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ASX Appendix 4E – Preliminary Final Report under ASX Listing Rule 4.3A

This reporting period
Prior corresponding period

1 July 2022 to 30 June 2023
1 July 2021 to 30 June 2022

RESULTS FOR ANNOUNCEMENT TO MARKET

	% Change	This Period	Prior Period
Total revenue from ordinary activities	302%	488,217	121,318
(Loss)/profit from ordinary activities after tax attributable to members	129%	(5,159,466)	(2,251,280)
Net (loss)/profit attributable to members	129%	(5,159,466)	(2,251,280)

DETAILS RELATING TO DIVIDENDS

No dividends are proposed and no dividends were declared or paid during the current or prior period.

NET TANGIBLE ASSETS

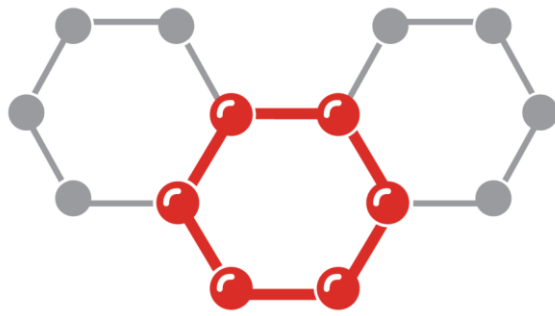
	As at 30 June 2023	As at 30 June 2022
Net tangible asset per ordinary share (cents per share)	0.05	0.06

OTHER

Additional Appendix 4E disclosure requirements and further information can be found in the Annual Financial Report for the year ended 30 June 2023.

This report is based upon the consolidated financial statements contained within the Annual Financial Report (attached) for the year ended 30 June 2023, which have been audited by RSM Australia Partners.

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QUANTUM GRAPHITE

2023 ANNUAL FINANCIAL REPORT



This is the Annual Financial Report of Quantum Graphite Ltd (Quantum, QGL or the Company), a company limited by shares, incorporated and domiciled in Australia and, as a Group, consists of Quantum Graphite Ltd and its subsidiaries (collectively the Group). The financial report is presented in Australian dollars, Quantum’s functional and presentation currency.

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Corporate Directory

Directors

Sal Catalano (Managing Director)
Bruno Ruggiero (Chairman)
Robert Osmetti (resigned 4 August 2022)
Mr Michael Wyer (appointed 22 August 2022)
David Trimboli

Company Secretary

Rochelle Pattison

Principal Business Office

Level 5, 349 Collins Street
Melbourne VIC
AUSTRALIA 3000

Website

quantumgraphite.com

Home Stock Exchange

Australian Securities Exchange
Rialto Tower, 525 Collins Street
Melbourne VIC
AUSTRALIA 3000

ASX Codes

QGL – fully paid ordinary shares

Auditors

RSM Australia Partners
Level 21
55 Collins Street
Melbourne VIC
AUSTRALIA 3000

Solicitors

Holding Redlich
Level 8, 555 Bourke Street
Melbourne VIC
Australia 3000

Norton Rose Fulbright Australia
Level 38, Olderfleet Buildings
477 Collins Street
Melbourne VIC
AUSTRALIA 3000

Share Registry

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

Directors' Report

The Directors of Quantum Graphite Ltd present their report on the Company and its subsidiaries, for the year ended 30 June 2023. 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:

- The development of the Uley 2 mining and processing facilities, the next stage of development of the Company's flagship Uley flake graphite deposit; and
- The manufacture of natural flake-based products including thermal storage media by Sunlands Power Pty Ltd (**Sunlands Power**), the Company's joint venture with The Sunlands Energy Company Pty Ltd (**SEC**).

OPERATING AND FINANCIAL REVIEW

The net loss for the year was \$5,159,466 (2022: \$2,251,280). Our financial performance is broadly in line with plan. The Company's exploration commitments and the extensive research and development program are fully funded and will continue to deliver strategic value for shareholders.

The Company has benefited significantly from the ongoing research and development activities based on the core technologies developed by SEC. The commercialisation of these technologies is a key driver of value and sets the Company apart from all other flake graphite mining companies.

The Company's investment in Sunlands Power has transformed it into a major participant in the electricity business including grid scale long duration energy storage (**LDES**). Last year, SEC granted Sunlands Power the exclusive license to manufacture thermal storage media (**Uley Media**) for SEC's thermal energy storage cells (**TES Graphite Cells**). This resulted in Sunlands Power becoming a critical link in the SEC supply chain. The grant this year to Sunlands Power of the full OEM rights to TES Graphite Cells, has elevated Sunlands Power to direct participant in the electricity and the LDES markets.

Successful Completion of Final Phase of Thermal Purification Treatment – Thermal Storage and Anode Applications

In November 2022 the Company announced the successful completion of the first phase of the test work program undertaken at TU Bergakademie Freiberg's INEMET campus. The key finding was the high temperature of the Uley Media which achieved substantially the same levels of heat storage capacity as high-grade isostatic graphite.

The second and final phase of the test work program was conducted to assess the viability of the thermal purification of Uley flake for the production of anode. The results of this phase were released in June 2023 and confirmed within the sensitivity of the test equipment that Uley flake purity of 99.99% graphitic carbon (gC) is achievable from SEC's proprietary thermal treatment process.

Uley Flake Anode Qualification

Importantly these results demonstrated that this process delivered purified Uley flake that:

- Qualifies it as acceptable raw material for first tier anode production; and
- Commercially scalable for the Li-ion battery market.

Uley Media (Thermal Storage) Production

The results also provided further data related to the thermal storage characteristics of Uley flake and Uley Media. This data confirmed that the form of Uley Media successfully tested by INEMET provided more versatile design options and superior manufacturing scalability than high-grade isostatic graphite whilst delivering the same thermodynamic properties.

The benefits of design versatility and manufacturing scalability have enabled the creation of a design platform that will support the full suite of applications for TES Graphite Cells, from small modular units to large scale cells targeting the retrofitting of coal fired power stations.

Directors' Report (continued)

Update of 2019 DFS to Increase Production

These results have had a significant impact on the Company's Uley 2 Project plans, i.e.,

- The SEC proprietary purification process is commercially scalable and can deliver this level of purity in a production environment;
- Based on the purity levels achieved under the test work program, the current estimated market price for the Company's Uley 2 products is approximately US\$1,540 per tonne - compared to the basket price adopted in the 2019 DFS of US\$919; and
- Commercial demand for this purified product (including the demand from Sunlands Power for the manufacture of TES Graphite Cells) is forecast to be strong and likely to be delivered onto a flake graphite market in significant deficit.

