QUANTUM GRAPHITE

MARKET RELEASE
For Immediate Release
30 November 2021

Cleansing Prospectus

Quantum Graphite Limited (QGL) has today lodged with the Australian Securities and Investments Commission a prospectus pursuant to section 708A(11) of the Corporations Act 2001 (Cth), the main purpose of which is facilitate secondary trading of any shares that may be issued by it before the closing date under the prospectus.

To ensure shares issued are freely tradeable (i.e., not subject to the secondary trading restrictions provisions of the Corporations Act) the Company is obliged to issue a notice (Cleansing Notice) or a prospectus under sections 708A(5) and 708A(11) of the Corporations Act respectively.

QGL is unable to issue a Cleansing Notice as its shares were suspended from trading on the ASX for more than five trading days over the last 12 months. Accordingly, QGL issues this prospectus under section 708A(11) for the purpose of facilitating secondary trading in any shares issued by it before the closing date under the prospectus.

Sal Catalano
Managing Director

FOR FURTHER INFORMATION CONTACT:
Company Secretary
Quantum Graphite Limited
T: +61 3 8614 8414
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QUANTUM
GRAPHITE

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 7,465,565 fully paid ordinary shares (**New Shares**) in the Company @$0.115 per share to raise up to $858,539.98(**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 Annual Report for the year ending 30 June 2021, a copy of which is attached to this Prospectus.

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 2001 (Cth).

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 30 November 2021 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.

This Prospectus contains an Offer to potential investors to apply for New Shares in the Company. It does not contain all information which would be found in a prospectus or which may be required to make an informed investment decision regarding the New Shares offered under this Prospectus.

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.

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 accompany Application Form should not be considered comprehensive or comprising all the information which a Shareholder 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 quantumgraphite.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. Investors should refer to Section 6 for details of the risk factors that could affect the performance of the Company.

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 quantumgraphite.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

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Share Registry
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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	$0.115 per New Share
Total amount to be raised under the Offer	Up to $858,540
Number of New Shares to be issued under the Offer	7,465,565 Fully Paid Ordinary Shares

Timetable for the Offer	
Announcement of Offer and Lodgement of Prospectus – Announcement of Offer and Appendix 3B lodged with ASX	Monday, 30 November 2021
Prospectus lodged with ASIC and ASX	Monday, 30 November 2021
Closing Date – The last day for receipt of Application Forms	Wednesday, 8 December 2021
Issue date – Allotment of New Shares under the Offer and despatch of holding statements for New Shares	Thursday, 9 December 2021
Quotation of New Shares and expected commencement of normal trading in Shares on ASX (subject to approval by the ASX)	Monday, 13 December 2021
Despatch date - Despatch of holding statements for New Shares	Monday, 13 December 2021

These dates are indicative only and subject to change. The Company reserves the right to amend this indicative timetable. In particular, the Company reserves the right, subject to the Corporations Act and ASX Listing Rules. 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.

Contents

1. Details of the Offer 1
1.1 The Offer 2
1.2 Background to the Offer 2
1.3 Offer Dilution 3
1.4 Record Date and Applications 3
1.5 Underwriting 3
1.6 Issue and allotment of New Shares 3
1.7 Use of Funds 3
1.8 Purpose of Prospectus 3
1.9 Applications 4
1.10 Amounts payable under the Offer 4
1.11 Offer of New Shares 4
1.12 Quotation on ASX 4
2. The Effect of the Offer 5
2.1 Capital Structure 6
2.2 Current Structure 6
2.3 Effect of the Offer on control and voting power in the Company 6
2.4 Substantial Shareholders 6
2.5 Directors' Interests and Participation 7
2.6 Market Price of Shares 7
3. Details of the Company and its Business 8
3.1 Company History and Business Overview (Uley Graphite Mine) 9
3.2 Tenement and Resource Information 10
3.3 Directors 14
3.4 Key Management Personnel 15
4. Industry Overview 16
4.2 What is Natural Flake Graphite? 17
4.3 The Market for Natural Flake Graphite 17
4.4 Flake Graphite Products and Advanced Processing Opportunities 17
4.5 Flake Graphite Supply 19
4.6 Flake Graphite Demand 19
5. Required Actions by Investors 21
5.1 Application Form 22
5.2 How to Accept the Offer 22

5.3 Implications of Acceptance 22
5.4 Payment by cheque/bank draft 22
5.5 Enquiries 22
5.6 Cooling off period 22
6. Risk Factors 23
6.1 Specific Risks 24
6.2 Environmental Risks 25
6.3 Grant, Renewal and Valuation of Tenements 25
6.4 Reliance on plant and equipment 25
6.5 Retaining Key Personnel 25
6.6 Liability and Insurance Risk 26
6.7 Litigation and dispute risk 26
6.8 Financing requirements 26
6.9 Government legislation 26
6.10 General Risks 26
6.11 Economic uncertainty may affect the value of Shares 26
6.12 Trading in Shares might not be liquid 27
6.13 Taxation changes may occur 27
6.14 Catastrophic events could occur 27
6.15 Speculative Nature of Investment 27
7. Additional information 28
7.1 Rights Attaching to Shares 29
7.2 Consents 30
7.3 Auditor's Consent 31
7.4 Legal Adviser Consent 31
7.5 Share Registry Consent 31
7.6 Directors' Responsibility Statement and Consent 31
7.7 Taxation Implications 31
7.8 CHESS 31
7.9 Continuous Disclosure Obligations 32
7.10 Governing Law 33
8. Financials Information 34
8.1 Annual Report 35
8.2 Financial Accommodation provided by Chimaera Capital Limited 35
9. Defined Terms 36

10. 2021 Annual Report 39
11. Subscription Form 41

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 1.8 below).

The Company is making an Offer to 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.

Based on the capital structure of the Company as set out in Section 2.1 of this Prospectus, a maximum of 7,465,565 New Shares will be issued under this Offer to raise up to $700,000.06. 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 4 June 2021, the Company issued and allotted 18,180,758 Shares to Sophisticated and Institutional Investors at $0.065 per Share. 7,838,450 of these shares were the subject of the Company's prospectus dated 12 April 2021 to raise $509,499.25. The remaining 10,342,308 shares were issued as consideration to service providers (**4 June Placement**).

On 30 June 2021 the Company issued and allotted 10,721,144 Shares (**30 June Placement**). 4,721,144 were issued and allotted to Sophisticated and Institutional Investors at $0.09 per Share to raise $424,903. The remaining 6,000,000 shares were issued as consideration to service providers.

The 4 June Placement and the 30 June Placement diluted the existing Shareholders in the Company by 8.08%.

On 26 November 2021 the Company lodged a Appendix 3B in relation to issuing 3,699,545 shares to Directors and contractors as approved at the Annual General Meeting held on 19 November 2021 (**Fee Shares**).

A full impact of the 4 June Placement, the 30 June Placement, the Fee shares and this Offer on the Company's share capital are as follows:

Total Shares on issue prior to the 4 June Placement (includes shares issued pursuant to the 12 April Prospectus on 4 June 2021)	260,771,438 Shares
New Shares issued and allotted under the 4 June Placement	10,342,308 Shares
New Shares issued and allotted under the 30 June Placement	10,721,144 Shares
New shares issued and allotted as Fee Shares	3,699,545 Shares
Total Shares on issue following completion of the 4 June Placement the 30 June Placement and the Fee Shares	285,534,435 Shares
New Shares to be issued under this Offer	7,465,565 Shares

Total Shares on issue following completion of this Offer	293,000,000 Shares

This Offer will raise approximately $858,539.98.

1.3 Offer Dilution

Assuming all the New Shares are issued under the Offer, existing Shareholders in the Company will be diluted by 2.6% (as compared to their holdings and number of Shares on issue as at the date immediately prior to the issue of this Prospectus).

1.4 Record Date and Applications

Under the terms of this Offer, existing Shareholders do not have an automatic entitlement to New Shares, accordingly the record date is not relevant.

1.5 Underwriting

The Offer will not be underwritten.

1.6 Issue and allotment of New Shares

New Shares will be issued in accordance with the ASX 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.

1.7 Use of Funds

Funds raised by this Offer will be applied to the costs of the Offer and working capital of the Company.

1.8 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 4 June Placement, the 30 June Placement, the Fee Shares 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 receive 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.

1.9 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 received personally 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 $0.115 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.

1.10 Amounts payable under the Offer

Other than the Offer Price of $0.115 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 7,465,565 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%.

1.12 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.

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.

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.

2.2 Current Structure

The capital structure of the Company as at the date of this Prospectus is as follows:

Security	Number
Total Shares on issue as at the date of the Prospectus (which includes the Shares issued under the 4 June Placement, the 30 June Placement and the Fee shares)	285,534,433 Shares
Partly Paid Shares	None
Total Options on issue	28,571,429 options to acquire ordinary shares (exercise price $0.00, expiry date 20 July 2023)

Capital structure on completion of the Offer

The following table shows the capital structure of the Company on completion of the Offer (assuming the Offer is fully subscribed):

Security	Number
Total Shares on issue at the date of this Prospectus (which includes the Shares issued under the March Placement)	285,534,433 Shares
Partly Paid Shares	None
New Shares to be issued under the Offer	7,465,565 Shares
Total Shares on issue following completion of the Offer	293,000,000 Shares
Total Options on issue	28,571,429 options to acquire ordinary shares (exercise price $0.00, expiry date 20 July 2023)

2.3 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 Section 2.4 below. The issue of New Shares under the Offer will have no effect on the control of the Company.

2.4 Substantial Shareholders

The following entities have advised the Company of their substantial shareholdings in the Company, as at the date of this Prospectus: (i) Chimaera Capital Limited – 21.9%; (ii) Seefeld Investments Pty Ltd – 6.26%; and (iii) Ziziphus Pty Ltd – 6.07%.

2.5 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	

2.6 Market Price of Shares

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

3.1 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 75km^2 (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.

