

ASX Appendix 4D

under ASX Listing Rule 4.2A.1

This reporting period
 Prior corresponding period

1 July 2023 to 31 December 2023
 1 July 2022 to 31 December 2022

RESULTS FOR ANNOUNCEMENT TO MARKET

| | % Change | This Period | Prior Period |
|--|----------|-------------|--------------|
| Total revenue from ordinary activities | (69%) | 92,785 | 303,686 |
| (Loss)/profit from ordinary activities after tax attributable to members | 48% | (1,600,797) | (3,092,716) |
| Net (loss)/profit attributable to members | 48% | (1,600,797) | (3,092,716) |

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 31 Dec 2023 | As at 31 Dec 2022 |
|---|-------------------|-------------------|
| Net tangible asset per ordinary share (cents per share) | 4.85 | 5.99 |

CONTROL GAINED AND LOSS OF CONTROL OVER ENTITIES

Not applicable

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable

OTHER

Additional Appendix 4D disclosure requirements and further information can be found in the Financial Report for the Half Year to 31 December 2023.

This report is based upon the Financial Report for the Half Year to 31 December 2023 which has been reviewed by RSM Australia Partners. The auditors have issued an unmodified opinion.



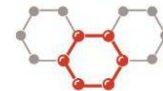
ABOUT QUANTUM GRAPHITE LIMITED

QGL is the owner of the Uley flake graphite mineral deposits located south-west of Port Lincoln, South Australia. The company's Uley 2 project represents the next stage of development of the century old Uley mine, one of the largest high-grade natural flake deposits in the world. For further information, qgraphite.com

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INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2023
to be read in conjunction with the
30 June 2023 Annual Report.



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The financial statements cover Quantum Graphite Limited (ABN 41 008 101 979) as a consolidated entity consisting of Quantum Graphite Limited and its subsidiary, Quantum Graphite Operations Pty Ltd (ABN 46 004 947 004) and Quantum Graphite Explorations Pty Ltd (ACN 667 887 667), collectively referred to as “the Group”. The financial report is presented in the Australian currency, which is Quantum Graphite Limited's functional and presentation currency.

Quantum Graphite Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

| | |
|-----------------------------|---|
| Registered Office | Level 5, 349 Collins Street Melbourne VIC 3000 |
| Principal place of Business | Level 5, 349 Collins Street Melbourne VIC 3000 |
| Website | quantumgraphite.com |

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 March 2024.

Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (hereafter referred to as the 'Company' or 'consolidated entity') consisting of Quantum Graphite Limited (hereafter referred to as the 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

A New World Order for Graphite

By the end of calendar 2023, the uninitiated were finally and fully exposed to the arcane world of the graphite market.

Once China's Ministry of Commerce announced graphite export restrictions on 20 October 2023, it was no longer plausible to deny that the graphite market would undergo some form of bifurcation. For the US and European car industry intent on clinging to an aggressive (and thoroughly impressive) rollout of EV models, the only feasible solution was to get behind the development of a graphite market that could be viably sustained outside of China's control.

True, critical OEM suppliers to the industry have been communicating this very message to these same automakers since well before the pandemic. Automakers' sense of foreboding was evident over the last 5 years, even if this didn't appear to translate to a coherent plan of action.

For the Japanese and Korean car makers the situation is a little more nuanced due to the formalised ties established many years ago with domestic Chinese refiners and suppliers of high purity graphite (HPG). Yes, they have options, but these are weakened by the effects of collateral damage from the US - China trade war. These options probably have the resilience to survive and remain a key source of supply, but they will no longer represent the exclusive or main source of HPG.

This state of affairs is best illustrated by the impact of the export restrictions announced by China. Following the proclamation, issue of licences to the China - Japan jointly owned refiners exporting HPG was considered a formality. Earlier this year these enterprises learned that they would be expected to submit to the same process and procedures as any other exporter of graphite and *compelled to navigate the same bureaucratic maze (i.e., delays) as any other exporter on a cargo-by-cargo basis.*

Similarly, for the rarified group of mainly US and European high-tech consumers of isostatic graphite (e.g., military, aerospace, medical and electronics), this situation forced them to acknowledge the brutally ruthless assessment that outside of China there was very little production, and even less expertise.