In light of these factors the Company announced its plans to update the 2019 DFS to include the revised DFS basket price and an increase in production levels. The Company expects to release the updated DFS before its Annual General Meeting.

Completion of LDES Pilot Design

During the period, SEC completed the design of the LDES pilot, shortlisted key vendors and negotiated key contractual arrangements for the construction of the pilot. Construction of the LDES pilot is subject to finalising appropriate site arrangements.

TES Graphite Cell Original Equipment Manufacturing (OEM) Rights

The change of name from Quantum Sunlands Partnership to Sunlands Power reflects the joint venture company's critical role in the market delivery of the LDES technology following its acquisition of TES Graphite Cell OEM rights.

Importantly the OEM rights are not limited to or dependent on the flake graphite being sourced from the Company.

The Company's financial returns from Sunlands Power will be a significant addition to the returns delivered from its Uley 2 Project. Based upon current market prices, the Company's share of revenues from Sunlands Power's combined manufacture of Uley Media and TES Graphite Cells is likely to exceed the revenues the Company derives from the sale of Uley 2 flake.

Uley 2 Green Bond Financing and VISION 2030

During the period, the Company pursued sustainable financing options and its preferred structure remains the issue of senior secured Green Decarbonisation Bonds. The proceeds of the financing will be applied to the development of the Uley 2 Project and directly support the Company's global sustainability plan, VISION 2030, i.e., the permanent decarbonisation (coal replacement) of coal-fired power plants. Included in this plan is investment in an internalised supply chain to ensure the Company and Sunlands Power execute their plans without external critical dependencies.

Negotiations with potential investors is ongoing as at the date of this report.

Uley 2 Project Site Preparation Works

During the period significant site works at Uley 2 were undertaken in preparation for the installation of the new process plant. These siteworks targeted remediation of Uley legacy plant and related civil works, construction of the firebreak network and refurbishment of certain buildings.

A requirement of the insurance package being negotiated by the Company for Uley 2 is the construction of an extensive firebreak network across the Uley 2 mining leases. This work was completed during the period and the Company's ongoing site maintenance plan will extend to the seasonal control of this network.

Several portable, demountable buildings, not required for the Uley 2 Project, were sold and removed from the site. The remaining buildings, including the main building formerly housing the legacy process plant, will now be refurbished and repurposed. The Company expects that no further buildings will be required for Uley 2 other than temporary shedding during the Uley 2 construction period.

Lincoln Minerals Takeover

During the period, the Company extended the takeover offer announced on 9 August 2022 for Lincoln Minerals Limited until 7.00pm (Melbourne time), 14 July 2023. The offer was subsequently withdrawn on 7 July 2023.

Directors' Report (continued)

Grant Thornton Legal Action

On 30 November 2022 the Company initiated proceedings against Grant Thornton in connection with its failure to deliver an audit opinion for the 2020 Annual Financial Reports. As at the date of this report, discovery has been substantially completed, expert reports have been filed with the court and a date for the parties' mediation has been ordered by the court.

Equity Capital Issues

During the year, the Company completed the following issue of securities:

- Between 28 July 2022 and 1 August, the Company completed a placement to sophisticated investors and issued 11,703,200 at A\$0.38 per share to raise approximately \$4,447,000. In connection with this capital raising, the Company issued 3,000,000 options to Shaw and Partners, Mercury Asset Management (WA) Pty Ltd and Pareto Nominees Pty Ltd with an exercise price of A\$0.75 per share expiring on 31 January 2024.
- On 5 August 2022 and 8 December 2022, the Company issued 17,865,000 and 10,706,4029 fully paid ordinary shares respectively pursuant to Chimaera Capital Limited's exercise on these dates of unlisted restructure options (Nil exercise price, expiry 23 July 2023). Following the exercise on 8 December 2022, all restructure options have been exercised.
- On 2 December 2022, The Company issued 1,018,225 fully paid ordinary shares in lieu of director fees and company secretary fees accrued to 31 December 2022.
- The Company issued the following shares to consultants and service:
 - On 20 December 2022, the Company issued 675,346 fully paid ordinary shares in lieu of consultant fees accrued to 31 December 2022.
 - On 6 March 2023, the Company issued a further 600,000 fully paid ordinary shares to consultants at A\$0.525 per share.
 - On 7 June 2023, the Company issued a further 370,000 fully paid ordinary shares to consultants at A\$0.525 per share.

During the period the Company negotiated an extension to the repayment date of the Credit Facility Deed between the Company and Chimaera Capital Limited, on 7 December 2021 from 16 January 2023 to the earlier of 31 January 2024 or the next capital raising.

Mining Titles

All mining titles are current and remain in good standing. On 22 February 2023, the Company was notified of the renewal of EL6224 to 12 October 2027. On 24 August 2023, the Company's Retention Leases (RL) 66 and 67 were renewed to 1 October 2026.

Significant Changes In The State Of Affairs

Apart from equity capital issues as disclosed above, 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

The off-market takeover bid for all of the ordinary shares in Lincoln Minerals Limited closed at 7.00pm (Melbourne time) on 14 July 2023. As one or more of the defeating conditions to the Offer were not waived or satisfied at that time, the Offer lapsed.

During September 2023, the Credit Facility Deed dated 7 December 2021 between the Company and Chimaera Capital Limited was amended to include, among other things:

- an advanced of \$1 million (interest rate of 10.5% p.a.) with repayment on 1 October 2024; and
- deferment of repayment of both the existing loan balances amounting to \$1.30 million and the amount outstanding in respect of the Technical and Administration Services Arrangement of \$0.85 million, to 1 October 2024.

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.

Directors' Report (continued)

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
R Osmetti (retired 4 August 2022)	0	0	-	-
D Trimboli	7	7	-	-
M Wyer (appointed 22 August 2022)	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.

