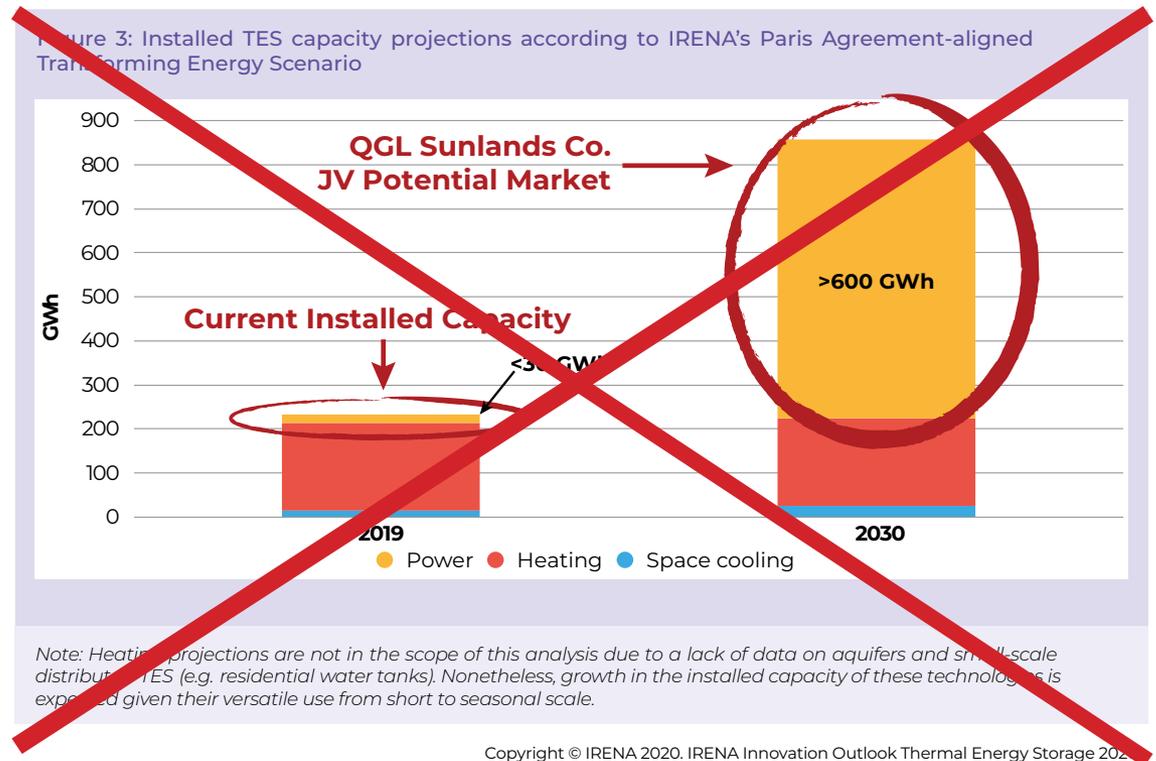


The Solution... the grid and long duration energy storage



Long Duration Energy Storage... size of the market is getting bigger

- IRENA estimates the market to grow 20x within the decade
- Following Glasgow (COP 26) this estimated growth has increased significantly
- The Quantum Sunlands Partnership independent Australian electricity market study concluded that:
 - Australia alone will require in excess of 10 GWh of storage
 - At least 100,000 tonnes (equivalent to 1 GWh) of natural flake graphite will be required annually to meet Australia's Net Zero by 2050 Plan



Quantum Sunlands Partnership... economics

- The Quantum Sunlands Partnership (QSP) is the exclusive manufacturer of the natural flake thermal storage media required by Sunlands Co.'s energy storage cells
- This is big business – comparison of sheer tonnage requirements relative to EV