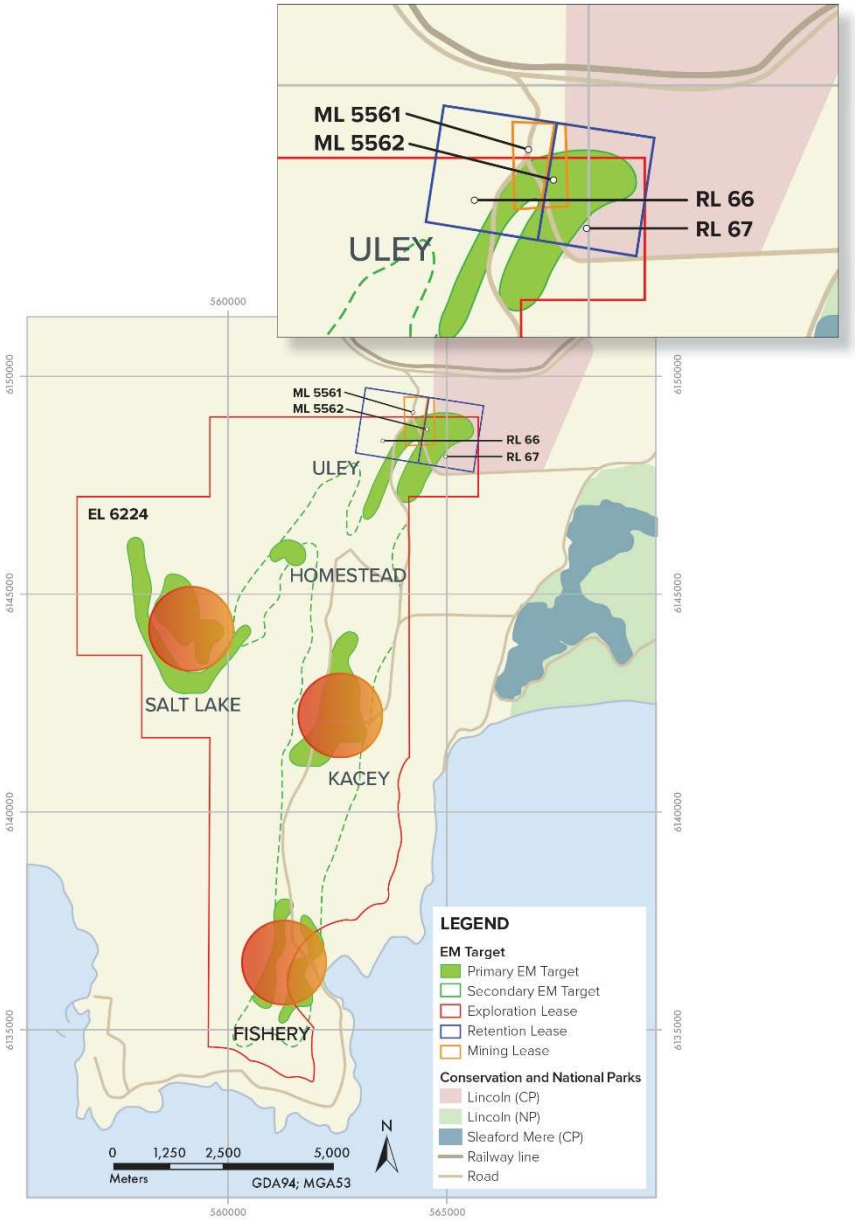


Figure 1

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:

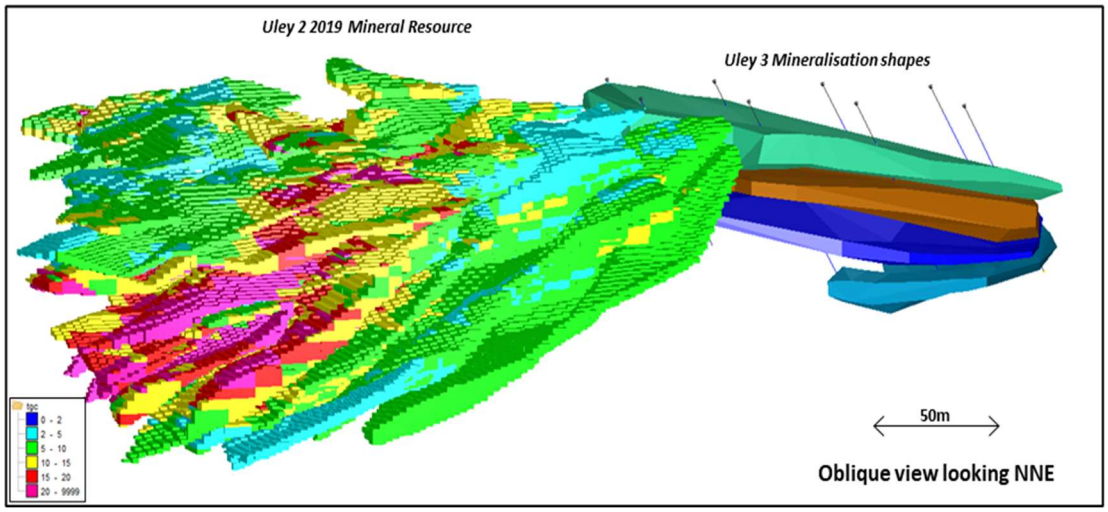
RESOURCE	CLASSIFICATION	TONNES (Kt)	TGC (%)	DENSITY (t/m$^{3)}$	TGC (kt)
Uley 3	Inferred	900	6.6	2.1	59
	Uley 3 Total	**900**	**6.6**	**2.1**	**59**
Uley 2	Measured	800	15.6	2.1	125
	Indicated	4,200	10.4	2.1	435
	Inferred	1,300	10.5	2.2	137
	Uley 2 Total	**6,300**	**11.1**	**2.1**	**697**
Uley Project 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 below.



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.

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%.

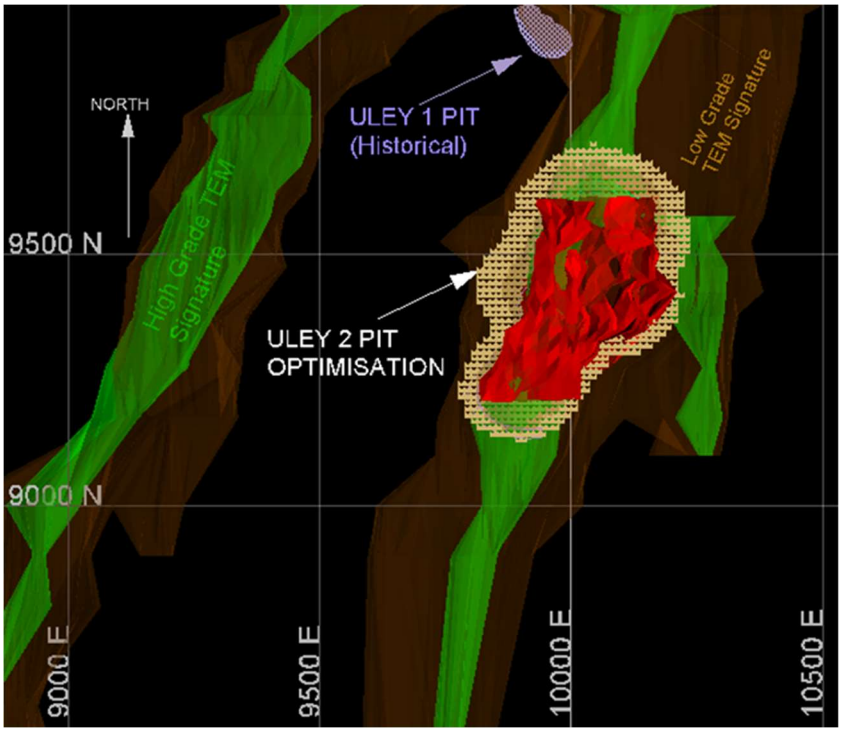


Figure 2

Close up of the results of the transient electromagnetic survey (TEM) of Uley Pit 2 and surrounds are illustrated in Figure 3 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.

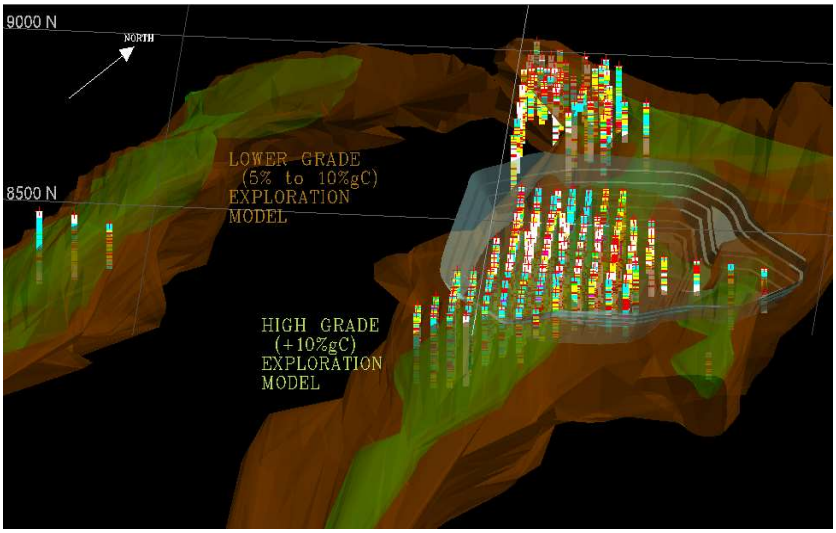


Figure 3

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.,

- Negotiate sales 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
Sal Catalano BJuris., LLB, FITA, Managing Director Chairman of audit committee.	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.
Bruno Ruggiero BE (Mech), Grad Dip MinSc (Ext. Met), Grad Cert Eng Tech (Struct) Chairman and Independent Non-Executive Director Member of audit committee.	Bruno 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, Bruno sets the technical direction and standards for new project initiatives that Lycopodium Minerals undertakes globally.
Robert (Bob) Osmetti BE (Civ), MIE Aust, CPEng, Independent Non-Executive Director	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. Mr Osmetti is one of the founding partners of Lycopodium and has held diverse senior positions within the Lycopodium group including as founding Managing Director of the Lycopodium joint venture between Monadelphous and Lycopodium, Mondium Pty Ltd. He currently serves as a non-executive director of Lycopodium Limited.
David Trimboli BCom, Independent Non-Executive Director	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 has undertaken significant investments activities and holds diverse interests in commodities, industrial minerals, real estate and technology in Australia and internationally.

Name	Experience & Expertise
	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.

3.4 Key Management Personnel

Name	Experience & Expertise
Stephen Chadwick	*Metallurgical Consultant* Extensive experience spanning more than 45 years in the mining industry and more than 30 years in senior technical and operational roles for major global mining companies. Steve's contribution of metallurgical and technical audit expertise is a critical resource for the Company's ongoing development of its advanced processing technologies
Dr. Karen Lloyd MBA, Curtin University BSc (Honours) University of Manchester – School of Earth Sciences	*Consulting Mining Engineer* 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.
Vanessa O'Toole Bachelor of Science (Applied Geology) Curtin University	*Chief Technical Contultant* Formerly senior resource consultant with major global mining consultancy, Snowden Mining and Group Geologist with Regis Resources. Vanessa is the founder and a principal consultant of Honey Mining and Resources and heads the Company's technical team. She has extensive experience in all geological aspects of mining operations including geometallurgical and geotechnical interpretation and implementation. Vanessa brings an invaluable balance of technical experience and in depth knowledge of the Uley deposit.
Rochelle Pattison Ll B, BCom, ACA	*Company Secretary* 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.