DIRECTORS' DETAILS

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 62,218,509 shares via an indirect interest in Chimaera Capital Ltd and SC Capital Pty Ltd.	Indirect interest in 3,000,000 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 19,315,717 shares.	Nil
Robert (Bob) Osmetti BE (Civ), MIE Aust, CPEng, Independent Non-Executive Director (retired 4 August 2022)	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	Nil	Nil	Nil



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NAME	EXPERIENCE & EXPERTISE	SPECIAL RESPONSIBILITIES	INTEREST IN SHARES	INTEREST IN OPTIONS
	<p>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.</p>			
<p>David Trimboli BCom, Independent Non-Executive Director</p>	<p>Mr Trimboli is an experienced global investor with significant experience in commodities financing and trading. He was formerly a long serving senior coal trader at the world’s largest commodities trading group, Glencore International AG, and was a key member of the Glencore team when the group successfully completed its IPO in London and Hong Kong. Mr Trimboli 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.</p>	<p>Nil</p>	<p>Direct interest in 514,286 shares and indirect interest of 13,202,909 shares.</p>	<p>Nil</p>
<p>Michael Wyer BCom, MAppFin Independent Non-Executive Director (appointed 22 August 2022)</p>	<p>Mr Wyer is a highly credentialed professional with more than 25 years’ experience in global banking including resources and commodities financing and has held senior executive roles in finance and operations. This diversity of experience enhances the Board’s overall skill set and is an excellent strategic fit as the company moves to the next phase of its plans for Uley 2 and Sunlands Power Pty Ltd.</p>	<p>Nil</p>	<p>Direct interest in 79,280 shares.</p>	<p>Nil</p>

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.

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:

2023 Director and other Key Management Personnel Remuneration

	Short term benefits - Salary and fees \$	Post-employment benefits Superannuation \$	Total \$	% of remuneration that is equity based	Salary and Fees Owing at 30 June 2023 \$
Directors					
S Catalano	72,000	-	72,000	100%	36,000
B Ruggiero	72,000	-	72,000	100%	36,000
R Osmetti	12,000	-	12,000	100%	-
D Trimboli	48,000	-	48,000	100%	24,000
M Wyer	48,000	-	48,000	100%	24,000
Total	252,000	-	252,000		120,000

During the year 2023, the Directors (excluding Rob Osmetti) were issued ordinary shares as payment for salary and fees for the period from 1 January 2022 to 31 December 2022. Rob Osmetti was issued with ordinary shares as payment for salary and fees for the period from 1 January 2022 to 4 August 2022.

2022 Director and other Key Management Personnel Remuneration

	Short term benefits – Salary and fees \$	Post-employment benefits Superannuation \$	Total \$	% of remuneration that is equity based	Salary and Fees Owing at 30 June 2022 \$
Directors					
S Catalano	72,000	-	72,000	100%	36,000
B Ruggiero	72,000	-	72,000	100%	36,000
R Osmetti	48,000	-	48,000	100%	24,000
D Trimboli	48,000	-	48,000	100%	24,000
Total	240,000	-	240,000	100%	120,000

During the year 2022, the Directors were issued ordinary shares as payment for salary and fees for the period from 1 January 2021 to 31 December 2021.

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 or shares.

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 legacy process plant site and management of the Company's production inventory. An amount of \$1,020,000 was charged by CCL during the year (2022: \$943,500) and as at 30 June 2023 an amount of \$512,507 was outstanding (2022: \$494,733) in relation to these services.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Chimaera Capital Management Pte Ltd (an entity related to Sal Catalano) provided \$60,000 in consultancy services in respect of the arrangement of Trade Credit Insurance, Construction Risk and Liability Risk Insurance and the preparation of Project Risk Engineering Reports. The total charge for consultancy services for the year was \$60,000 (2022: \$Nil) and \$60,000 remains payable as at 30 June 2023 (2022: \$Nil).

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. The amount of \$300,000 was charged by SC Capital Pty Ltd during the year (2022: \$99,000) and there was \$Nil payable as at 30 June 2023 (2022: \$9,269) 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 \$300,000 for year ending 30 June 2023, 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 2023, to be reviewed annually by the Nomination and Remuneration Committee

Name: Robert Osmetti (retired 4 August 2022)
 Title: Independent Non-Executive Director
 Details: Director fees of \$12,000 for year ending 30 June 2023 (for the period from 1 July 2022 to 4 August 2022)

Name: David Trimboli
 Title: Independent Non-Executive Director
 Details: Director fees of \$48,000 for year ending 30 June 2023, to be reviewed annually by the Nomination and Remuneration Committee

Name: Michael Wyer (appointed 22 August 2022)
 Title: Independent Non-Executive Director
 Details: Director fees of \$48,000 for year ending 30 June 2023, 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 2023, to be reviewed annually by the Nomination and Remuneration Committee.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional Information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Total revenue	492,736	121,390	292,746	543,386	6,500
EBITDA	(5,082,395)	(2,167,284)	(2,021,106)	(904,763)	(3,372,388)
EBIT	(5,115,198)	(2,223,398)	(2,068,370)	(960,529)	(3,421,144)
Profit / (loss) after income tax	(5,159,466)	(2,251,280)	(2,068,370)	(960,529)	(3,543,394)

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

	2023	2022	2021	2020	2019
Share price at financial year end (\$)	0.550	0.440	-(*)	0.028	0.105
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	(1.57)	(0.78)	(0.89)	(0.44)	(1.75)

*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 2023.

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:

2023						
KMP	Held at 1 July 2022	Issued in lieu of Director fees	Appointment or Resignation	Acquisition	Disposal	Held directly or indirectly at 30 June 2023
S Catalano	60,410,531	267,908	-	42,530,385	(40,990,315)	62,218,509
R Osmetti ¹	11,744,926	145,410	(11,890,336) ¹	-	-	-
B Ruggiero	18,760,297	267,908	-	801,798	-	19,830,003
D Trimboli	15,664,517	178,604	-	-	(2,125,926)	13,717,195
M Wyer	-	60,708	18,572 ²	-	-	79,280
Total	106,580,271	920,538	(11,871,764)	43,332,183	(43,116,241)	95,844,987

¹ Represents balance held at the time of retirement (4 August 2022)

² represents balance held at the time of appointment (22 August 2022)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Option holdings of key management personnel

As at 30 June 2023, there were no options over ordinary shares in Quantum Graphite Limited held by key management personnel or their relatives.

During the year, 28,571,429 reconstruction 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, were exercised and 17,865,000 ordinary shares were issued on 4 August 2022 and 10,706,429 ordinary shares were issued on 8 December 2022 respectively.

END OF AUDITED REMUNERATION REPORT

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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 17 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 15 of this Financial Report and forms part of this Directors' Report.

OFFICERS OF THE COMPANY

There are no officers of the Company who are former partners of RSM Australia Partners.

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.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

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://quantumgraphite.com/investors>

Signed in accordance with a resolution of the Directors.