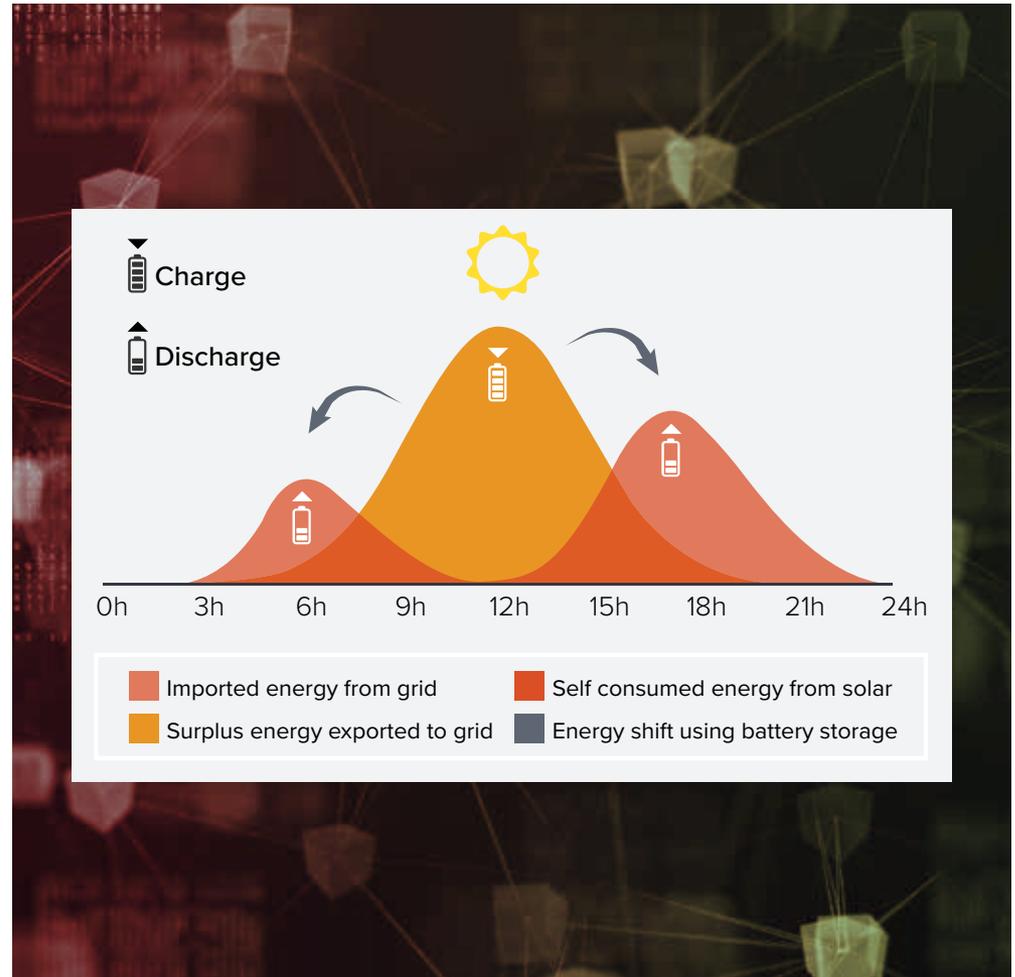
<u>EV Anode</u>	<u>1.2kg per kWh</u>
<u>Thermal Media</u>	<u>5.0 kg per kWh</u>

- QGL - QSP transfer price assumptions based on sale of natural flake at the basket price of US\$919 and sale of manufactured media at a price of US\$3,500 to US\$4,000 which represents the range of market pricing for similar media
- QGL's estimated EBIT margin on every tonne sold to QSP (i.e., includes net contribution from its share of the JV) is estimated at US\$1,650 subject to completion of TU Freiburg (INEMET) final test work program



The Technology... unique capability, ticks all boxes

- LDES delivers dispatchable generation, maintains grid stability and enables the acceleration of renewables penetration within the grid
- QGL joint venture partner Sunlands Co.'s LDES technology uniquely positions it as a leading technology:
 - capable of driving utility scale steam turbines (eg. retrofitting of coal fired power stations)
 - has an effective life measured in the decades
 - can be charged and discharged simultaneously
- The key to the Sunlands Co. technology is the natural flake based storage media to be manufactured by the Quantum Sunlands Partnership





NEXT STEPS

Where to from here...

Quantum Graphite Limited

- Complete financing of Uley 2 including funding options for near term mine expansion
- Upgrade feasibility to encompass Phase 2 production expansion
- Ongoing resource definition and increase in reserves

Quantum Sunlands Partnership

- Complete TU Freiburg test work
- Construct energy storage cell pilot
- Undertake feasibility for the construction of media storage facility



QUESTIONS...