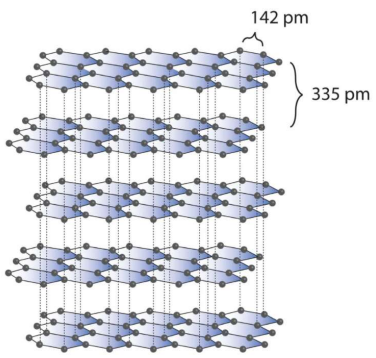
4. Industry Overview

4.2 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.



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.

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.

4.3 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.

4.4 Flake Graphite Products and Advanced Processing Opportunities

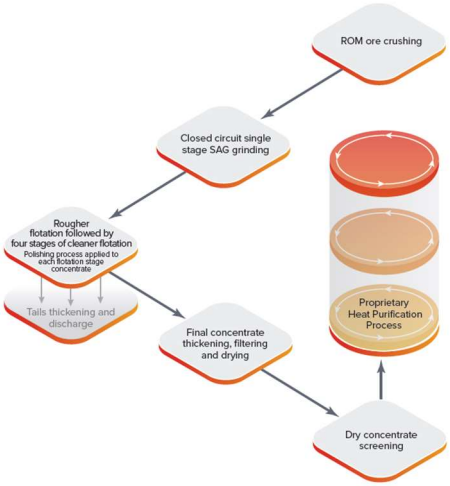
The characteristics of Uley graphite are suitable for a diverse range of thermal management related products from the traditional refractory market segment to the rapidly emerging expandables market

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

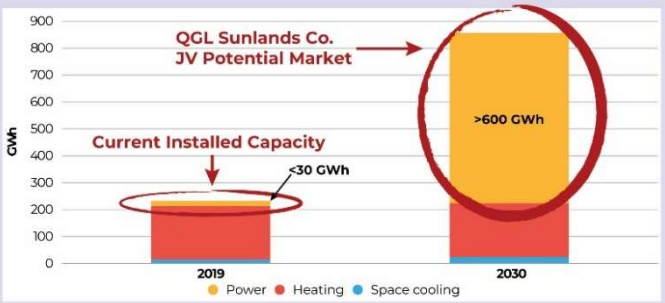
The thermal treatment and purification of Uley graphite is a key element of Quantum's strategy to produce natural flake products for high technology manufacturers of thermal management products. Utilising, certain technologies, including that of its joint venture partner, Sunlands Co. Uley coarse graphite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

Figure 3: Installed TES capacity projections according to IRENA's Paris Agreement-aligned Transforming Energy Scenario



Note: Heating projections are not in the scope of this analysis due to a lack of data on aquifers and small-scale distributed TES (e.g. residential water tanks). Nonetheless, growth in the installed capacity of these technologies is expected given their versatile use from short to seasonal scale.

manufacturing of this media will deliver a significant contribution to Quantum's annual performance.

4.5 Flake Graphite Supply

Natural graphite supply has been dominated by China, which has historically produced approximately 70% of the world's flake graphite. Whilst China has significant production capacity, Chinese reserves are generally finer flake.

Graphite prices have tended to be highly responsive to Chinese supply restrictions, notably in 2012, and more recently since early 2017, when restrictions on Chinese mining and processing resulted in material price increases. The Chinese industry continues to be hampered by environmental restrictions and continuing pressures to rationalise. This is likely to continue to constrain Chinese supply of graphite.

ESG factors are becoming increasingly important to flake graphite customers requiring assurances of the sustainability of their supply chains. In part, this is being driven by regulators such as the European Commission requiring market participants to provide greater disclosure of measures being taken to ensure its activities are environmentally sustainable. This is driving changes to supply chain standards and likely to result in further pressures being applied to supply sources such as China.

Quantum expects to see a gradual diversification of supply chains away from China and this will materially benefit ex-China suppliers such as Quantum.

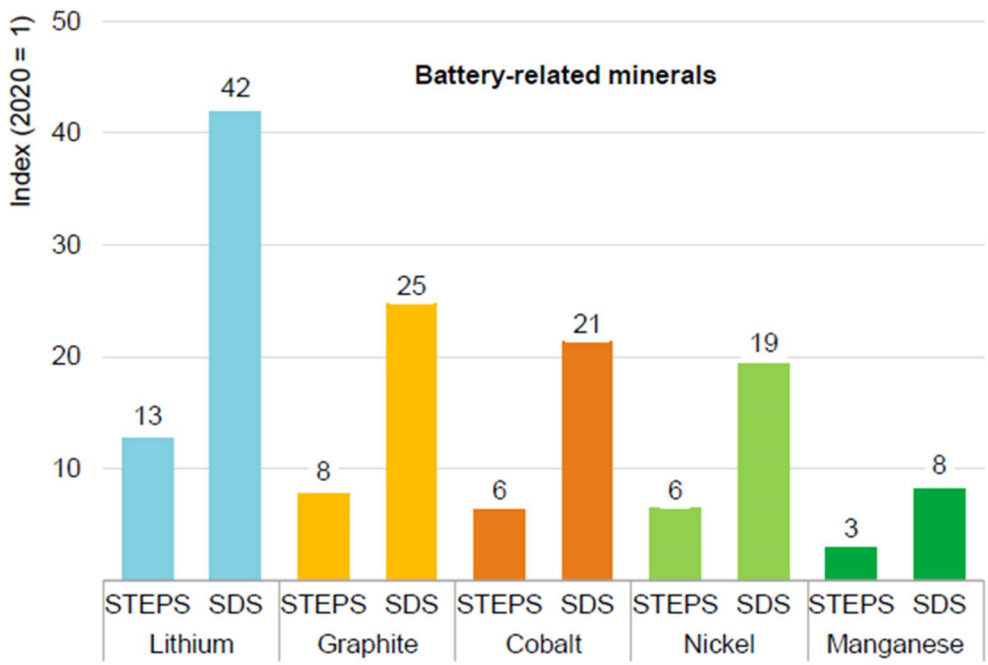
4.6 Flake Graphite Demand

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).

The unique physical and chemical properties of graphite are driving substantial capital commitments to research and development. Spherical graphite for Li-ion batteries, expandable graphite for fire-retardants and foils applications and the enormous potential of graphene support the strong medium to long-term growth projections for flake graphite.

The pace of demand growth depends on several factors. The major factors are summarised below:

- Government regulation including environmental, export restrictions such as quotas and tariffs and climate change policy\
- Transition to EV (including hybrid EV);
- Alternative energy including renewables generation, grid network transformation and energy storage; and
- High tech applications including commercial and residential fire-retardant products (expandable graphite) and electronic components (foils, medical device).



Growth in demand for selected minerals from clean energy technologies in 2040 relative to 2020

Source: International Energy Agency, The Role of Minerals in Clean Energy Transitions.

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 have 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

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

7.1 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 its Constitution, a copy of which can be inspected at the Company's registered office and is available on the Company's website at quantumgraphite.com under the 'Corporate Governance' tab.

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

Voting	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. 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%. 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.
Dividends	Subject to the Corporations Act and the ASX Listing Rules, the Directors may pay a dividend in respect of Shares as, in their judgment, the financial position of the Company justifies.
Transfer of Shares	Subject to the Constitution, a member may transfer all or any of the member's Shares by: • a Proper ASTC Transfer; or • an instrument in writing in any usual form or in any other form that the Directors approve. 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. 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.
Meetings and Notice	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 of the Company, the Corporations Act or the Listing Rules.

	Shareholders may requisition meetings in accordance with section 249D of the Corporations Act.
Liquidation rights	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.
Shareholder liability	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.
Changes to the Constitution	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.
Unmarketable Parcels	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.
Future increases in capital	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.
Variation of rights	The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied: 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	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. 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). 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.

7.2 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:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; 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.

7.3 Auditor's Consent

RSM Australia Partners has given its written consent to being named as auditor to the Company in this Prospectus and for the inclusion of the audited financial information of the Company in section 10, 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.

7.4 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.

7.5 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.

7.6 Directors' Responsibility Statement and Consent

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.

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 ASX 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 2020 (which is attached to this Prospectus and is available in the ASX announcement on 17 March 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 ASX 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
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

As at the date of this Prospectus, there is no other information that has not been disclosed under the continuous disclosure requirements of the ASX 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. Financials Information

8.1 Annual Report

The Annual Report for the year ended 30 June 2021 is included in section 10 of this Prospectus.

8.2 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 advance funds to the Company up to $1,302,072, the total financial accommodations being provided by Chimaera Capital Limited is $1,750,000.

9. 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 Wednesday, 8 December 2021.

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.

Eligible Persons means any potential investor to whom shares may be issued under 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 November 2021.

Offer Price means $0.115 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.

Shareholder Approval means approval of the Offer by the Shareholders, as described in this Prospectus.

Sophisticated and Institutional Investors means investors participated in the March Placement and were:

- a person in Australia who is a "professional investor" or "sophisticated investor" within the meaning of sections 708(8) or 708(11) of the Corporations Act; or
- an institutional investor in certain other jurisdictions to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any government agency (except one with which the Company is willing in its discretion to comply).

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).

Dated: 30 November 2021
Ms Rochelle Pattison
Company Secretary

10. 2021 Annual Report

Quantum Graphite Limited
ABN 41 008 101 979

2021

ANNUAL FINANCIAL REPORT

for the year ended
30 June 2021

Contents

CORPORATE DIRECTORY 1
DIRECTORS' REPORT 2
AUDITOR'S INDEPENDENCE DECLARATION 11
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 12
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 14
CONSOLIDATED STATEMENT OF CASH FLOWS 15
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 16
DIRECTORS' DECLARATION 43
INDEPENDENT AUDITOR'S REPORT 44

This Annual Financial Report covers Quantum Graphite Ltd **(Quantum, QGL or the Company)** as a Group consisting of Quantum Graphite Ltd and its subsidiaries, collectively referred to as the "Group". The financial report is presented in the Australian currency, which is Quantum's functional and presentation currency.