The challenge is producing fine grain HPG independently of a China-controlled supply chain at a scale sufficient to serve the needs of high-tech component manufacturers as well as anode cell producers supplying non-China automakers.

In the face of these developments, we were constantly reminded during the period of the rather perverse effects of a market under the tight control of a single player. *Despite supply constraints outside of China, the price of flake graphite powders is currently at its lowest levels for almost a decade.*

China's many decades subsidy of the graphite supply chain - underpinned by a seemingly inexhaustible supply of cheap energy and labour and limited environmental scrutiny - has delivered it absolute control of this market. It accounts for more than 90% of processed graphite and its aggressive build out of processing and refining facilities during the pandemic has catapulted it to the top league of EV automakers.

From Uley 2 Mine to HPG production... an integrated independent graphite supply chain

For over 5 years the Board has implemented a plan that would protect it from the harsh impacts of such a market whilst simultaneously ensuring it could take advantage of the decoupling from this market by those seeking to diversify their sources of graphite.

Directors' Report (continued)

The joint venture with the Sunlands Energy Co. has established a demand source, long duration energy storage (LDES), that has a potential market size many times that of the Li-ion battery market. The collaboration has also delivered a path for Uley 2 production to be refined into HPG using the Sunlands Energy Co. proprietary technology.

In the prior financial year, the Board completed the connection of these essential elements to form an integrated supply chain well-placed to take advantage of the paradigm shift in the graphite market. In the 2024 financial year, the Board's priority is now establishing the appropriate funding structure to enter the graphite market as a major producer and refiner of HPG *and firmly in control of the sales and marketing of this most-valuable product.*

Principal Activities

The Company's 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.

Board of Directors & Director Remuneration

The following persons were Directors of Quantum Graphite Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Bruno Ruggiero - Chairman and Independent Non-Executive Director

Sal Catalano - Managing Director

David Trimboli - Independent Non-Executive Director

Michael Wyer - Independent Non-Executive Director

Following shareholder approvals obtained at the 2023 AGM, the Company issued Directors with 428,474 shares at \$0.66 per share as their quarterly Director fees for the period 1 January 2023 to 31 December 2023.

| Directors | No. Shares | Fees (\$) Quarterly |
|--------------|----------------|------------------------|
| B Ruggiero | 128,542 | 18,000 |
| S Catalano | 128,542 | 18,000 |
| D Trimboli | 85,695 | 12,000 |
| M Wyer | 85,695 | 12,000 |
| Total | 428,474 | 60,000 |

The issued and outstanding securities following the above issue is 337,884,169 fully paid ordinary shares and 3,000,000 options.

Review of Operations and Financial Results

The loss of the consolidated entity for the period was \$1,600,797 (31 December 2022: loss of \$3,092,716). The loss results primarily from the ongoing technical activities related to the Uley 2 project and the downstream technical activities undertaken within Sunlands Power Pty Ltd (formerly QSP). The Company's financial performance remains broadly in line with plan.

Directors' Report (continued)

Significant changes in the state of affairs

a) Capital Raising

During the first half of FY2024, the Company completed the following issue of securities:

- On 28 November 2023, the Company issued 514,169 fully paid ordinary shares in lieu of Director fees and Company Secretary fees accrued to 31 December 2023.
- During the period the Company concluded a variation to the Credit Facility Deed between the Company and Chimaera Capital Limited on 28 December 2023. The variation resulted in an increase in the amount available under the facility to \$3,000,000 and a revised repayment date of the earlier of 1 July 2025 or the next capital raising.

b) Update to the Uley 2 2019 Definitive Feasibility Study (2023 Uley 2 DFS)

In December 2023 the Company announced the DFS Update following the release of the results of the Value Engineering Assessment (VEA). The DFS Update and the VEA were completed by Lycopodium Minerals.

The DFS Update was prepared on the basis of:

- maximising mill throughput to 1,200,000 tpa (cf. 550,000 tpa 2019 DFS)
- revised capital costs of A\$152.7 million (cf. A\$79.8 million 2019 DFS)
- revised production costs (Av LOM) of US\$401 dmt (cf. US\$368 dmt 2019 DFS)
- increasing the basket price to US\$1,225 per tonne of gC (cf. US\$919 per tonne 2019 DFS)

All other inputs to the 2019 DFS including the modifying factors forming part of the 2012 JORC Ore Reserve Estimate remain unchanged for the purpose of the DFS Update.