Bruno Ruggiero

Chairman

29 September 2023



Sal Catalano

Executive Director

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 for the year ended 30 June 2023, 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



R J MORILLO MALDONADO

Partner

Melbourne, Victoria

29 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Notes	2023 \$	2022 \$
Revenue			
Other income	2	488,217	121,318
Expenses			
Research and development expenses		(647,927)	(189,936)
Professional and consultancy fees	3 a)	(2,876,494)	(893,488)
Depreciation		(32,803)	(56,114)
Rental expenses		(224,400)	(224,400)
Directors' remuneration		(252,000)	(240,000)
Other expenses	3 b)	(1,574,310)	(740,850)
Total operating loss		(5,119,717)	(2,223,470)
Interest revenue		4,519	72
Interest expense		(44,268)	(27,882)
Net financing income / (expense)		(39,749)	(27,810)
Loss before tax		(5,159,466)	(2,251,280)
Income tax benefit / (expense)	4	-	-
Loss for the year attributable to owners of the Quantum Graphite Limited		(5,159,466)	(2,251,280)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year attributable to owners of Quantum Graphite Limited		(5,159,466)	(2,251,280)
Loss per share from continuing operations			
Basic and diluted loss – cents per share	5	(1.57)	(0.78)

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	974,450	1,004,704
Receivables	7	437,839	198,683
Total current assets		1,412,289	1,203,387
Non-current assets			
Security deposit with the Department of State Development	8	1,073,863	1,073,863
Plant and equipment	9	247,419	280,222
Intangible assets		7,189	7,189
Development assets	10(a)	15,330,963	14,807,253
Exploration and evaluation assets	10(b)	2,848,035	2,522,839
Total non-current assets		19,507,469	18,691,366
TOTAL ASSETS		20,919,758	19,894,753
LIABILITIES			
Current liabilities			
Payables	11	1,415,932	1,194,753
Borrowings	19	1,300,434	1,289,754
Total current liabilities		2,716,366	2,484,507
Non-current liabilities			
Rehabilitation provisions	12	558,369	558,369
Total non-current liabilities		558,369	558,369
TOTAL LIABILITIES		3,274,735	3,042,876
NET ASSETS		17,645,023	16,851,877
EQUITY			
Issued capital	13	68,428,374	60,025,762
Reserves	14	70,000	2,520,000
Accumulated losses		(50,853,351)	(45,693,885)
TOTAL EQUITY		17,645,023	16,851,877

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 2023

	Share capital	Share Options / Rights reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2022	60,025,762	2,520,000	(45,693,885)	16,851,877
Shares issued in lieu of directors' and company secretary fees	600,753	-	-	600,753
Shares issued in lieu of services fees	963,998	-	-	963,998
Issue of share capital, net of transaction costs	4,317,861	-	-	4,317,861
Issue of share capital upon exercise of options	2,520,000	(2,520,000)	-	-
Share-based payments	-	70,000	-	70,000
<i>Transactions with owners in their capacity as owners</i>	8,402,612	(2,450,000)	-	5,952,612
Comprehensive income:				
Loss after income tax for the year	-	-	(5,159,466)	(5,159,466)
Other comprehensive income for the year, net of tax	-	-	-	-
<i>Total comprehensive income / (loss) for the year</i>	-	-	(5,159,466)	(5,159,466)
Balance at 30 June 2023	68,428,374	70,000	(50,853,351)	17,645,023
2022	Share capital	Share Options / Rights reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2021	58,454,228	2,520,000	(43,442,605)	17,531,623
Shares issued in lieu of directors' and company secretary fees	332,958	-	-	332,958
Issue of share capital, net of transaction costs	1,238,576	-	-	1,238,576
<i>Transactions with owners in their capacity as owners</i>	1,571,534	-	-	1,571,534
Comprehensive income:				
Loss after income tax for the year	-	-	(2,251,280)	(2,251,280)
Other comprehensive income for the year, net of tax	-	-	-	-
<i>Total comprehensive income / (loss) for the year</i>	-	-	(2,251,280)	(2,251,280)
Balance at 30 June 2022	60,025,762	2,520,000	(45,693,885)	16,851,877

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 2023

	Notes	2023 \$	2022 \$
Cash flows from operating activities			
Payments to suppliers and employees		(3,720,161)	(1,460,461)
Interest paid		(33,588)	-
Interest received		3,663	72
R&D tax incentive received		80,017	80,017
Net cash used in operating activities	15	<u>(3,670,069)</u>	<u>(1,380,372)</u>
Cash flows from investing activities			
Payments for development and exploration & evaluation assets		(878,046)	(971,567)
Proceeds from disposal of plant and equipment		200,000	-
Net cash used in investing activities		<u>(678,046)</u>	<u>(971,567)</u>
Cash flows from financing activities			
Proceeds from issue of share capital		4,317,861	858,540
Proceeds from borrowings		-	1,261,872
Net cash from financing activities		<u>4,317,861</u>	<u>2,120,412</u>
Net decrease in cash and cash equivalents		(30,254)	(231,527)
Cash and cash equivalents at the beginning of the financial year		1,004,704	1,236,231
Cash and cash equivalents at the end of the financial year	6	<u>974,450</u>	<u>1,004,704</u>

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 2023

These are the financial statements of Quantum Graphite Ltd ('the Company') and its subsidiaries (together 'the Group'), for the year ended 30 June 2023.

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 2023 were approved and authorised by the Board of Directors on 29 September 2023.

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 Group incurred a loss of \$5,159,466 and net cash outflows from operating activities of \$3,670,069 for the year ended 30 June 2023. As at 30 June 2023, the Group's current liabilities exceeded its current assets by \$1,304,077.

The Directors, having reviewed the budget and cashflow forecast for the twelve-month period from the date of signing the financial statements, believe that it is reasonably foreseeable that the Group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

The cashflow forecast reviewed by the Directors considers the following:

- a) As disclosed in Note 25 *Events after the reporting period*, in September 2023, the Credit Facility Deed dated 7 December 2021 between the Company and Chimaera Capital Limited was amended to include, among other things:
 - additional loan advanced of \$1 million with repayment on 1 October 2024; and
 - deferment of repayment of both the existing loan balances amounting to \$1.30 million and the amount outstanding in respect of the Technical and Administration Services Arrangement of \$0.85 million, to 1 October 2024.;
- b) The Group has met the expenditure commitment for Exploration Licence EL6224 under the terms of this licence's *Memorandum of Renewal and Variation of Terms and Conditions of Exploration License* dated 23 December 2022; and
- c) The Group has the flexibility to adjust some of the timing and scope of its exploration and evaluation activities based on funding availability.

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 2023 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 2023. 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 16 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 22. 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) 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.

Notes to the consolidated financial statements (Continued)

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
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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.

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.