Quantum is a company limited by shares, incorporated and domiciled in Australia. Its offices are:

Principal Place of Business
Quantum Graphite Ltd
349 Collins Street
Melbourne VIC 3000

Registered Office
Quantum Graphite Ltd
349 Collins Street
Melbourne VIC 3000

Website
quantumgraphite.com

Corporate Directory

Directors:

Sal Catalano
(Executive Director)

Bruno Ruggiero
(Chairman and Independent Non-Executive Director)

Steven Chadwick (resigned 30 November 2020)
(Executive Director)

Robert Osmetti
(Independent Non-Executive Director)
David Trimboli
(Independent Non-Executive Director)

Auditors:

RSM Australia Partners
Level 21
55 Collins Street
Melbourne VIC 3000

Solicitors:

PwC Legal
Level 19
2 Riverside Quay
Southbank VIC 3006

Company Secretary:

Rochelle Pattison

Home Stock Exchange:

Australian Securities Exchange
Rialto Tower, 525 Collins Street
MELBOURNE VIC 3000

Principal Business Office:

349 Collins Street

Melbourne VIC 3000

Telephone: + 61 3 8614 8400

ASX Codes:

QGL – fully paid ordinary shares

Share Registry:

Link Market Services Ltd
Tower 4, 727 Collins Street
Docklands VIC 3008

Directors' Report

The Directors of Quantum Graphite Ltd present their report on the Company and its subsidiaries, for the year ended 30 June 2021. Director details including relevant personal information is included in the Remuneration report.

PRINCIPAL ACTIVITIES

Our principal activities are the exploration, mining and processing of natural flake graphite and the manufacture of flake graphite products. The Company has historically supplied high purity large flake graphite powders from its Uley 1 mine operation and processing facility to the refractories markets in Europe and North Asia.

Our future activities are based on the development of the Uley 2 mine operation, the next stage of development of the Company's flagship Uley flake graphite deposit.

OPERATING AND FINANCIAL REVIEW

The net loss for the year was $2,068,370 (2020: $960,529) after providing for income tax. Our financial performance is broadly in line with plan. The Company's exploration commitments are fully funded and application for a Commonwealth grant to assist with the acceleration of funding of our research and development program is pending as at the date of this report.

Responding to Market Developments

In the prior year we completed the feasibility study for the construction of the new process plant and related facilities. During this year we recognized that certain advanced processing pathways for our production will be essential to positioning the Company for the developing growth markets for natural flake graphite. This, combined with several pressing market factors, has driven the Board's decision to both upgrade and supplement the feasibility study by:

(a) Undertaking an expanded research and development program to support the further processing of our production, i.e., beyond that outlined in the feasibility study; and

(b) Upgrading the feasibility study to ensure a direct path to the expansion of production to approximately 90,000 tonnes per annum.

The upgrade of the feasibility study addresses several market factors, some of which have been exacerbated by the impacts of COVID-19. In particular, the unreliability of coarse flake supply from mainland China and the extraordinary disruption to global supply chains have highlighted the need for customers to develop alternative supply channels.

The other market factors are the increasing interest from the rapidly evolving thermal energy storage market and the recent upwards revision of EV sales forecasts. Unlike COVID-19, these factors are not recent developments but structural developments in the grid connected energy market intensified the focus on the near-term supply of coarse flake.

Over a year ago, we foreshadowed the possibility of such an upgrade but these recent developments have crystalized our position and underpin the need to increase our reserves and resources. The current drilling activity of the Eastern Conductor is an important step in increasing our resources and ultimately extending the Uley 2 mine plan. Over the longer term the ongoing exploration of our substantial exploration lease, EL 6224, will deliver the significant increase to our resources base essential to maintaining generational sustainable supply of the highest quality coarse flake.

The scope of our research and development program has been expanded to include further proprietary test work aimed at increasing the purity of the coarse flake and its suitability as the essential raw material for thermal storage media products.

Directors' Report (continued)

Marketing Activities

Finally, our marketing activities remain focused on the thermal applications market. Delivery of samples to our target customers was the subject of constant interruption due to COVID-19 and the resulting restrictions from accessing the Uley inventory at the Uley mine site. We expect to resume sample delivery by the end of December 2021. A positive development was the joint venture concluded with The Sunlands Co. This secured an important customer and elevates the Company as the only flake graphite producer with major exposure to the renewables generation market. Importantly our joint venture position provides a real opportunity for the Company to directly participate in the global grid network energy markets.

Equity Capital Raising

We were very pleased with the equity capital raisings in March 2021 and June 2021. In each of these capital raisings shares were issued at a premium to the last traded price in September 2020 when the Company's shares were suspended from trading. The pricing of the share issue in June 2021 was struck at more than a 75% premium to the last traded price in September 2020.

Mining Titles

All mining titles are current and remain in good standing. On 23 March 2021, the Company was notified of the renewal of EL6224 to 12 October 2021. The Company will lodge the renewal application for EL6224 on or before 30 September 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the reporting period and that has not otherwise been disclosed in this report or the financial statements.

DIVIDENDS

There were no dividends paid or declared during the reporting period or to the date of this report.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS

The likely developments for the Group include the update of the definitive feasibility study.

DIRECTORS' MEETINGS

The number of Directors' meetings held during the reporting period and the number of meetings attended by each Director is as follows:

Directors	Board Meetings		Audit Committee Meetings	
	Attended	Entitled to Attend	Attended	Entitled to Attend
S Catalano	7	7	3	3
B Ruggiero	7	7	3	3
S Chadwick (resigned 30 Nov 2020)	0	0	-	-
R Osmetti	7	7	-	-
D Trimboli	7	7	-	-

At this time, there are no separate Board committees other than the audit committee as disclosed above, as all matters usually delegated to such committees are handled by the Board as a whole.

UNISSUED SHARES UNDER OPTION

There are 28,571,429 options over ordinary shares in Quantum Graphite Limited held by Chimaera Capital Limited in which Mr Catalano has an indirect shareholding during the financial year and at the reporting date.

Directors' Report (continued)

The Directors details including special responsibilities and interests in securities are summarised in the table below.

NAME	EXPERIENCE & EXPERTISE	SPECIAL RESPONSIBILITIES	INTEREST IN SHARES	INTEREST IN OPTIONS
Sal Catalano BJuris., LLB, FITA, Executive Director	Mr Catalano has extensive 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.	Chairman of audit committee.	Indirect interest in 59,380,667 shares via an indirect interest in Chimaera Capital Ltd and SC Capital Pty Ltd.	Indirect interest in 28,571,429 options.
Bruno Ruggiero BE (Mech), Grad Dip MinSc (Ext. Met), Grad Cert Eng Tech (Struct) Chairman and Independent Non-Executive Director	Bruno 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, Bruno sets the technical direction and standards for new project initiatives that Lycopodium Minerals undertakes globally.	Member of audit committee.	Direct interest of 514,286 shares and indirect interest in 17,216,147 shares.	Nil
Steven Chadwick BASc (Metallurgy) Executive Director (resigned 30 November 2020)	Mr Chadwick is a Metallurgical Graduate of the WA School of Mines with 40 years' experience in the mining industry, incorporating technical, operating and management roles, as well as a strong metallurgical background. Mr Chadwick is now a metallurgical consultant specialising in project management and feasibility studies for a range of local and international clients. He was a founding director of BC Iron and a former managing director of Coventry Resources, PacMin Mining and Northern Gold. He was a director and consulted to major Canadian miner Teck Resources Australian subsidiary company for 10 years.	Member of audit committee. (resigned 30 November 2020)	NA – resigned 30 November 2020	Nil

NAME	EXPERIENCE & EXPERTISE	SPECIAL RESPONSIBILITIES	INTEREST IN SHARES	INTEREST IN OPTIONS
Robert (Bob) Osmetti BE (Civ), MIE Aust, CPEng, Independent Non-Executive Director	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. Mr Osmetti is one of the founding partners of Lycopodium and has held diverse senior positions within the Lycopodium group including as founding Managing Director of the Lycopodium joint venture between Monadelphous and Lycopodium, Mondium Pty Ltd. He currently serves as a non-executive director of Lycopodium Limited.	Nil	Indirect interest of 11,058,351 shares.	Nil
David Trimboli BCom, Independent Non-Executive Director	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 has undertaken significant investments activities and holds diverse interests in commodities, industrial minerals, real estate and technology in Australia and internationally. 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.	Nil	Direct interest in 514,286 shares and indirect interest of 14,463,655 shares.	Nil

Directors' Report (continued)

REMUNERATION REPORT (AUDITED)

The Directors of Quantum Graphite Ltd present the Remuneration Report in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based remuneration

A. Principles used to determine the nature and amount of remuneration

The Company's remuneration policy has been designed to align objectives of key management personnel with objectives of shareholders and the business, by providing a fixed remuneration component and offering specific long-term incentives through the issue of options and / or performance rights. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and Directors to run and manage the Company. The key management personnel of the Company are the Board of Directors and Executive Officers.

The Board's policy for determining the nature and amount of remuneration for its members and key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive Directors and key management personnel, is developed by the Board. All key management personnel are remunerated on a consultancy or salary basis based on services provided by each person. The Board annually reviews the packages of key management personnel by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

- The Board may exercise discretion in relation to approving incentives, bonuses, options and performance rights. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

- Key management personnel were also entitled to participate in the Company's Performance Rights and Option Plan as approved by shareholders at the 2013 AGM.

- 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. Fees for non-executive Directors are not linked to the performance of the Company, except in relation to KPI options. Additionally, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the Performance Rights and Option Plan.

During the reporting year, performance reviews of senior executives were not conducted.

Performance based remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and other key management personnel. This has been facilitated through the issue of options and/or performance rights to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (CONTINUED)

B. Details of remuneration

Details of the nature and amount of each element of the remuneration of the Company's key management personnel ("KMP") are shown below:

2021 Director and other Key Management Personnel Remuneration

	Short term benefits - Salary and fees $	Post-employment benefits – Super-annuation $	Total $	% of remuneration that is equity based	Salary and Fees Owing at 30 June 2021 $	Share-based payments ($)		
						Issued for FY 2019 and FY 2020 remuneration	Issued for FY 2021 remuneration	Total
Directors								
S Catalano	72,000	-	72,000	100%	36,000	92,427	42,845	135,272
B Ruggiero	72,000	-	72,000	100%	36,000	92,427	42,845	135,272
S Chadwick	36,000	-	36,000	100%	-	92,427	42,845	135,272
R Osmetti	48,000	-	48,000	100%	24,000	52,292	28,563	80,855
D Trimboli	48,000	-	48,000	100%	24,000	52,292	28,563	80,855
Total	276,000	-	276,000	100%	120,000	381,865	185,661	567,526

*During the year, the Directors were issued equity shares as compensation for salary and fees outstanding for the period from 1 September 2018 to 31 December 2020.

2020 Director and other Key Management Personnel Remuneration

	Short term benefits - Salary and fees $	Post-employment benefits – Super-annuation $	Total $	% of remuneration that is equity based	Salary and Fees Owing at 30 June 2020 $	Share-based payments issued** $
Directors						
S Catalano	72,000	-	72,000	100%	144,000	-
B Ruggiero	72,000	-	72,000	100%	144,000	-
S Chadwick	72,000	-	72,000	100%	144,000	-
R Osmetti	72,000	-	72,000	100%	96,000	-
D Trimboli	72,000	-	72,000	100%	96,000	-
Total	360,000	-	360,000	100%	624,000	-

**No shares were issued to directors during the year ended 30 June 2020 as remuneration for present / past services provided.