The VEA was prepared as part of the Company's plans to maximise production to meet the forecast increase in demand for natural flake products by the end of 2025. It resulted in a revision of both the capital and operating costs as at the end of Q2 2023 and was prepared:

- at a standard commensurate with a definitive feasibility study (accurate to +/- 20%)
- a foreign exchange rate of US\$1.00/ AU\$1.54.
- an EPCM contract execution strategy

The economic and financial impacts of the DFS Update delivered results that are significant improvement to the 2019 DFS build on Uley 2's solid economics that continue to deliver materially lower quartile operating costs compared with comparable projects.

Maximising mill throughput has resulted in significant efficiencies to Uley 2 operations including:

- a material decrease in processing costs to 50.8% of total costs (cf. 71% 2019 DFS)
- a substantial decrease in fixed costs as a share of processing costs to 35% (cf. 62% 2019 DFS)

c) Uley 2 Financing Strategy and the VISION 2030 Plan

During the period, financing of the Uley 2 project continued to progress with diligence meetings and presentations conducted in London, UAE and Singapore. The Company has entered into non-disclosure agreements with several interested counterparties all of which have been provided access to the Company's electronic data room.

Directors' Report (continued)

The funding structure proposed by the Company is a corporate debt issuance in the form of Green/Decarbonisation Bonds listed on the Luxembourg Stock Exchange. This structure is supported by the Company's VISION 2030 strategy which targets direct traceable carbon dioxide emission reduction achievable from the deployment of the Sunlands Energy Co.'s long duration energy storage solution. VISION 2030 is consistent with the ICMA Green Bond Principles 2020.

d) Uley 2 and Uley 3 Resource Extension Program

During the period, work commenced on the Company's Uley 2 and Uley 3 Resource Extension Program. The program is focused on the exploration of the significant upside resource potential within the greater Uley resource province. A key element of this exploration plan is the acquisition of additional geophysical data that will be applied to further refine the Company's resource model and develop a broader range of indicators of high value mineralised opportunities within the greater Uley resource province.

Preparatory works required for the design of the exploration plan commenced during the period. Details of the plan will be announced once the Company processes the geophysical data it obtained from the drone survey over the Uley 2 and Uley 3 deposits completed in December 2023.

The geophysical survey over the Uley 2 and Uley 3 deposits was chosen because this area has had extensive drill coverage and will deliver a more reliable interpretation of the geophysical response.

The results from the survey will be used to finalise the Uley Resource Extension Program which comprises:

- some 10,000 metres of reverse circulation drilling at Uley 2 and Uley 3 prospects
- a tenement wide airborne geophysical survey that will cover the whole of EL 6224 as well as RLS 66 and 67 and MLs 5561 and 5562 (on the basis that the Uley 2 and Uley 3 ground-based electromagnetic survey demonstrates the efficacy of geophysics as the main tool for identifying graphite occurrences and drill hole target locations)

e) AusIndustry Issues Advance Finding for Overseas R&D

During the first half of FY2024, the Company announced AusIndustry's confirmation of the renewal of the R&D Tax Incentive registration for the various research projects undertaken under the R&D collaboration with Sunlands Energy Co.

These projects include the ongoing work associated with Uley 2 high purity flake graphite (HPG) technologies and the manufacture of thermal energy storage media for Sunlands Energy Co's Graphite Cells.

A key part of this registration is the additional approval obtained for the overseas R&D activities which have been essential to the program's success to date. Accessing expertise and technical facilities not available in Australia continues to be an Integral part of the parties' R&D collaboration.

This approval has been provided by way of the issue of the *Advance and Overseas Finding Certificate* and applies to the 2023, 2024 and 2025 years of income.

Following the renewal of registration, the Company finalised the next phase of R&D activities which are focused on achieving various efficiency outcomes for the scalable commercialisation of the technologies. The Company is already positioned to exploit the purification technologies to produce HPG at 99.9% graphitic carbon and construct the first Graphite Cell pilot facility.

f) Lapse of Takeover Offer

On 9 August 2022, the Company lodged a takeover offer for all the shares of Lincoln Minerals Limited (Lincoln). The terms and conditions of which were set out in Quantum's Replacement Bidder's Statement dated 6 September 2022.