Notes to the consolidated financial statements (Continued)

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.

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

- 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 liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost.

Notes to the consolidated financial statements (Continued)

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.

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.

Notes to the consolidated financial statements (Continued)

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.

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.

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) 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.

n) 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.

o) 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.

Notes to the consolidated financial statements (Continued)

p) 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 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.

q) 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.

r) 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.

s) 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.

Notes to the consolidated financial statements (Continued)

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 received.

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 20. 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.

Notes to the consolidated financial statements (Continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. OTHER INCOME

	2023	2022
	\$	\$
R&D tax incentive	281,848	119,280
Gain on disposal of plant and equipment	200,000	-
Foreign exchange gain - net	6,369	2,038
Total	488,217	121,318

3. EXPENSES

- a) Professional and consultancy fees of \$2,876,494 (2022: 893,488) includes \$1,026,799 (2022: 893,488) pertaining to transaction and advisory fees towards facilitation of proposed debt funding arrangements.

	2023	2022
	\$	\$
b) Other expenses		
Data and Communication Equipment	183,600	183,684
Corporate administration costs	78,000	76,400
Loss on issue of shares on settlement of payables	418,623	68,959
Miscellaneous expenses	894,087	411,807
Total	1,574,310	740,850

Notes to the consolidated financial statements (Continued)

4. INCOME TAX EXPENSE

	2023 \$	2022 \$
(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	(5,159,466)	(2,251,280)
Prima facie tax benefit on loss from ordinary activities before income tax at 25% (2022: 25%)	(1,289,867)	(562,820)
Tax effect of temporary differences not brought to account as they do not meet the recognition criteria	215,046	1,040
Deferred tax asset not realised as recognition criteria not met	1,074,821	561,780
Income tax (expense) / benefit	-	-
	2023 \$	2022 \$
(c) Deferred tax assets have not been recognised in respect of the following:		
Tax losses	42,168,416	38,210,259
Deferred tax asset not recognised	10,542,104	9,552,565
Capital losses (gross)	2,907,027	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

	2023	2022
Loss after income tax attributable to the owners of Quantum Graphite Limited (\$)	(5,159,466)	(2,251,280)
Weighted average number of shares used in basic earnings per share	328,503,593	288,592,716
Basic and Diluted Loss per share (cents)	(1.57)	(0.78)

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:

	2023 \$	2022 \$
Cash at hand and in bank.		
Cash at bank ¹	974,450	1,004,704
Cash and cash equivalents	<u>974,450</u>	<u>1,004,704</u>

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	<u>974,450</u>	<u>1,004,704</u>
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¹ Includes an amount of \$965,936 (2022: \$996,420) which is held in custody with Chimaera Capital Limited, a related party.

7. RECEIVABLES

	2023 \$	2022 \$
GST receivable	96,728	59,403
R&D Tax Incentive receivable	321,111	119,280
Other receivables	20,000	20,000
Total receivables	<u>437,839</u>	<u>198,683</u>

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

	2023 \$	2022 \$
Opening balance	1,073,863	1,073,863
Closing balance	<u>1,073,863</u>	<u>1,073,863</u>

The security deposit represents funds deposited with the SA 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 12.

Notes to the consolidated financial statements (Continued)

9. PLANT AND EQUIPMENT

2023	Plant & Equipment \$	Motor vehicles \$	Total \$
Gross carrying amount			
Opening balance	793,174	39,566	832,740
Balance 30 June 2023	793,174	39,566	832,740
Depreciation and impairment			
Opening balance	(512,952)	(39,566)	(552,518)
Depreciation	(32,803)	-	(32,803)
Balance 30 June 2023	(545,755)	(39,566)	(585,321)
Carrying amount 30 June 2023	247,419	-	247,419
2022	Plant & Equipment \$	Motor vehicles \$	Total \$
Gross carrying amount			
Opening balance	797,454	39,566	837,020
Disposals	(4,280)	-	(4,280)
Balance 30 June 2022	793,174	39,566	832,740
Depreciation and impairment			
Opening balance	(461,118)	(39,566)	(500,684)
Depreciation	(56,114)	-	(56,114)
Accumulated depreciation on disposal	4,280	-	4,280
Balance 30 June 2022	(512,952)	(39,566)	(552,518)
Carrying amount 30 June 2022	280,222	-	280,222

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. (a) DEVELOPMENT ASSETS

	2023 \$	2022 \$
Opening balance	14,807,253	14,245,139
Expenditure on exploration during the year	523,710	562,113
Closing balance	<u>15,330,963</u>	<u>14,807,252</u>

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 below.

10. (b) EXPLORATION AND EVALUATION ASSETS

	2023 \$	2022 \$
Opening balance	2,522,839	1,991,005
Expenditure on exploration during the year	325,196	531,834
Closing balance	<u>2,848,035</u>	<u>2,522,839</u>

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 assets, and exploration and evaluation assets (Uley 2 Assets) have been allocated to the CGU.

The recoverable amount of the Group'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 derived from the Definitive Feasibility Study (DFS) and ignores expansion in the Company's JORC 2012 Mineral Reserves and Resources or increases in flake graphite production;
- (c) Projected revenue is based on DFS production levels and DFS basket prices (estimated at US\$900 – US\$920 per tonne) without any revenue growth during the term of the Uley 2 Project, i.e., the basket price per tonne of production remaining unchanged.

The Company considers its Uley 2 cashflow conservative due to the following factors:

- (a) In light of the impact of the testwork program results (June 2023) and the deficit in the flake graphite market forecasted from 2025, the Company expects to increase the basket price for the Uley 2 Project as part of the update to the DFS; and
- (b) The Company's exploration plan includes an increase in JORC 2012 Mineral Reserves and Resources for both Uley 2 and Uley 3.

Notes to the consolidated financial statements (Continued)

10. (b) EXPLORATION AND EVALUATION ASSETS (continued)

Subject to the comments below in Sensitivity Analysis:

- (a) The discount rate of 12.5% post-tax reflects management's estimate of the time value of money and the Group'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 revenue assumptions without any growth due to increases in basket prices or production levels is highly conservative.

Sensitivity Analysis

As disclosed in Note 1, the directors have made judgements and estimates in respect of the impairment testing. If these judgements and estimates are materially incorrect the resulting carrying amount of the assets may decrease. The sensitivities triggering impairment of the carrying value of assets are:

- (a) A decrease in revenues over the projection period by more than 27%, with all other assumptions remaining constant.
- (b) The post-tax discount rate of 30% or more, 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.