Transactions with KMP

Transactions with key management personnel are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Chimaera Capital Limited ("CCL") (an entity related to Sal Catalano) provided corporate, administrative, technical and asset management services to the Company including provision of the registered and main business office. The asset management services include care and maintenance of the Uley mine site, maintenance of the tailings storage facility, the works associated with the rehabilitation of the Uley original process plant site and management of the Company's production inventory. There was $1,074,400 charged by CCL during the year (2020: $921,750) and there was $667,760 payable as at 30 June 2021 (2020: $412,835) in relation to these services.

SC Capital Pty Ltd (an entity related to Sal Catalano) provided consultancy services to the Company in connection with his position as an executive director of the Company. There was $99,000 charged by SC Capital Pty Ltd during the year (2020: $94,500) and there was $Nil payable as at 30 June 2021 (2020: $Nil) in relation to these services.

C. Service Agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Sal Catalano
Title:	Executive Director
Term of agreement:	No fixed term
Details:	Director fees of $72,000 and Consulting agreement of $90,000 for year ending 30 June 2022, to be reviewed annually by the Nomination and Remuneration Committee
Name:	Bruno Ruggiero
Title:	Chairman and Independent Non-Executive Director
Details:	Director fees of $72,000 for year ending 30 June 2022, to be reviewed annually by the Nomination and Remuneration Committee
Name:	Robert Osmetti
Title:	Independent Non-Executive Director
Details:	Director fees of $48,000 for year ending 30 June 2022, to be reviewed annually by the Nomination and Remuneration Committee
Name:	David Trimboli
Title:	Independent Non-Executive Director
Details:	Director fees of $48,000 for year ending 30 June 2022, to be reviewed annually by the Nomination and Remuneration Committee
Name:	Rochelle Pattison
Title:	Company Secretary
Details:	Consulting fees of $48,000 for year ending 30 June 2022, to be reviewed annually by the Nomination and Remuneration Committee.

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Total revenue	292,746	543,386	6,500	-	-
EBITDA	(2,021,106)	(904,763)	(3,372,388)	(2,760,584)	(1,179,963)
EBIT	(2,068,370)	(960,529)	(3,421,144)	(2,841,270)	(1,295,060)
Profit / (loss) after income tax	(2,068,370)	(960,529)	(3,543,394)	(7,390,538)	(2,666,773)

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (CONTINUED)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end ($)	-(*)	0.028	0.105	4.025	N/A
Total dividends declared (cents per share)	-	-	-	-	--
Basic earnings per share (cents per share)	(0.89)	(0.44)	(1.75)	(1.66)	(1.34)

*Shares were not traded at 30 June 2021

D. Share-based remuneration

Unlisted options

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the terms of the agreements.

There were no options over ordinary shares in the Company that were granted as remuneration to each KMP during the year ending 30 June 2021.

Performance Rights

There were no performance rights over ordinary shares in the Company granted as compensation during the reporting period.

Share holdings of key management personnel

The number of ordinary shares of Quantum Graphite Limited held, directly, indirectly or beneficially, by each KMP, including their personally related entities as at the reporting date are set out below:

2021 KMP	Held at 1 July 2020	Issued in lieu of Director fees	Appointment or Resignation	Participation in equity raises	Held directly or indirectly at 30 June 2021
S Catalano	41,116,752	2,652,387	-	15,611,528	59,380,667
S Chadwick*	2,885,714	2,652,387	(5,538,101)*	-	-
R Osmetti	9,472,951	1,585,400	-	-	11,058,351
B Ruggiero	13,001,122	2,652,387	-	2,076,923	17,730,432
D Trimboli	13,392,541	1,585,400	-	-	14,977,941
Total	79,869,080	11,127,961	(5,538,101)	17,688,451	103,147,391

*Resigned 30 November 2020

Option holdings of key management personnel

There are 28,571,429 options over ordinary shares in Quantum Graphite Limited issued on 20 July 2018 and held by Chimaera Capital Limited in which Mr Catalano has an indirect shareholding during the financial year and at the reporting date.

END OF AUDITED REMUNERATION REPORT

Directors' Report (continued)

ENVIRONMENTAL LEGISLATION

The Directors believe that the Company has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Company's operations are subject to various environmental regulations under the Commonwealth and State Laws of Australia. Approvals, licences, hearings and other regulatory requirements are performed, as required, by the Company's management for each permit or lease in which the Company has an interest.

INDEMNITIES GIVEN, AND INSURANCE PREMIUMS PAID TO AUDITORS AND OFFICERS

During the year, the Company did not pay a premium to insure officers of the Group.

The Group has not otherwise, during or since the end of the reporting period, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

NON-AUDIT SERVICES

During the year RSM Australia Partners did not perform services in addition to its statutory duties.

Details of the amounts paid to the auditors of the Company and its related practices for audit and non-audit services provided during the reporting period are set out in note 18 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included on page 11 of this Financial Report and forms part of this Directors' Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

CORPORATE GOVERNANCE

The Board has adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations - Fourth Edition" (ASX Recommendations). The Board continually monitors and reviews its existing and required policies, charters and procedures with a view to ensuring its compliance with the ASX Recommendations to the extent deemed appropriate for the size of the Company and its development status.

A summary of the Company's ongoing corporate governance practices is set out annually in the Company's Corporate Governance Statement and can be found on the Company's website at:

http://www.quantumgraphite.com/investors

Signed in accordance with a resolution of the Directors.

Bruno Ruggiero
Chairman

Sal Catalano
Executive Director

28 September 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Quantum Graphite Limited and its controlled entities for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 28 September 2021
Melbourne, Victoria

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Other income	2	292,490	536,605
Corporate and asset management expenses	3	(2,361,116)	(1,472,435)
Commercialisation expenses	3	-	(24,980)
Total operating loss		(2,068,626)	(960,810)
Interest revenue		256	281
Net financing income / (expense)		256	281
Loss before tax		**(2,068,370)**	**(960,529)**
Income tax benefit / (expense)	4	-	-
Loss for the year attributable to owners of the Quantum Graphite Limited		**(2,068,370)**	**(960,529)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to owners of Quantum Graphite Limited		**(2,068,370)**	**(960,529)**
Loss per share from continuing operations			
Basic and diluted loss – cents per share	5	(0.89)	(0.44)

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	6	1,236,231	13,436
Receivables	7	261,082	142,977
Total current assets		1,497,313	156,413
Non-current assets			
Security deposit with the Department of State Development	8	1,073,863	1,073,863
Plant and equipment	9	336,336	383,601
Intangible assets		7,189	7,189
Development assets	10	14,245,139	13,748,705
Exploration and evaluation assets	11	1,991,005	1,754,371
Total non-current assets		17,653,532	16,967,729
TOTAL ASSETS		19,150,845	17,124,142
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,060,853	1,170,213
Total current liabilities		1,060,853	1,170,213
Non-current liabilities			
Rehabilitation provisions	13	558,369	558,369
Total non-current liabilities		558,369	558,369
TOTAL LIABILITIES		1,619,222	1,728,582
NET ASSETS		17,531,623	15,395,560
EQUITY			
Issued capital	14	58,454,228	54,249,795
Reserves	15	2,520,000	2,520,000
Accumulated losses		(43,442,605)	(41,374,235)
TOTAL EQUITY		17,531,623	15,395,560

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

2021	Share capital	Share Options / Rights reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2020	54,249,795	2,520,000	(41,374,235)	15,395,560
Shares issued in lieu of directors fees	567,526	-	-	567,526
Issue of share capital, net of transaction costs	3,636,907	-	-	3,636,907
Transactions with owners in their capacity as owners	4,204,433	-	-	4,204,433
Comprehensive income:				
Loss after income tax for the year	-	-	(2,068,370)	(2,068,370)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	(2,068,370)	(2,068,370)
Balance at 30 June 2021	**58,454,228**	**2,520,000**	**(43,442,605)**	**17,531,623**

2020	Share capital	Share Options / Rights reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2019	54,249,705	2,520,000	(40,413,706)	16,356,089
Comprehensive income:				
Loss after income tax for the year	-	-	(960,529)	(960,529)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	(960,529)	(960,529)
Balance at 30 June 2020	**54,249,795**	**2,520,000**	**(41,374,235)**	**15,395,560**

This statement should be read in conjunction with the notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,259,489)	(563,846)
Interest received		256	370
R&D tax incentive received		110,219	276,386
Net cash used in operating activities	16	(1,149,014)	(287,090)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(16,290)	(183,326)
Payments for development assets		(36,807)	(81,648)
Proceeds from sale of development assets		-	165,000
Net cash used in investing activities		(53,097)	(99,974)
Cash flows from financing activities			
Proceeds from issue of share capital		2,424,906	-
Net cash from financing activities		2,424,906	-
Net increase / (decrease) in cash and cash equivalents		1,222,795	(387,064)
Cash and cash equivalents at the beginning of the financial year		13,436	400,500
Cash and cash equivalents at the end of the financial year	6	1,236,231	13,436

This statement should be read in conjunction with the notes to the consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 30 June 2021

General Information

a) Nature of operations

Quantum Graphite Ltd's principal activity is the manufacture of high-grade flake graphite products and the mining of and exploration for graphite deposits in South Australia.

b) Basis of preparation

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Quantum Graphite Ltd is a listed company, registered and domiciled in Australia. Quantum Graphite Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the reporting period ended 30 June 2021 were approved and authorised by the Board of Directors on 28 September 2021.

The financial statements have been prepared under the historical cost convention.

c) Going concern basis of accounting

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss after tax from continuing operations of $2,068,370 and net cash outflows from operating activities of $1,149,014 for the year ended 30 June 2021.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The consolidated entity is reliant upon completion of capital raising for continued operations and the provision of working capital. The directors believe they will be successful in attracting additional capital from existing and new shareholders in the range of $0.75 Million to $1.00 Million and have hence prepared the financial statements on a going concern basis.

The consolidated entity has also obtained a letter of support from Chimaera Capital Limited, a related party, agreeing to defer collection of the amount outstanding of $667,760 as at 30 June 2021 in respect of the Technical and Administration Services Arrangement to the earlier of the consolidated entity's next capital raise or 1 July 2022.

If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Notes to the consolidated financial statements (Continued)

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Quantum Graphite Ltd ("company" or "the parent entity") as at 30 June 2021 and the results of all subsidiaries for the year then ended. Quantum Graphite Ltd and its subsidiaries are together referred to in these financial statements as "the Group" or "the consolidated entity".

