

Quarterly Activity Report and Appendix 5B

Period Ending 30 June 2020

For Immediate Release

31 July 2020

Highlights

- Sunlands Co. Collaboration Renewal & Offtake**

During the quarter the memorandum of understanding between the Company and The Sunlands Company Pty Ltd (Sunlands) expired and the parties are negotiating the renewal which will include formal offtake arrangements for the use of Uley 2 flake product as the critical heat sink material for Sunlands' thermal energy storage cells.

Sunlands has finalised its Commercialisation Study and has begun planning the construction of a commercial pilot facility that will demonstrate the technology's performance with Uley 2 flake product.
- COVID-19 Impact: Flake Graphite Market**

European market prices for the Company's medium, large and extra-large flake graphite (i.e., > 95%, >+100 mesh) firmed early in the quarter due to tightening Chinese supply as the effects of COVID-19 swept through Chinese industrial capacity. Prices continued to average significantly more than the Company's projected basket price of U\$919.

By the end of the quarter the higher European prices weakened reflecting the general global slowdown caused by COVID-19 and resulting in the narrowing the European price premium over onshore Chinese prices.

The market for electric vehicle (EV) feedstock, i.e., fine flake graphite (94%, -100 mesh) remains sluggish.
- COVID-19 Impact: Marketing**

The Company continues to progress discussions and negotiations with prospective customers in Europe and North Asia including pre-qualification trials however progress has been detrimentally impacted by the pandemic.

Sunlands Co. Collaboration

The MOU between the Company and Sunlands expired in May 2020. The parties have commenced discussions to renew the MOU specifically in relation to supporting Sunland's commercialisation activities. Further, the parties have commenced negotiating an offtake agreement based on the principles outlined in the abovementioned MOU and expect to conclude this agreement prior to the end of September 2020.



As previously announced, the main and highest cost input for the Sunlands' thermal energy storage (TES) cell technology is flake graphite that, subject to the concluding of an offtake agreement, is proposed to be sourced from the Company's Uley 2 mine.

Sunlands has advised the Company that the Commercialisation Study (see *March 2020 Quarterly Activities Report*) has been completed and the final report delivered to Sunlands. The report confirms the technology's commercial feasibility and its suitability for grid connected and behind-the-meter applications.

Key findings, as foreshadowed in the draft report and included in the *March 2020 Quarterly Activities Report*, have been confirmed:

“(a) Sunlands’ technology make it a potential candidate for grid connected applications directed at network stability such as the restoration of inertia or the increasing needs of distributed electricity networks. For example, TES Generation Systems are likely to be ideally suited for STEM (short term energy market) applications and for participants providing SGA (small generation aggregator) services; and

(b) The TES Generation System does not require grid connectivity or an external fuel source (i.e. diesel, methane, etc.) to commence operations and consequently, with an appropriately matched captive renewable source, the TES Generation System has the potential to be deployed as a ‘blackstart’ solution.”

Importantly, the critical findings of the final report validated the technology’s feasibility for broader large-scale grid-connected applications:

“(a) The feasibility of the test technology is not dependent on the size or scale of a test cell, consequently, large scale grid connected TES cells are likely to deliver significant savings in both capital and operating costs; and

(b) The application of the technology to large scale time shifting of asynchronous generation is self-evident.”

The Board recognises the far-reaching implications of these findings. The quantity of graphite required for Sunlands TES cells especially for large scale grid-connected applications is a potential market in Australia of hundreds of thousands of tonnes of flake graphite. TES cells with a storage capacity required to generate 100MW for 12 hours per day will require at least 18,000 tonnes of flake graphite to deliver an uninterrupted service of daily cycles.

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

As outlined in the Company’s definitive feasibility work, Uley 2 production is principally medium, large and extra-large flake targeting customers generally in thermal management products, especially high-grade refractory products. Consistent with the marketing of the Company’s historical production, Uley 2 production targets former customers, mainly the major European and North Asian refractory manufacturers.

The Company’s discussions with these key target customers in Europe and North Asia continues despite the impact of COVID-19. With the cancellation of the Company’s European meeting schedule last quarter, the Company is seeking to initiate the commencement of pre-qualification trials however progress has been impeded by the general slowdown caused by COVID-19.

The market for refractory grade large flake remains firm. By the end of March 2020, European prices for large flake refractory grade product were significantly higher than onshore Chinese prices for this product. This premium was driven by the impact of COVID-19 on Chinese industrial capacity which suffered from shutdowns and interruptions to shipping schedules during the first quarter of this year.

