



Quantum Graphite

Quarterly Activity Report and Appendix 5B
Period Ending 30 September 2018
For Immediate Release
31 October 2018

Highlights

- Completion of the company's restructure and recapitalisation
- Grant of Exploration Permit EL6224 (renewal of former EL4778) and lodgement of further renewal application for EL6224 for a further two years
- Securities reinstated to official quotation on 27 September 2018
- Commencement of works on Uley Project Expansion

Uley Project Expansion and Definitive Feasibility Study

The Board has previously announced the commencement (3 August 2018) of works on the company's plans to build the framework for a substantial increase in the production capacity at its flagship Uley Mine.

The key elements of this plan are:

- The preparation of a revised mine plan together with the completion of any necessary metallurgical test work and drilling;
- The review and possible extension of the company's existing Mineral Resources; and
- The completion of a revised definitive feasibility study (DFS) to be undertaken by Lycopodium Minerals.

The company completed representative resampling of drill holes at the Uley 2 Pit for the purposes of conducting comprehensive metallurgical test work and these samples have been delivered to ALS Laboratories. Test work is expected to commence in November 2018. The test work program has been developed by Lycopodium Minerals to confirm certain technical details of the processing path to be adopted for the purposes of the design of a larger scale plant at Uley.

Snowden, together with the company's expert geology team, have commenced works on the review of the company's existing Mineral Resources at Uley 2 and the mine plan.

The company expects to make further and detailed announcements in respect of the results of its work program, i.e., specifically geology, mine plan and metallurgical testing prior to the end of the year.

Corporate Information

Following the company's restructure and recapitalisation, its securities were reinstated to official quotation on 27 September 2018.

Details of the company's capital structure, including the issue of all shares and options pursuant to the restructure and recapitalisation plan, is contained in the Auditor Review of Historical and Pro

Forma Financial Information prepared by the company's auditors and announced to the ASX on 5 September 2018.

As at 30 September the company had 7,486,788,432 ordinary shares and 1,000,000,000 unlisted options on issue and 4,237 shareholders. The top 20 shareholders held 70.86% of the issued ordinary shares in the company.

As at 30 September 2018 the company held cash at bank of \$1,252,000. As at 31 October 2018 the company held cash at bank of \$1,160,316.

Expenditure

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

Company Announcements

This report should be read in conjunction with all prior announcements made by the company to the ASX including all announcements released under the company's previous code, VXL (on and from 18 November 2013 until 30 November 2016) – see <http://quantumgraphite.com/investors>.

Schedule of Tenements (ASX Listing Rule 5.3.3)

Tenement	Tenement Type	Interest ¹	Changes during the Quarter
ML5561	Mining Licence	100%	Nil
ML5562	Mining Licence	100%	Nil
RL66	Retention Licence	100%	Nil
RL67	Retention Licence	100%	Nil
EL6224 ²	Exploration Licence	100%	Nil

1. All interests are registered in the name of the company's subsidiary, Quantum Graphite Operations Pty Ltd and held as at the end of the quarter.
2. The exploration area represented by the former EL4778 became the subject of a grant of new Exploration Licence EL6224 on 7 September 2018 (for the period 13 October 2016 to 12 October 2018). The application for the renewal of EL6224 was submitted to the South Australian Department of Energy and Mining on 6 September 2018.

For further Information

Sal Catalano
Company Secretary
e: scatalano@ggraphite.com

Competent Persons Statement

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

Forward Looking Statements

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

QGL cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. QGL does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Quantum Graphite Limited

ABN

41 008 101 979

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(8)	(8)
(b) development	-	-
(c) production	-	-
(d) staff costs	(23)	(23)
(e) administration and corporate costs	(547)	(547)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(577)	(577)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,171	2,171
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(375)	(375)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,796	1,796

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	33	33
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(577)	(577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,796	1,796
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,252	1,252

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	33	33
5.2 Call deposits	1,219	1,219
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,252	1,252

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(92)

-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(535)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(23)
9.5 Administration and corporate costs	(91)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(649)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL4778 Uley Area - approximately 25km southwest of Port Lincoln	The Exploration Licence known as EL4778 is terminated. The exploration area represented by the former EL4778 is the subject of the grant of a new Exploration Licence EL6224	Approx 76 square kilometres	Nil
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL6224 Uley Area - approximately 25km southwest of Port Lincoln	The exploration area represented by the former EL4778 is the subject of the grant of a new Exploration Licence EL6224	Nil	Approx 76 square kilometres

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


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Company secretary

Date: 31 October 2018

Print name: Sal Catalano

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.