Subsidiaries
The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2021. Subsidiaries are all entities (including structured entities) over which the Group has
(i) the power to direct the relevant activities;
(ii) exposure to significant variable returns; and
(iii) the ability to utilise power to affect the Group's own returns.

Subsidiaries are fully consolidated from the date on which control is fully transferred to the Group. They are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 30 June.

A list of controlled entities is contained in Note 17 to the Financial Statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted, where necessary, to ensure consistency with the accounting policies adopted by the Group.

Joint ventures
Joint ventures are accounted for under the equity method. Joint ventures are entities in which the Company exercises joint control by virtue of a contractual agreement.

Under the equity method, on initial recognition the investment in an associate or joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit and loss of the investee after the date of acquisition.

b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 23. The financial information of the parent entity has been prepared on the same basis as the consolidated financial statements, other than investments in controlled entities which are carried at cost less impairment.

c) Impact of COVID-19 pandemic and the Group's response

Notwithstanding the impact of COVID-19, European market prices for the Company's products firmed significantly during the reporting period with prices continued to average significantly more than the Company's projected basket price of US$919. The Company's DFS underpins its key strengths including low operating costs, lean overhead structure and ungeared capital structure.

Notes to the consolidated financial statements (Continued)

c) Impact of COVID-19 pandemic and the Group's response (continued)

The consolidated entity has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of twelve months from the date of issuing the financial statements including the effects of the COVID-19 pandemic which has had a material impact on the Company progressing the development of Uley 2.

d) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria, as prescribed by AASB 8 *Operating Segments,* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

The Directors have considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the Board in allocating resources have concluded that at this time there are no separately identifiable segments.

d) Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss.

Interest income is recognised as it accrues in the profit or loss, using the effective interest rate method.

e) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to the profit or loss during the reporting period in which they were incurred.

Plant and equipment under construction is accumulated until it is installed and ready for use at which time the costs are transferred to plant and equipment and depreciated.

Depreciation is calculated using the diminishing value method to allocate asset costs over their estimated useful lives, as follows:

Plant and equipment	3-20 years

The assets residual values and useful lives are reviewed and adjusted at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

Notes to the consolidated financial statements (Continued)

f) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that right of tenure is current, and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and operations in relation to the area are continuing.

Accumulated costs, in relation to an abandoned area, are written off in full against profit in the period in which the decision to abandon the area is made.

g) Development expenditure

Development expenditure represents the accumulation of all acquired exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest being prepared for mining or in which economic processing of a mineral reserve has commenced. Amortisation of costs is provided on the unit of production method, with separate calculations being made for each mineral resource. The unit of production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves. The net carrying value is reviewed regularly and, to the extent to which this value exceeds its recoverable amount that excess is fully provided against in the financial year in which this is determined.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The Group records the present value of the estimated cost of legal and constructive obligations (such as those under the consolidated entity's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. Site restoration costs include the dismantling and removal of plant and equipment, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs and current legal requirements and technology.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

h) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the provisions to the instrument. For financial assets, this is equivalent to date that the Group commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified as 'fair value through profit and loss', in which case the costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest method. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value.

Notes to the consolidated financial statements (Continued)

h) Financial instruments (continued)

The Group does not designate any interest in subsidiaries as being subject to the requirements of accounting standards specifically applicable to financial instruments:

(i) Financial assets at fair value through profit or loss (equity investments)
Financial assets at fair value through profit or loss include financial assets held for trading, e.g., financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

(ii) Financial liabilities
Non-derivative financial liabilities are subsequently measured at amortised cost.

Impairment
The group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

i) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not probable to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Notes to the consolidated financial statements (Continued)

j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less allowances for expected credit losses.

k) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Due to their short-term nature they are measured at amortised cost and are not discounted.

l) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries or associates and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

To the extent that research and development costs are eligible under the “Research and development tax incentive” programme, a 43.5% refundable tax offset is available for companies with annual turnover of less than $20 million. The Group recognises refundable tax offsets received in the financial year as Other income, in profit or loss.

Tax consolidation
Quantum Graphite Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and the subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Notes to the consolidated financial statements (Continued)

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

l) Income Tax (continued)

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

m) Leases

When a contract is entered into, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset where the lessor does not have a substantive substitution right and to obtain substantially all economic benefits from the use of the asset throughout the period of use.

The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract of each component on the basis of their relative stand-alone prices.

Leases as a lessee
Right-of-use (ROU) assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred.

ROU assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of lease liabilities and for impairment losses, assessed in accordance with the Group's impairment policies disclosed at note 1.

Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently measured at amortised cost using an effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Group's expectations of extension options and do not include non-lease components of a contract. A portfolio approach was taken when determining the implicit discount rate for leased assets with similar terms and conditions on transition.

The lease liability is remeasured when there are changes in future lease payments arising from a change in rates, index or lease terms from exercising an extension or termination option. A corresponding adjustment is made to the carrying amount of the lease assets, with any excess recognised in the consolidated statement of profit or loss and other comprehensive income.

Short-term leases and leases of low value assets
Short-term leases (i.e. lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense to the consolidated statement of profit or loss and other comprehensive income. Low value assets comprise of plant and equipment.

Notes to the consolidated financial statements (Continued)

Leases as a lessor
As a lessor the Group classifies its leases as either operating or finance leases. The accounting policies applicable to the Group as a lessor are not different from those under AASB 117 *Leases.* However, when the Group is an intermediate lessor, the sub-leases are classified with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. Operating lease income is recognised in other revenue in the consolidated statement of profit or loss and other comprehensive income.

n) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

o) Earnings per share

- *Basic earnings per share*
  Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

- *Diluted earnings per share*
  Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-tax effect and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

p) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

q) Share-based payments

The Company operates equity-settled based remuneration plans for its directors. None of the Company plans features any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employee' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is appraised at the grant dates and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets s and performance conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimated are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. Non-adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

Notes to the consolidated financial statements (Continued)

r) Employee benefits

The Group provides post-employment benefits through various defined contribution plans.

A defined contribution plan is a superannuation plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The Group contributes to several plans and insurances for individual employees that are considered defined contribution plans. Contributions to the plans are recognised as an expense in the period that relevant employee services are received.

Employee benefits, including annual leave entitlement, are included in 'employee provisions', measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

s) Goods and services tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

t) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends of economic data, obtained both externally and within the Group.

Key estimates

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Decommissioning provision

Estimates and assumptions of the appropriate discount rate at which to discount the liability, the timing of cash flows, the application of relevant environmental legislation and the future expected costs of decommissioning are all used in determining the carrying value of the decommissioning provision. The carrying amount of the provision is set out in Note 13.

R&D Tax Concession

To the extent that research and development costs are eligible under the 'Research and development tax incentive' programme, a 43.5% refundable offset is available for companies with annual turnover of less than $20million. Research and development tax incentive income is recognised at fair value when there is a reasonable expectation that the income will be received. The expected future R&D tax incentive for qualifying R&D expenditure has been accrued and is also recognised as other income in the statement of profit or loss. The Company has estimated the amount of future R&D incentive receivable on ongoing projects on the basis that the expected amount of the incentive can be reliably measured and receipted.

Notes to the consolidated financial statements (Continued)

Key judgements

Development expenditure and plant and equipment

The future recoverability of fixed assets and capitalised development expenditure has been assessed by the directors and is dependent on a number of factors, including commodity prices, the level of reserves and resources, foreign currency rates and future technological changes that could impact the costs of mining and processing and future legal changes.

Significant judgements and assumptions are required in making assessments regarding the presence of impairment indicators. This is particularly so in the assessment of long-life assets.

After assessing external and internal sources for the presence of impairment indicators for the Uley Graphite project, no impairment triggers were identified and therefore impairment testing was not required at the reporting date.

Exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors with reference to quoted market prices or using the Black-Scholes valuation method or the Monte Carlo valuation method as appropriate taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

u) Accounting standards issued but not yet effective and not adopted early by the Group

AASB 2020-1 Classifications of Liabilities as Current or Non-Current

This standard is applicable to annual reporting periods beginning on or after 1 January 2022. AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify for the presentation of liabilities in the statement of financial position as current or non-current.

Notes to the consolidated financial statements (Continued)

For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.

The Group does not expect the any impact on adoption of this standard but shall consider the appropriate classification of liabilities as current or non-current.

Notes to the consolidated financial statements (Continued)

2. OTHER INCOME

	2021 $	2020 $
Other Income[1]	212,474	-
R&D tax incentive[2]	80,016	386,605
Gain on sale of development assets	-	150,000
Other income	292,490	536,605

[1]Other income represents the gain on issue of shares in respect of directors' remuneration for the period 1 September 2018 to 31 December 2020.

[2]R&D tax incentive income consists of $80,016 that relates to costs included in the 2021-22 R&D tax incentive claim.

3. EXPENSES

2021	Corporate $	Commercialisation $	Total $
Director's salary expense	276,000	-	276,000
Depreciation	47,265	-	47,265
Research & Development	192,600	-	192,600
Rental Expense	224,400	-	224,400
Data & Communications Equipment	183,600	-	183,600
Sundry Service Fees	204,000	-	204,000
Corporate Administration Costs	71,400	-	71,400
Professional fees*	968,144	-	968,144
Other	193,707	-	193,707
Total	2,361,116	-	2,361,116

*Represents transaction and advisory fees towards facilitation of proposed debt funding arrangements.

2020	Corporate $	Commercialisation $	Total $
Director's salary expense	360,000	-	360,000
Depreciation	55,765	-	55,765
Research & Development	287,220	-	287,220
Rental Expense	202,785	-	202,785
Data & Communications Equipment	165,915	-	165,915
Sundry Service Fees	184,350	-	184,350
Corporate Administration Costs	64,523	-	64,523
Other	151,877	24,980	176,857
Total	1,472,435	24,980	1,497,415

Commercialisation expenses include sales and marketing and other expenses directed towards the development of value-added products and associated markets. Pre-commissioning expenses ($Nil for both years) include costs of establishing operational readiness at Uley and pre-production testing of the plant.

Notes to the consolidated financial statements (Continued)

4. INCOME TAX EXPENSE

	2021 $	2020 $
(a) The components of income tax expense comprise:		
Current income tax (expense) / benefit	-	-
(b) The prima facie tax loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Net loss	(2,068,370)	(960,529)
Prima facie tax benefit on loss from ordinary activities before income tax at 26% (2020: 27.5%)	(537,776)	(264,145)
Tax effect of temporary differences not brought to account as they do not meet the recognition criteria	898	1,877
Deferred tax asset not realised as recognition criteria not met	536,878	262,268
Income tax (expense) / benefit	-	-

	2021 $	2020 $
(c) Deferred tax assets have not been recognised in respect of the following:		
Tax losses	35,746,505	33,832,307
Deferred tax asset has not been recognised	9,294,091	8,796,400
Capital losses	3,107,027	3,107,027

Future utilisation of the tax losses will be subject to the satisfaction of continuity of ownership or continuity of business test. The assessment regarding the utilisation has not yet been completed and tax losses are not recognised as deferred tax assets.