11. PAYABLES

Payables, which are all current, recognised in the statement of financial position can be analysed as follows:

	2023	2022
	\$	\$
Trade and other payables ¹	1,246,232	1,028,753
Accrued expenses ²	169,700	166,000
Total	1,415,932	1,194,753

¹Trade and other payables includes:

- A total of \$512,507 (2022: \$494,733) payable to Chimaera Capital Limited, of which Chimaera 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 raising or 16 January 2024.

²Accrued expenses includes:

- Directors' fees of \$120,000 (2022: \$120,000) whereby Directors control the timing of payment of Directors' fees, and the Directors will receive payment in shares subject to approval at the AGM.

12. REHABILITATION PROVISION

	2023	2022
	\$	\$
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. Management has assessed that the effect of unwinding the discount on the provision is not material.

Notes to the consolidated financial statements (Continued)

13. ISSUED CAPITAL

	Number of shares	2023 \$
(a) Issued and paid-up capital		
Fully paid ordinary shares	<u>337,370,000</u>	<u>68,428,374</u>
(b) Movement in fully paid ordinary shares		
Opening balance	294,431,800	60,025,762
Shares issued on 2 December 2022 – in lieu of directors' and company secretary fees	1,018,225	600,753
Issue of share capital towards professional and consultancy fees	1,645,346	963,998
Issue of share capital upon exercise of options	28,571,429	2,520,000
Issue of share capital for cash (net of issue costs of \$129,354)	11,703,200	4,317,861
Balance as at 30 June 2023	<u>337,370,000</u>	<u>68,428,374</u>
	Number of shares	2022 \$
(a) Issued and paid up capital		
Fully paid ordinary shares	<u>294,431,800</u>	<u>60,025,762</u>
(b) Movement in fully paid ordinary shares		
Opening balance	281,834,890	58,454,228
Shares issued on 26 November 2021 – in lieu of directors' and company secretary fees	3,699,545	332,958
Issue of share capital towards exploration expenditure (professional and consultancy fees)	1,431,800	380,036
Issue of share capital for cash	7,465,565	858,540
Balance as at 30 June 2022	<u>294,431,800</u>	<u>60,025,762</u>

The share capital of Quantum Graphite Limited consists 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.

Notes to the consolidated financial statements (Continued)

13. ISSUED CAPITAL (continued)

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.

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 2022 Annual Report.

14. RESERVES

Balance of share-based payments reserve

	2023 \$	2022 \$
Opening balance	2,520,000	2,520,000
Share options issued	70,000	-
Exercise of unlisted share options	(2,520,000)	-
Closing balance	<u>70,000</u>	<u>2,520,000</u>

On 1 August 2022, the Company issued 3,000,000 share options with exercise price of \$0.75 to acquire ordinary shares in the Company with an expiry date of 31 January 2024. In accordance with AASB 2 *Share-based Payment*, the Company has used the Black Scholes Model to determine the fair value of these options.

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:

As at 30 June 2023, shares options were issued at fair value of \$70,000 with an expiry date of 31/1/2024 and an exercise price of \$0.75.

As at 30 June 2022, reconstruction shares options on issue at fair value of \$2,520,000 with an expiry date of 23/7/2023 and an exercise price of NIL.

Share Option Reserve 2023	Number of options	2023 \$
Opening balance	28,571,429	2,520,000
Share options issued	3,000,000	70,000
Exercise of unlisted share options	(28,571,429)	(2,520,000)
Balance at 30 June 2023	<u>3,000,000</u>	<u>70,000</u>

Notes to the consolidated financial statements (Continued)

Share Option Reserve 2022

	Number of options	2022 \$
Opening balance	28,571,429	2,520,000
Balance at 30 June 2022	<u>28,571,429</u>	<u>2,520,000</u>

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.

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

Operating activities

	2023 \$	2022 \$
Loss after income tax expense for the year	(5,159,466)	(2,251,280)
Adjustments for:		
Share-based payments expense	70,000	-
Depreciation expense	32,803	56,114
Interest expense	10,680	-
Issue of equity shares towards payment of directors' fees	252,000	308,959
Issue of equity shares towards payment of company secretary fees	36,000	24,000
Issue of equity shares towards payment of consultant fees	858,128	-
Loss on issue of shares at market value	418,623	68,959
Loss / (gain) on disposal of plant and equipment	(200,000)	4,279
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	(239,156)	62,399
Increase in payables	250,319	346,198
Net cash used in operating activities	<u>(3,670,069)</u>	<u>(1,380,372)</u>

16. INVESTMENTS IN CONTROLLED ENTITIES

The Company has the following subsidiaries:

Name of Subsidiary	Country of Registration	Class of Shares	Percentage held	
			2023	2022
Quantum Graphite Operations Pty Ltd	Australia	Ordinary	100%	100%
Quantum Graphite Explorations Pty Ltd [#]	Australia	Ordinary	100%	N/A

[#]Quantum Graphite Explorations Pty Ltd was incorporated on 11 May 2023.

Notes to the consolidated financial statements (Continued)

17. AUDITOR REMUNERATION

	2023 \$	2022 \$
Audit services		
Auditors of Quantum Graphite Ltd – RSM Australia Partners		
- Audit and review of Financial Reports	62,000	57,000
Audit services remuneration	62,000	57,000

18. COMMITMENTS AND CONTINGENCIES

Exploration commitments

The Group's mining and exploration licenses remain valid as at 30 June 2023. The renewal application for RL66 and RL67 was approved on 24 August 2023. 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 2023 (30 June 2022: \$Nil)

19. 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:

	2023 \$	2022 \$
Short-term benefits	252,000	240,000
Total remuneration	252,000	240,000

The Outstanding balances with key management personnel included in Accrued expenses at 30 June 2023 amounts to \$120,000 (2022: \$120,000).

Notes to the consolidated financial statements (Continued)

19. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with other related parties

	2023 \$	2022 \$
Transactions during the period		
<i>Chimaera Capital Limited (substantial shareholder in the Group)</i>		
- 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 environmental facilities, the works associated with the rehabilitation of the Uley original process plant site and management of the Company's production inventory.	1,020,000	943,500
- Loan interest charged in connection with the related party loan	44,268	27,882
<i>SC Capital Pty Ltd (director-related entity)</i>		
- Consultancy services received in connection with Sal Catalano's position as executive director of the Company	300,000	99,000
<i>Chimaera Capital Management Pte Ltd (director-related entity)</i>		
- consultancy services in respect of the arrangement of Trade Credit Insurance, Construction Risk and Liability Risk Insurance and the preparation of Project Risk Engineering Reports.	60,000	-

(b) The Sunlands Co. Pty Ltd Collaboration (director-related entity)

Prior to the formation of the joint venture with SEC, the parties had entered into a Memorandum of Understanding (MOU) from 21 November 2019 to 23 June 2021. The provisions of the MOU detailed the technical and commercial collaboration between the parties in respect of SEC's thermal energy storage technology. Activities were directed at supporting SEC's development of its test work programs and commercial deployment strategies including the planning and development of a commercial pilot facility.