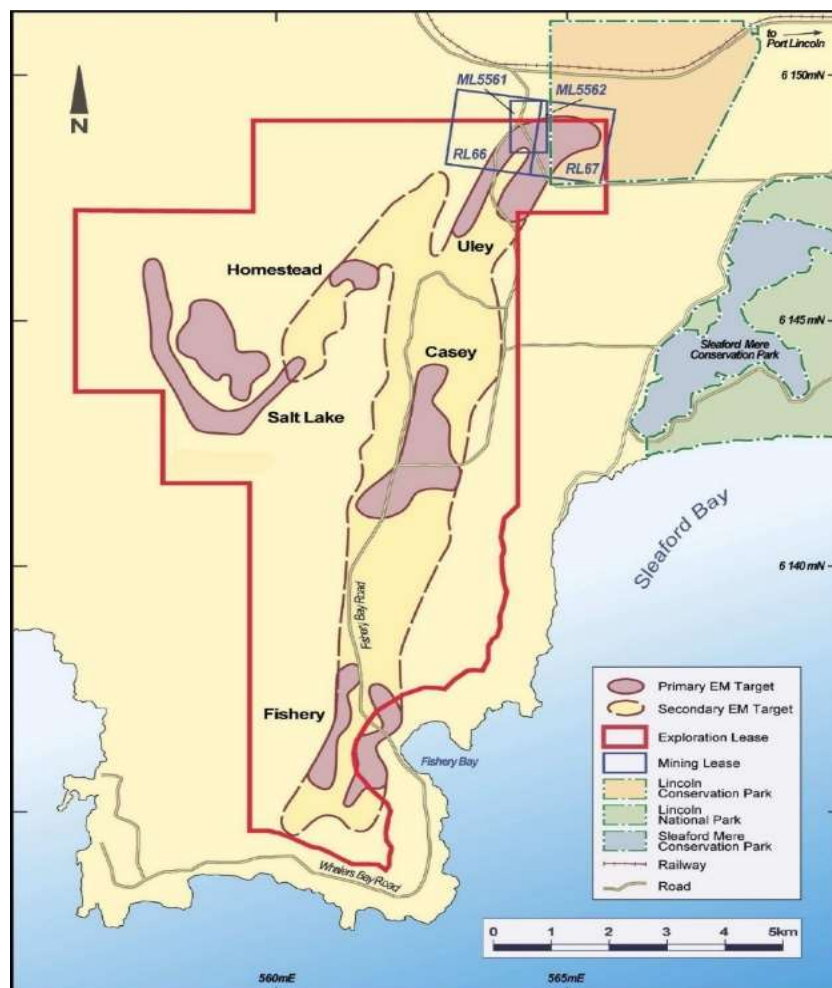
Approaching the end of the second quarter of this year, the European price premium narrowed as the impact of COVID-19 was felt throughout the globe however prices remain above the Company's projected average basket price of US\$919.

The market for electrical vehicle feed stock, i.e., fine flake graphite, 94% - 100mesh, is sluggish at levels below US\$550 with little discernible change from prices reported throughout the first quarter of this year.

Schedule of Tenements (ASX Listing Rule 5.3.3)

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

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



Corporate Information and Announcements

As at 30 June 2020 the company had 218,874,240 ordinary shares and 28,571,429 unlisted options on issue and 1,004 shareholders. The top 20 shareholders held 67.07% of the issued ordinary shares in the company.

As at 30 June 2020 the company held cash at bank of \$13,436. As at 31 July 2020 the company held cash at bank of \$125,365.

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

<http://quantumgraphite.com/investors>.

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

For further Information

For further information contact:

Company Secretary

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Competent Persons Statement

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

Forward Looking Statements

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

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

Appendix 5B

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

Name of entity

Quantum Graphite Limited

ABN

41 008 101 979

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(23)	(112)
(e) administration and corporate costs	(62)	(707)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	276
1.8 Other (provide details if material)	(1)	286
1.9 Net cash from / (used in) operating activities	(86)	(258)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(15)	(289)
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	165
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	(15)	(124)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(6)
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	-	(6)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	114	401
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(86)	(258)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(15)	(124)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(6)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	13	13

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	-	-
5.2	Call deposits	13	114
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)	13	114

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(76)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(86)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(15)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(101)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	13
8.5	Unused finance facilities available at quarter end (Item 7.5)	0
8.6	Total available funding (Item 8.4 + Item 8.5)	13
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0

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

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: No because the Company has substantially concluded the work in connection with the Uley 2 Definitive Feasibility Study and it has the capacity to reduce or defer cash outflows whilst maintaining its key operating activities

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

Answer: Yes. The company has established financing arrangements secured against future Commonwealth Government Research and Development Refundable Tax Offset amounts. Further the Company plans to raise further capital by way of the issue of additional equity. The Company expects to be successful in the raising of equity capital.

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

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

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

Compliance statement

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

DATE:	31 JULY 2020
AUTHORISED BY:	SAL CATALANO COMPANY SECRETARY

Notes

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