5. EARNINGS PER SHARE

	2021	2020
Loss after income tax attributable to the owners of Quantum Graphite Limited ($)	(2,068,370)	(960,529)
Weighted average number of shares used in basic earnings per share	233,447,618	218,874,240
Loss per share (cents)	(0.89)	(0.44)

In accordance with AASB 133 *'Earnings per Share'*, Options issued and outstanding at the end of the reporting period have not been included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive in nature due to the losses incurred during the current and previous reporting periods.

Notes to the consolidated financial statements (Continued)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following:

	2021 $	2020 $
Cash at hand and in bank.		
Cash at bank[1]	1,236,231	13,436
Cash and cash equivalents	1,236,231	13,436

Reconciliation of cash at the end of the year.

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents	1,236,231	13,436

[1] Includes an amount of $1,227,628 (2020: $4,029) which are held in custody with Chimaera Capital Limited, a related party.

7. RECEIVABLES

	2021 $	2020 $
Other receivables	20,000	20,000
GST receivable	161,066	12,758
R&D Tax Incentive receivable	80,016	110,219
Total receivables	261,082	142,977

8. SECURITY DEPOSIT WITH THE DEPARTMENT ENERGY AND MINING ("DEM")

	2021 $	2020 $
Opening balance	1,073,863	1,073,863
Closing balance	1,073,863	1,073,863

The security deposit represents funds deposited with the DEM as security for remediation and rehabilitation in respect of the Company's Uley mining project. Details of the provision for remediation and rehabilitation is contained in note 13.

Notes to the consolidated financial statements (Continued)

9. PLANT AND EQUIPMENT

2021	Plant & Equipment $	Motor vehicles $	Total $
Gross carrying amount			
Opening balance	797,454	39,566	837,020
Balance 30 June 2021	797,454	39,566	837,020
Depreciation and impairment			
Opening balance	(413,853)	(39,566)	(453,419)
Depreciation	(47,265)	-	(47,265)
Balance 30 June 2021	(461,118)	(39,566)	(500,864)
Carrying amount 30 June 2021	336,336	-	336,336

2020	Plant & Equipment $	Motor vehicles $	Total $
Gross carrying amount			
Opening balance	797,454	39,566	837,020
Balance 30 June 2020	797,454	39,566	837,020
Depreciation and impairment			
Opening balance	(358,088)	(39,566)	(397,654)
Depreciation	(55,765)	-	(55,765)
Balance 30 June 2020	(413,853)	(39,566)	(453,419)
Carrying amount 30 June 2020	383,601	-	383,601

The carrying amount does not exceed the director's assessment of the recoverable value of the plant and equipment.

Notes to the consolidated financial statements (Continued)

10. DEVELOPMENT ASSETS

	2021 $	2020 $
Gross carrying amount		
Opening balance	13,748,705	13,624,681
Additions during the year	496,434	124,024
Closing balance	14,245,139	13,748,705

The closing balance represents the capitalised portion of Uley 2 project expenditure. The directors have assessed that the carrying amount of the Uley 2 project (including all plant and equipment, environmental infrastructure e.g. Tailings Storage Facilities, mining titles, JORC 2012 Reserves and Resources and all project approvals under the South Australian Mining Act 1971) does not exceed the recoverable amount. The carrying value of development assets has been tested for impairment as part of a single cash-generating unit (CGU) represented by the Uley 2 Project. Details of impairment testing are set out in Note 11.

11. EXPLORATION AND EVALUATION ASSETS

	2021 $	2020 $
Opening balance	1,754,371	1,538,421
Expenditure on exploration during the year	236,634	215,950
Closing balance	1,991,005	1,754,371

Impairment testing

The Group has determined that it has a single cash-generating unit (CGU) represented by the Uley 2 Project. Accordingly, the associated plant and equipment, development, exploration and evaluation assets ("the Uley 2 Assets") have been allocated to the CGU.

The consolidated entity expects to secure debt of US$70M at an interest rate ranging from 6% to 8%, and continue the exploration activities, commence production and achieve sales of its products. The recoverable amount of the consolidated entity's Uley 2 Assets has been determined by a value-in-use calculation using a discounted cash flow model, based on the project period and production profile established under the Definitive Feasibility Study and approved by management, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive. The following key assumptions were used in the discounted cash flow model:

(a) 12.5% post-tax discount rate;
(b) Plant utilisation and resource availability over the forecast period is from the Definitive Feasibility Study (DFS) report;
(c) Projected revenue growth rate based on Uley 2 production assuming no growth in basket prices per tonne of production (estimated at USD 900 - 920 per tonne); and

Subject to the comments in Sensitivity Analysis:
(a) The discount rate of 12.5% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the risk-free rate and the volatility of the share price relative to market movements; and
(b) Management's adoption of the projected revenue on the basis of no increase in basket prices is considered prudent and justified.

Notes to the consolidated financial statements (Continued)

11. EXPLORATION AND EVALUATION ASSETS (continued)

Sensitivity Analysis

As disclosed in note 1, the directors have made judgements and estimates in respect of the impairment testing. Should these judgements and estimates not occur the resulting carrying amount of the assets may decrease. The sensitivities are as follows:

(a) Revenue over the projection period would need to decrease by more than 27% before the assets would need to be impaired, with all other assumptions remaining constant.

(b) The post-tax discount rate should be 30% or more for the assets to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the assets is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of the assets is based, this would result in a further impairment charge for the assets.

12. TRADE AND OTHER PAYABLES

Trade and other payables, which are all current, recognised in the statement of financial position can be analysed as follows:

	2021 $	2020 $
Trade and other payables[1]	1,060,853	1,170,213
Total	1,060,853	1,170,213

[1]Trade and other payables includes:
- A total of $667,760 (2020: $412,835) payable to Chimaera Capital Limited, of which Chimera Capital Limited has agreed to defer the current amount outstanding in respect of the Technical and Administration Services Arrangement to the earlier of QGL's next capital raise or 1 July 2022.

- Directors' fees of $120,000 (2020: $624,000) whereby Directors control the timing of payment of Directors' fees, and the Directors intend to continue to take settlement in shares subject to approval at the AGM.

13. REHABILITATION PROVISION

	2021 $	2020 $
Decommissioning provision	558,369	558,369
	558,369	558,369

The provision represents the present value of the estimated future decommissioning costs (in the amount of $1,073,863 – see note 8) of the Uley mine site which at the reporting date was restricted to removal of the Phase I processing plant including associated infrastructure and rehabilitation of a portion of the Uley Pit and water treatment areas. The estimated provision brought to account is reflective of the stage of development of the Uley project. The management has assessed that the effect of unwinding of discount on the provision is not material.

Notes to the consolidated financial statements (Continued)

14. ISSUED CAPITAL

	Number of shares	2021 $
(a) Issued and paid-up capital		
Fully paid ordinary shares	281,834,890	58,454,228
	281,834,890	58,454,228
(b) Movement in fully paid ordinary shares		
Opening balance	218,874,240	54,249,795
Shares issued on 7 December 2020 – in lieu of directors fee	11,127,961	567,526
Issue of share capital towards professional fees	9,850,000	640,000
Issue of share capital towards development and exploration expenditure (professional and consultancy fees)	6,492,308	572,001
Issue of share capital for cash	35,490,381	2,424,906
Balance as at 30 June 2021	281,834,890	58,454,228

	Number of shares	2020 $
(a) Issued and paid up capital		
Fully paid ordinary shares	218,874,240	54,249,795
	218,874,240	54,249,795
(b) Movement in fully paid ordinary shares		
Opening balance	7,660,580,941	54,249,795
Security consolidation – 1 for 35 shares on issue	(7,441,706,701)	-
Balance as at 30 June 2020	218,874,240	54,249,795

The share capital of Quantum Graphite Limited consists only of fully paid ordinary shares. All shares are eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of the Company. The shares do not have a par value and the Company does not have a limited amount of authorised capital. In the event of winding up the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

Notes to the consolidated financial statements (Continued)

14. ISSUED CAPITAL (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

15. RESERVES

Balance of share-based payments reserve

	2021 $	2020 $
Opening balance	2,520,000	2,520,000
Balance at 30 June 2021	2,520,000	2,520,000

Share based payments are in line with the Quantum Graphite Ltd's remuneration policy, details which are outlined in the director's report. Listed below are summaries of options and performance rights granted:

Shares options were issued at fair value of $2,520,000 with an expiry date of 23/7/2023 and an exercise price of NIL

Share Option Reserve 2021	Number of options	2021 $
Opening balance	28,571,429	2,520,000
Balance at 30 June 2021	28,571,429	2,520,000

Share Option Reserve 2020	Number of options	2020 $
Opening balance	1,000,000,000	2,520,000
Security consolidation (1 for 35 options)	(971,428,571)	-
Balance at 30 June 2020	28,571,429	2,520,000

Nature and purpose of reserves

The share-based payments reserve is used to recognise the fair value of all equity issued pursuant to share based payments.

Notes to the consolidated financial statements (Continued)

16. RECONCILIATION OF LOSS AFTER INCOME TAXES TO CASHFLOWS FROM OPERATING ACTIVITIES

Operating activities	2021 $	2020 $
Loss after income tax expense for the year	(2,068,370)	(960,529)
Adjustments for:	-	-
Depreciation expense	47,265	55,765
Issue of equity shares towards payment of directors' fees	567,526	-
Issue of equity shares towards payment of professional fees	640,000	-
Gain on sale of development assets	-	(150,000)
Change in operating assets and liabilities:		
Decrease/(increase) in other assets	-	23,258
Decrease/(increase) in receivables	(118,105)	178,976
Increase/(decrease) in payables	(217,330)	565,440
Net cash used in operating activities	(1,149,014)	(287,090)

17. INVESTMENTS IN CONTROLLED ENTITIES

The Company has the following subsidiaries:

Name of Subsidiary	Country of Registration	Class of Shares	Percentage held 2021	Percentage held 2020
Quantum Graphite Operations Pty Ltd	Australia	Ordinary	100%	100%

18. AUDITOR REMUNERATION

	2021 $	2020 $
Audit services		
Auditors of Quantum Graphite Ltd – RSM Australia Partners		
- Audit and review of Financial Reports	55,000	-
Auditors of Quantum Graphite Ltd – Grant Thornton		
- Audit and review of Financial Reports	-	49,300
Audit services remuneration	55,000	49,300

Notes to the consolidated financial statements (Continued)

19. COMMITMENTS AND CONTINGENCIES

Exploration commitments

An application was lodged for the extension of the renewal of EL6224 to 12 October 2021. The Company has met all expenditure commitments in respect to EL6224.