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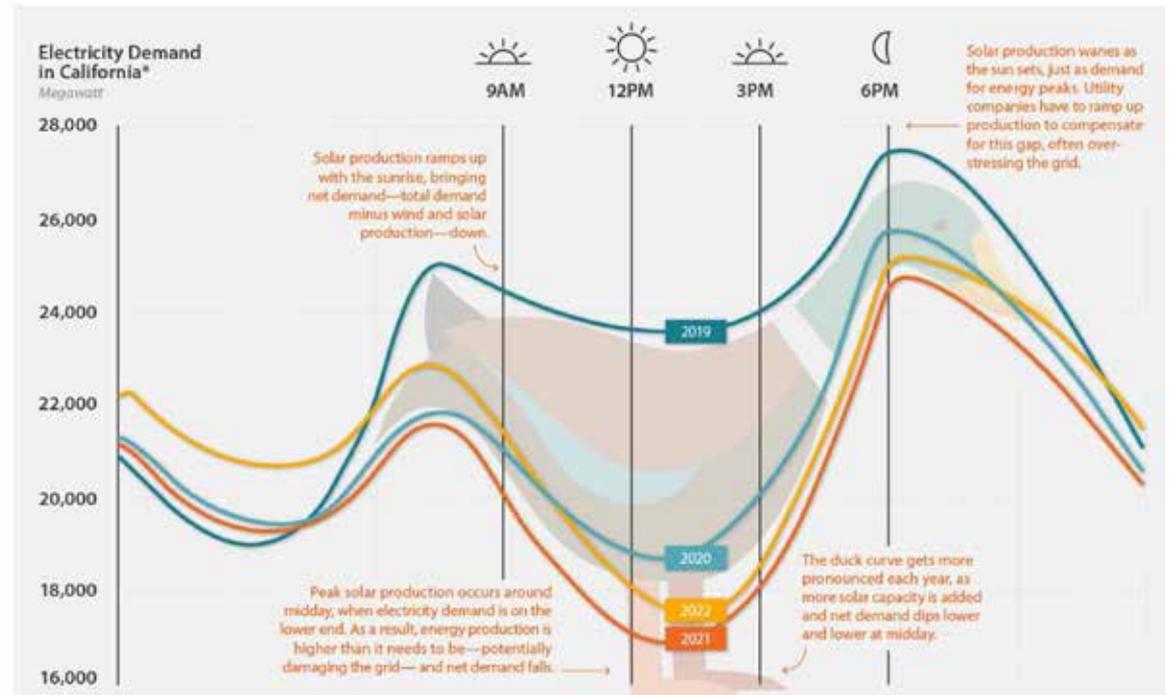
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APPENDIX - WHAT'S WRONG WITH OUR GRID?

If it quacks like a duck... the whacky world of negative prices

- In February 2008, an enterprising team of analysts at the US Department of Energy's National Renewables Energy Laboratory (NREL) published a prophetic piece of research which foreshadowed the logical outcomes associated with adding increasing renewables generation to conventional grid networks.
- By 2013, California's Independent System Operator (CAISO), graphically illustrated these outcomes in the form of the now famous "duck curve".



Source: CAISO. Data compares the first Saturday in February from 2019 to 2022.

- From California to South Australia, the results are the same; excess generation in the middle of the day (and early hours of the morning) gives rise to a sharp drop in demand and prices plunge, often to negative.

And the loss of inertia... conjuring up inertia is tough

- The result is the loss of inertia, i.e., grid stability/reliability evaporates. Our toolbox is very limited:
 - Grid operators regularly curtail renewables (okay for large scale installations but rooftop solar presents challenges);
 - Quickly ramp up conventional generation (supported by short duration Li-ion) to meet the rapid demand requirements, especially for the end of the working day and restore frequency control/stability
- And the “creation” of inertia utilising various technologies with renewables is a stretch.
Only dispatchable generation achieves this at a grid scale.

CURRENT[±]
BRIEFINGS

The emerging inertia market in Britain

As renewable capacity on Britain’s grid continues to grow apace, the need for alternative sources of inertia is becoming increasingly pressing. To manage this, National Grid ESO began running pathfinders a few years ago, with the first projects now coming to fruition.

While some involve innovative new technologies such as Quinbrook’s synchronous condenser or the use of Drax’s Cruachan hydroelectric pumped storage plant, existing energy sources will also be able to contribute thanks to a recent Grid Code modification. GC0137 will allow renewables and inverters to provide inertia using virtual synchronous machine capability.

Following these developments, we take a look at what the emerging inertia market is set to look like in the next of our Current[±] Briefings series, including which technologies are likely to come online in the short term, the demand for inertia in the UK, and the potential revenue opportunities it offers for renewables and other energy technologies.

Wednesday, April 27th 2022 - 11:00 AM (BST)

And there's more... Australia's Net Zero by 2050 Plan

- Australia has embarked on a plan to decarbonise by 2050 (Net Zero Plan). If emissions reductions milestones are to be met, electricity generation will have to be extended beyond its current uses to cover most of the energy required in transport and industry.
- The Net Zero Plan is likely to require increasing electricity generation from between five and nine times that of existing levels in advanced economies.
- The Net Zero Plan relies on solar and wind as the primary energy sources, together with high level of confidence in the successful development of emerging technologies.
- Unlike California and Germany, the execution of Australia's plan does not have the benefit of critical support from an alternative large scale neighbouring grid. In this sense Australia is unique amongst large industrial economies.

