

Filing of Court Proceedings against Grant Thornton Audit Pty Ltd

The Company announces today the filing of court proceedings in the Victorian Supreme Court against Grant Thornton Audit Pty Ltd (**Grant Thornton**) seeking damages in excess of \$58 million suffered as the result of its failure to express an opinion in respect of the Company's 2020 financial statements.

Following this failure, the ASX suspended the Company's shares from trading. The shares remained suspended until 14 December 2021. Grant Thornton's actions directly resulted in the Company suffering significant losses for which it seeks damages.

The statement of claim filed with the Court asserts that Grant Thornton breached the terms of its audit engagement, conducted the audit in a negligent manner and its failure to express an opinion was misleading and deceptive.

The elements of the statement of claim include:

- (a) **Breach of duties** – In the conduct of the 2020 audit, Grant Thornton breached its professional and ethical duties.
- (b) **Failure to consider critical reports** – Grant Thornton either failed to consider or lacked the appropriate expertise to consider the Company's independent technical reports including its November 2019 JORC 2012 Mining Study and Ore Reserve Estimate (**Ore Reserve**).



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.



ABOUT THE QUANTUM SUNLANDS PARTNERSHIP

QSP is our joint venture with Sunlands Co. for the manufacture of coarse natural flake based thermal storage media. The flake will be sourced exclusively from the QGL's Uley mine. The manufactured media will be fitted within Sunlands Co.'s long duration energy storage cells. <https://www.sunlandsc.com/>

- (c) **Failure to supervise** - Grant Thornton, engaged Valuation and Resource Management (**Valuer**), to review the Company's carrying values of assets recorded in the balance sheet. Grant Thornton failed to properly supervise or review the work of the Valuer, e.g.,
- i. The Valuer adopted a basket price for a market other than that identified by the Company for its products
 - ii. The Valuer applied several changes to the Ore Reserve including changes to the technical data provided by independent experts as detailed in Table 2 of the Ore Reserve
 - iii. The Valuer adopted certain financial assumptions that were incorrect or inappropriate for mining projects undertaken in Australia
- (d) **Failure to identify or calculate basic project cashflows** – As a result of several errors Grant Thornton failed to include project gross revenues of more than \$150 million.
- (e) **Failure to communicate** – Grant Thornton failed to communicate with the Company including in respect of the abovementioned matters.
- (f) **Misleading and deceptive** – Grant Thornton's failure to express an opinion was misleading and deceptive and misled the market including the ASX and the global capital markets.

The Company's assessment of the damages suffered continues and will be the subject of further detailed filings with the Court. Damages relate to reputation, project delays, the escalation of costs and denying the Company proper access to the capital markets.

FOR FURTHER INFORMATION CONTACT:

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