Contingent liabilities

The Group has no contingent assets or liabilities as at 30 June 2021 (30 June 2020: $nil)

20. RELATED PARTY TRANSACTIONS

The Group's related party transactions include its subsidiaries, key management personnel and shareholders.

(a) Parent entity

Quantum Graphite Limited is the parent entity

(b) Transactions with subsidiary

Loans between entities in the wholly owned Group are not interest bearing, unsecured and are payable upon reasonable notice having regard to the financial stability of the Company.

(c) Transactions with key management personnel

Key Management Personnel remuneration includes the following which are disclosed in detail in the remuneration report:

	2021 $	2020 $
Short-term benefits	276,000	360,000
Total remuneration	276,000	360,000

The Outstanding balances with key management personnel included in Trade and Other Payables at 30 June 2021 amounts to $120,000 (2020: $624,000).

Notes to the consolidated financial statements (Continued)

20. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with other related parties

	2021 $	2020 $
Transactions during the period		
Chimaera Capital Limited (substantial shareholder in the Group)		
- Expenses towards occupancy costs, IT services, accounting services, asset management services and other corporate administration charges. Asset management services include care and maintenance of the Uley mine site, maintenance of the tailings storage facility, the works associated with the rehabilitation of the Uley original process plant site and management of the Company's production inventory.	1,074,400	921,750
SC Capital Pty Ltd (director-related entity)		
- Consultancy services received in connection with Sal Catalano's position as executive director of the Company	99,000	94,500

(e) The Sunland Co. Pty Ltd Collaboration

Sunland Co. Pty Ltd is a director-related entity.

During the reporting period, the Group announced the extension of the Memorandum of Understanding (MOU) with The Sunlands Co. Pty Ltd (Sunlands Co.). The provisions of the MOU govern the technical and commercial collaboration between the parties in connection with Sunlands Co.'s thermal energy storage (TES) technology. Current activities are principally directed at supporting Sunlands Co.'s development of a commercial pilot facility.

On 23 June 2021 the Company announced that it would enter into a joint venture with Sunlands Co. to manufacture the graphite based thermal storage media for the TES battery cells. Each party shall hold a 50% interest in the joint venture. As at 30 June 2021, there was no investment made into the joint venture.

(f) Receivables from and payables to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 June 2021 $	30 June 2020 $
Current payables:		
Trade payables to Chimaera Capital Limited	667,760	412,835
	667,760	412,835

(g) Funds held in custody with Chimaera Custody Services

Group's cash and cash equivalents held in trust with Chimaera Custody Services, a division of Chimaera Capital Limited.	1,227,628	4,029

Notes to the consolidated financial statements (Continued)

21. EMPLOYEE REMUNERATION

(a) Employee benefits expense

Expenses recognised for employee benefits are analysed below:	2021 $	2020 $
Salaries / contract payments for Directors	276,000	360,000
	276,000	360,000

(b) Post-employment benefits expense

Expenses recognised for post-employment employee benefits are analysed below:	2021 $	2020 $
Superannuation payments for Directors and employees	-	-

(c) Share-based employee remuneration

As at 30 June 2021, the Group maintained a performance rights and option plan for employee and director remuneration. There were no unlisted options granted to Directors as remuneration during the financial year.

Share options and weighted average exercise prices are as follows:

2021	Number of options	Weighted average exercise price ($)
Opening balance	28,571,429	0.00
Outstanding and exercisable as at 30 June 2021	28,571,429	0.00

2020	Number of options	Weighted average exercise price ($)
Opening balance	1,000,000,000	0.00
Security consolidation (1 for 35 options)	(971,428,571)	-
Outstanding and exercisable as at 30 June 2020	28,571,429	0.00

The weighted average share price* during the financial year was $0.04527 (2020: $0)
**calculated for the period during which the company's shares were traded.*

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.05 years (2020: 3.05 years).

Fair value of options granted
The fair value at grant date of the Director options has been determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Notes to the consolidated financial statements (Continued)

22. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, trade receivables and trade payables.

The total for each category of financial instruments are as follows:

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	6	1,236,231	13,436
Receivables	7	261,082	142,977
		1,497,313	156,413
Financial liabilities			
Trade and other payables	12	1,060,853	1,170,213
		1,060,853	1,170,213

Financial risk management policy

The consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Risk management is carried out by the Executive Director under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate and credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and ageing analysis for credit risk.

a) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of equity and debt raisings are assessed by the Board.

Financial liabilities are expected to be settled within 12 months.

b) Interest rate risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. Cash is the only asset affected by interest rate risk as cash is the Group's only financial asset exposed to fluctuating interest rates.

The Group is exposed to interest rate risk on cash balances and term deposits held in interest bearing accounts. The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Group's operating activities. The Group's net exposure to interest rate risk at 30 June 2021 approximates the value of cash and cash equivalents.

Notes to the consolidated financial statements (Continued)

22. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is $1,497,313 (2020: $156,413) as disclosed in Notes 6 and 7 to the financial statements. The consolidated entity does not hold any collateral.

d) Sensitivity analysis

Interest rate
The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

2021		Effect on:	
		Profit	Equity
	Sensitivity*	$	$
Interest rate	+ 1.50%	+19,000	+19,000
	- 1.50%	-19,000	-19,000

2020		Effect on:	
		Profit	Equity
	Sensitivity*	$	$
Interest rate	+ 1.50%	+0	+0
	- 1.50%	-0	-0

*The method used to arrive at the possible change of 150 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, interest rate movements ranged between 0 to 150 basis points. It is considered that 150 basis points a 'reasonably possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

The fair values of all financial assets and liabilities of the Group approximate their carrying values.

e) Net fair values of financial assets and financial liabilities

AASB 13 *Fair Value Measurement:* Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The carrying amounts of all financial assets and liabilities approximate their net fair values due to their short-term nature..

Notes to the consolidated financial statements (Continued)

23. PARENT ENTITY INFORMATION

Information relating to Quantum Graphite Limited (the parent entity) is set out below:

	2021 $	2020 $
Statement of financial position		
Total current assets	1,236,231	13,436
Total assets	18,935,617	16,515,564
Total current liabilities	771,706	654,000
Total liabilities	771,706	654,000
Issued capital	58,454,228	54,249,795
Accumulated losses	(42,810,317)	(40,908,231)
Share option reserve	2,520,000	2,520,000
Total Equity	18,163,911	15,861,564
Statement of profit of loss and other comprehensive income		
Loss after income taxes	(1,902,086)	(548,279)
Total comprehensive income / (loss)	(1,902,086)	(548,279)

The parent entity has not entered into a deed of cross guarantee with the subsidiary.

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020. The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

24. OPERATING SEGMENTS

The Directors have considered the requirements of AASB 8 *Operating Segments* and the internal reports that are reviewed by the Chief Operating Decision Maker (the Board) in allocating resources have concluded that at this time there are no separately identifiable segments. The segment details are therefore fully reflected in the body of the financial statements.

Notes to the consolidated financial statements (Continued)

25. NON-CASH INVESTING AND FINANCING ACTIVITIES

	2021 $	2020 $
Shares issued as compensation towards development and exploration expenditure (professional and consultancy fees)	572,001	-
	572,001	-

26. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

There were no events that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Directors' Declaration

In the opinion of the Directors of Quantum Graphite Limited:

(a) the consolidated financial statements and notes of Quantum Graphite Limited are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of its financial position as at 30 June 2021 and of its performance for the financial year ended on that date;

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   iii. complying with the International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements; and

(b) there are reasonable grounds to believe that Quantum Graphite Limited will be able to pay its debts when they become due and payable.

The directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the Directors:

Bruno Ruggiero
Director

Sal Catalano
Director

Melbourne
28 September 2021

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT

To the Members of Quantum Graphite Limited

Opinion

We have audited the financial report of Quantum Graphite Limited ("the Company") and its subsidiaries (together referred to as "the Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss after tax of $2,068,370 and incurred cash outflows from operating activities of $1,149,014 during the year ended 30 June 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed this matter
Impairment assessment of assets relating to Uley Project Refer to Note 11 in the financial statements	
The Group's non-current assets include development assets and plant and equipment relating to Uley Project ("the Project") with carrying amounts of $14,245,139 and $336,336 respectively, as at 30 June 2021. As required by AASB 136 *Impairment of Assets*, management has performed an impairment assessment as at 30 June 2021 by: • calculating the recoverable amount of the cash generating unit ("CGU") being the Project, which was determined to be the value-in-use of the Project, using a discounted cash flow model; and • comparing the resulting value-in-use of the Project to the carrying amounts. We determined this to be a key audit matter due to the significance of these assets in the consolidated statement of financial position (76% of the total assets of the Group). In addition, the directors' assessment of the recoverable amount of these assets involves significant management judgement about the future underlying cash flows relating to the Project and the discount rates applied to them. We note that the impact of the COVID-19 pandemic on the current market conditions has increased the level of judgement by the directors in estimating future cash flows.	Our audit procedures in relation to determination of recoverable amount of the Project included: • Assessing the directors' methodology for determining the recoverable value of the Project; • Assessing the value-in-use calculations; • Challenging the reasonableness of key assumptions, including the cash flow projections, plant utilisation and resource availability, future revenue growth rates, discount rates and terminal values; • Checking the mathematical accuracy of the value-in-use model and reconciling input data to supporting evidence; • Reviewing management's sensitivity analysis over the key assumptions in the model and assessing whether the assumptions have been applied on a consistent basis across each scenario; and • Assessing the disclosures in Note 11 to the financial statements to assess compliance with the disclosure requirements of AASB136 *Impairment of assets.*

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021; but does not include the financial report and the auditor's report thereon.

Other Information (continued)

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Quantum Graphite Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001.*

Report on the Remuneration Report (continued)

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

RSM AUSTRALIA PARTNERS

J S CROALL
Partner

Dated: 28 September 2021
Melbourne, Victoria

11. Subscription Form

QUANTUM
GRAPHITE

QGL Subscription Form

November 2021

This application forms part and is subject to the terms of the Prospectus dated 30 November 2021.

Subscriber

Name	
Address	
HIN	
Telephone	
E-mail	

Subscription Amount Details

Number of Fully Paid Ordinary Shares	
Issue Price	11.5 cents per share
Subscription Amount	
Payment Date	

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.