On 23 June 2021, the Company announced that it had entered into a joint venture with SEC to manufacture Uley Media, the graphite based thermal storage media for SEC's TES Graphite Cells. Each party holds a 50% interest in the joint venture. On 22 December 2021, Sunlands Power Pty Ltd (formerly known as Quantum-Sunlands Partnership Pty Ltd) was formed. The parties have negotiated a Shareholder Deed which governs the joint venture relationship including the licence grant of SEC's intellectual property to Sunlands Power. As at 30 June 2023, there was no investment made into Sunlands Power Pty Ltd.

(c) 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 2023 \$	30 June 2022 \$
Current payables:		
Trade payables to Chimaera Capital Limited	512,507	494,733
Trade payables to Seefeld Investments Pty Ltd	10,091	-
Trade payables to Chimaera Capital Management Pte Ltd	60,000	-
Trade payables to SC Capital Pty Ltd	-	9,269
	582,598	504,002

(d) 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.

965,936	996,420
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Notes to the consolidated financial statements (Continued)

	30 June 2023 \$	30 June 2022 \$
(e) <i>Loans to/from related parties</i>		
Related party loan from Chimaera Capital Limited	<u>1,300,434*</u>	<u>1,289,754</u>

Under the Credit Facility Deed, interest is payable at a rate of 8.125% per annum, with a repayment date of 16 January 2024. The loan has been recognised as a current liability within the 30 June 2023 annual report.

*The repayment date was extended in September 2023 to 1 October 2024. Details of this extension are included in Note 25.

20. EMPLOYEE REMUNERATION AND SHARE-BASED PAYMENTS

(a) *Employee benefits expense*

Expenses recognised for employee benefits are analysed below:

Salaries / contract payments for Directors

2023 \$	2022 \$
252,000	240,000
<u>252,000</u>	<u>240,000</u>

(b) *Post-employment benefits expense*

Expenses recognised for post-employment employee benefits are analysed below:

Superannuation payments for Directors and employees

2023 \$	2022 \$
-	-

Notes to the consolidated financial statements (Continued)

20.EMPLOYEE REMUNERATION AND SHARE-BASED PAYMENTS (CONTINUED)

(c) *Share-based payments*

Share-based payments expense recognised during the year is \$70,000 (2022: \$nil). As at 30 June 2023, 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:

2023	Number of options	Weighted average exercise price (\$)
Opening balance	28,571,429	0.00
Share options issued on 1 August 2022 ¹	3,000,000	0.75
Exercised	(28,571,429)	0.00
Outstanding and exercisable as at 30 June 2023	3,000,000	0.75
<hr/>		
2022	Number of options	Weighted average exercise price (\$)
Opening balance	28,571,429	0.00
Outstanding and exercisable as at 30 June 2022	28,571,429	0.00

¹represents share options issued to brokers as part of the company's capital raise.

The weighted average share price* during the financial year was \$0.55 (2022: \$0.44).

*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 0.59 years (2022: 1.05 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.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected Volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1-Aug-22	31-Jan-24	\$0.42	\$0.75	37%	0%	3.35%	\$0.023

Notes to the consolidated financial statements (Continued)

21. 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	2023 \$	2022 \$
Financial assets			
Cash and cash equivalents	6	974,450	1,004,704
Receivables	7	437,839	198,683
		1,412,289	1,203,387
Financial liabilities			
Payables	11	1,415,932	1,194,753
Borrowings	19	1,300,434	1,289,754
		2,716,366	2,484,507

Financial risk management policy

The Group'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.

Notes to the consolidated financial statements (Continued)

21. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

b) Interest rate risk

Financial assets

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 2023 approximates the value of cash and cash equivalents.

Financial liabilities

As at 30 June 2023, the Group has a fixed interest rate of 8.125% p.a. on its unsecured borrowings of \$1,300,434 (2022: \$1,289,754) from a related party. The Group does not have any variable rate borrowings as at the balance sheet date.

c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is \$1,412,289 (2022: \$1,203,387) as disclosed in Notes 6 and 7 to the financial statements. The Group 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.

2023	Sensitivity*	Effect on:	
		Profit \$	Equity \$
Interest rate	+ 1.50%	+15,000	+15,000
	- 1.50%	-15,000	-15,000
2022	Sensitivity*	Effect on:	
		Profit \$	Equity \$
Interest rate	+ 1.50%	+15,000	+15,000
	- 1.50%	-15,000	-15,000

*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.

Notes to the consolidated financial statements (Continued)

21. FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

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.

22. PARENT ENTITY INFORMATION

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

	2023 \$	2022 \$
Statement of financial position		
Total current assets	974,450	42,832
Total assets	<u>21,863,279</u>	<u>18,298,187</u>
Total current liabilities	1,966,812	679,926
Total liabilities	<u>1,966,812</u>	<u>679,926</u>
Issued capital	68,428,374	60,025,762
Accumulated losses	(48,601,906)	(44,927,501)
Share option reserve	70,000	2,520,000
Total Equity	<u>19,896,468</u>	<u>17,618,261</u>
Statement of profit of loss and other comprehensive income		
Loss after income taxes	(3,674,405)	(2,117,184)
Total comprehensive income / (loss)	<u>(3,674,405)</u>	<u>(2,117,184)</u>

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 2023 and 30 June 2022. The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Notes to the consolidated financial statements (Continued)

23. 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.

24. NON-CASH INVESTING AND FINANCING ACTIVITIES

	2023 \$	2022 \$
Shares issued as compensation towards exploration expenditure (professional and consultancy fees)	-	380,036
	<u>-</u>	<u>380,036</u>

25. EVENTS AFTER THE REPORTING PERIOD

The off-market takeover bid for all of the ordinary shares in Lincoln Minerals Limited closed at 7.00pm (Melbourne time) on 14 July 2023. As one or more of the defeating conditions to the Offer were not waived or satisfied at that time, the Offer lapsed.

During September 2023, the Credit Facility Deed dated 7 December 2021 between the Company and Chimaera Capital Limited was amended to include, among other things:

- An advance of \$1 million (interest rate of 10.5% p.a.) with repayment on 1 October 2024; and
- Deferral of repayment of both the existing loan balances amounting to \$1.30 million and the amount outstanding in respect of the Technical and Administration Services Arrangement of \$0.85 million, to 1 October 2024.

There are no other events that have arisen since the end of the financial year 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.



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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 2023 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 the notes to the financial statements under Basis of preparation (page 20); 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 2023.

Signed in accordance with a resolution of the Directors:



Bruno Ruggiero
Director



Sal Catalano
Director

Melbourne, Victoria
29 September 2023

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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 'the Group'), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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.

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.

THE POWER OF BEING UNDERSTOOD

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Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Assessment of carrying value of Development Assets Refer to Note 10 in the financial statements	
<p>As at 30 June 2023, the Group's Development assets relating to Uley Project ('the Project') had a carrying amount of \$15,330,963.</p> <p>As required by AASB 136 <i>Impairment of Assets</i> ('AASB 136'), management performed an impairment assessment which entailed:</p> <ul style="list-style-type: none"> 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. <p>We determined this to be a Key Audit Matter due to the significance of these assets in the statement of financial position (73% of the total assets of the Group).</p> <p>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.</p>	<p>Our audit procedures in relation to the assessment of carrying value of the Project included:</p> <ul style="list-style-type: none"> Gathering an understanding of the status of the Development assets through discussions with management and review of the ASX announcements and other available information; Assessing the value-in-use calculations used by the directors to determine the recoverable value of the Project. This procedure included reviewing the mathematical accuracy of the value-in-use model, comparing and reconciling input data to supporting evidence and challenging the reasonableness of key assumptions adopted, such as cash flow projections, plant utilisation and resource availability, future revenue growth rates, discount rates and terminal value. 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 10 to the financial statements to assess compliance with the disclosure requirements of AASB136.
Assessment of Going Concern Refer to Note 1 in the financial statements	
<p>The Group incurred a loss of \$5,159,466 and had net cash outflows from operating activities of \$3,670,069 for the year ended 30 June 2023. As at 30 June 2023, the Group's current liabilities exceeded its current assets by \$1,304,077.</p> <p>The directors have prepared the financial report on the going concern basis. The directors' assessment of the Group's ability to continue as a going concern is based on a cash flow forecast, which includes amendment to credit facility deed with a related party.</p> <p>We determined this assessment of going concern to be a key audit matter due to the significant judgments involved in preparing the cashflow forecast, and the potential material impact of the results of management's assessment.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Critically assessing the directors' reasons as to why they believe it is appropriate to prepare the financial report on a going concern basis; Reviewing the current financial position of the Group; Assessing the appropriateness and mathematical accuracy of the cash flow forecasts and budgets prepared by management; Performing sensitivity testing on these assumptions; Reviewing the terms and conditions of the amended credit facility deed from related party, to confirm additional loans advanced and extension of the repayment terms; and Assessing the adequacy of the going concern disclosures in the financial report.

Other Information

The directors 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 2023, but does not include the financial report and the auditor's report thereon.

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 pages 9 to 13 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Quantum Graphite Limited, for the year ended 30 June 2023, 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****R J MORILLO MALDONADO**

Partner

Melbourne, Victoria

29 September 2023

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ASX Additional Information

Quantum Graphite Limited is listed on the Australian Securities Exchange. Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 28 September 2023.

Substantial shareholders

The substantial shareholder who has notified the Company in accordance with Section 671B of the Corporations Act at the date of this report are:

- Chimaera Capital Ltd – 14.20%

Voting rights

Ordinary shares On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options No voting rights.

Distribution of equity by security holders

The following information was current at 28 September 2023.

Holding	Ordinary Shares (Quoted)
1 – 1,000	305
1,001 – 5,000	496
5,001 – 10,000	320
10,001 – 100,000	488
100,001 and over	237
Number of Holders	1,846

Unmarketable parcels

There were 248 holders of less than a marketable parcel of ordinary shares (\$500 amounts at 57.0 cents per share).

Business objectives

The Company has used its cash and assets readily convertible to cash in a way consistent with its business objectives.

On-market buy-back

There is no current on-market buy-back.

Tenements

Number	Type	Interest %
ML5561	Mining Licence	100.00
ML5562	Mining Licence	100.00
RL66	Retention Licence	100.00
RL67	Retention Licence	100.00
EL6224	Exploration Licence	100.00

Twenty largest holders of All Ordinary Shares on issue

Rank	Name	A/C designation		%C
1	CHIMAERA CAPITAL LIMITED		47,919,456	14.20
2	BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	18,408,479	5.46
3	SC CAPITAL PTY LTD		17,758,750	5.26
4	ZIZIPHUS PTY LTD		12,240,459	3.63
5	SELISO PTY LTD	<OSMETTI FAMILY NO 2 A/C>	11,890,336	3.52
6	DEANNACHY PTY LTD	<DEANNACH GLORMHAR AC>	7,867,486	2.33
7	BEDRIACUM PTY LTD	<THE INCHTUTHIL A/C>	7,825,000	2.32
8	AXA INVESTMENT MANAGERS PTY L		6,850,000	2.03
8	FAR GAZING INVESTMENTS PTY LT		6,850,000	2.03
9	CABLERAND PTY LTD	<PATTISON A/C>	6,250,000	1.85
10	ACHERON WATERS PTY LTD		5,983,530	1.77
11	INVERAREY PTY LTD	<THE KILCHURN A/C>	5,685,318	1.69
12	MR MICHAEL JAMES MADDOX		5,667,646	1.68
13	LY COPODIUM LIMITED		5,315,167	1.58
14	GOLDER ASSOCIATES PTY LTD		4,830,974	1.43
15	ACN 112 940 057 PTY LTD		4,725,026	1.40
16	MRS ROCHELLE JANE PATTISON & MS KATHERINE MARGARET FORREST	<SYLVAN S/F A/C>	4,180,000	1.24
17	NEXT AUSTRALIA PTY LTD	<NEXT SUPER FUND A/C>	4,123,192	1.22
18	DR JOHN CORRAN CRAWFORD & MRS PAMELA MARY CRAWFORD	<CRAWFORD SUPER FUND A/C>	3,530,435	1.05
19	AGENS PTY LTD	<THE MARK COLLINS S/F A/C>	3,200,000	0.95
20	ST JUDE'S PROGENY PTY LTD		3,166,673	0.94
		Total	194,267,927	57.58
		Balance of register	143,102,073	42.42
		Grand total	337,370,000	100.00