Directors' Report (continued)

The Quantum Board carefully considered developments in relation to Lincoln and its business including irregularities discovered due diligence process relating to Lincoln's failure to provide or demonstrate a register of shareholders that complied with the Australian Corporations Act. Accordingly, the offer was subsequently withdrawn on 7 July 2023.

g) 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 and expert reports relating to liability have been filed with the court. The parties did not undertake mediation as expected before the end of the period following the Company's decision to prepare further expert material on the loss amount resulting from Grant Thornton's actions.

Mining Titles

All mining titles are current and remain in good standing. On 9 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.

Events Arising Since the End of The Reporting Period

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 5 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of the Directors.



Bruno Ruggiero
Chairman
15 March 2024



Sal Catalano
Managing Director
15 March 2024

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Quantum Graphite Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS

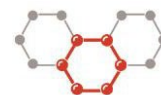


R J MORILLO MALDONADO

Partner

Date: 15 March 2024

Melbourne, Victoria

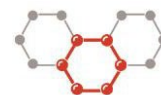


Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2023

| | Notes | 31 December 2023 \$ | 31 December 2022 \$ |
|--|-------|---------------------------|---------------------------|
| Other income | 2 | 92,785 | 303,686 |
| Corporate and asset management expenses | 3 | (1,585,828) | (3,359,803) |
| Depreciation | 3 | (14,250) | (16,491) |
| Total operating loss | | (1,507,293) | (3,072,608) |
| Interest revenue | | 1,827 | 2,788 |
| Interest expense | | (95,331) | (22,896) |
| Net financing expense | | (93,504) | (20,108) |
| Loss before tax | | (1,600,797) | (3,092,716) |
| Income tax benefit / (expense) | | - | - |
| Loss for the period attributable to owners of Quantum Graphite Limited | | (1,600,797) | (3,092,716) |
| Other comprehensive income, net of tax | | - | - |
| Total comprehensive loss for the period attributable to owners of Quantum Graphite Limited | | (1,600,797) | (3,092,716) |
| Loss per share from continuing operations | | | |
| Basic and diluted loss – cents per share | 4 | (0.47) | (0.97) |

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

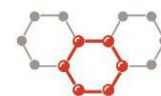


Consolidated Statement of Financial Position

As at 31 December 2023

| | Notes | 31 December 2023 \$ | 30 June 2023 \$ |
|---|-------|---------------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 988,650 | 974,450 |
| Receivables | | 543,241 | 437,839 |
| Total current assets | | 1,531,891 | 1,412,289 |
| Non-current assets | | | |
| Security deposit with the Department of State Development | | 1,073,863 | 1,073,863 |
| Plant and equipment | 5 | 233,169 | 247,419 |
| Intangible assets | | 7,189 | 7,189 |
| Development assets | 6 (a) | 15,417,104 | 15,330,963 |
| Exploration and evaluation assets | 6 (b) | 3,050,741 | 2,848,035 |
| Total non-current assets | | 19,782,066 | 19,507,469 |
| TOTAL ASSETS | | 21,313,957 | 20,919,758 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | | 1,745,536 | 1,415,932 |
| Borrowings | | - | 1,300,434 |
| Total current liabilities | | 1,745,536 | 2,716,366 |
| Non-current liabilities | | | |
| Rehabilitation provisions | | 558,369 | 558,369 |
| Borrowings | | 2,626,474 | - |
| Total non-current liabilities | | 3,184,843 | 558,369 |
| TOTAL LIABILITIES | | 4,930,379 | 3,274,735 |
| NET ASSETS | | 16,383,578 | 17,645,023 |
| EQUITY | | | |
| Issued capital | 7 | 68,767,726 | 68,428,374 |
| Reserves | 8 | 70,000 | 70,000 |
| Accumulated losses | | (52,454,148) | (50,853,351) |
| TOTAL EQUITY | | 16,383,578 | 17,645,023 |

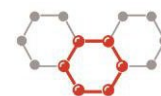
This statement should be read in conjunction with the notes to the financial statements.



Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2023

| | Share Capital \$ | Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
|---|---------------------|---------------|-----------------------------|--------------------|
| Balance as at 1 July 2023 | 68,428,374 | 70,000 | (50,853,351) | 17,645,023 |
| Shares issued in lieu of directors' and company secretary fees | 339,352 | - | - | 339,352 |
| <i>Transactions with owners in their capacity as owners</i> | 339,352 | - | - | 339,352 |
| Comprehensive income: | | | | |
| Loss after income tax for the reporting period | - | - | (1,600,797) | (1,600,797) |
| Other comprehensive income for the reporting period, net of tax | - | - | - | - |
| <i>Total comprehensive loss for the reporting period</i> | - | - | (1,600,797) | (1,600,797) |
| Balance as at 31 December 2023 | 68,767,726 | 70,000 | (52,454,148) | 16,383,578 |
| | Share Capital \$ | Reserve \$ | Accumulated Losses \$ | Total Equity \$ |
| Balance as 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 reporting period | - | - | (5,159,466) | (5,159,466) |
| Other comprehensive income for the reporting period, net of tax | - | - | - | - |
| <i>Total comprehensive loss for the reporting period</i> | - | - | (5,159,466) | (5,159,466) |
| Balance as at 31 December 2022 | 68,428,374 | 70,000 | (50,853,351) | 17,645,023 |

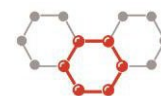


Consolidated Statement of Cash Flows

For the half-year ended 31 December 2023

| | 31 December 2023 \$ | 31 December 2022 \$ |
|--|---------------------------|---------------------------|
| Cash flow from operating activities | | |
| Payments to suppliers and employees | (1,015,534) | (2,348,481) |
| Interest received | - | 2,788 |
| Net cash used in operating activities | (1,015,534) | (2,345,693) |
| Cash flow from investing activities | | |
| Payments for exploration and evaluation assets | (127,517) | (187,848) |
| Payments for development assets | (142,749) | (386,038) |
| Proceeds from disposal of plant and equipment | - | 220,000 |
| Net cash used in investing activities | (270,266) | (353,886) |
| Cash flow from financing activities | | |
| Proceeds from borrowings | 1,300,000 | - |
| Proceeds from issue of share capital | - | 4,317,862 |
| Net cash from financing activities | 1,300,000 | 4,317,862 |
| Net increase in cash and cash equivalents | 14,200 | 1,618,283 |
| Cash and cash equivalents at the beginning of the reporting period | 974,450 | 1,004,704 |
| Cash and cash equivalents at the end of the reporting period | 988,650 | 2,622,987 |

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



Notes to the consolidated financial statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of operations

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

(b) General information and 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 Standard AASB 134 '*Interim Financial Reporting*' and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards AASB 134 results in compliance with the International Financial Reporting Standards (IFRS) IAS 134 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(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.

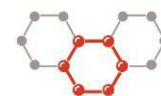
As disclosed in the financial statements, the Group incurred a loss of \$1,600,797 and had net cash outflows from operating activities of \$1,015,534 for the six months ended 31 December 2023. Also, as at 31 December 2023, the Group's current liabilities exceed its current assets by \$213,645. These matters indicate a material uncertainty which may cast significant doubt over the ability of the Group to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Despite the above-mentioned matters, the Directors, after reviewing the cash flow forecast for a period of twelve months after the signing of this financial report, concluded that there are reasonable grounds to believe 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 Directors' assessment considered the following factors:

- The Group has met all expenditure commitments under the terms of the exploration license renewal (refer Note 10);
- The Group has the discretion to vary the timing and scope of its exploration and evaluation activities; and
- The Directors are planning to raise additional capital from existing and new shareholders and are confident that this is feasible based on the Group's history of successful capital raises.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

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



Notes to the consolidated financial statements (Continued)

2. OTHER INCOME

| | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| | \$ | \$ |
| R&D tax incentive ¹ | 99,959 | 97,318 |
| Gain on disposal of plant and equipment | - | 200,000 |
| Foreign exchange (loss) / gain - net | (7,174) | 6,368 |
| Total | 92,785 | 303,686 |

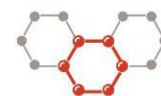
¹ R&D tax incentive income consists of an accrual of \$99,959 which is an estimate based on costs to be submitted for the future claim to be completed for 30 June 2024.

3. EXPENSES

| | 31 December 2023 | 31 December 2022 |
|--------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Advertising & Marketing costs | 23,213 | 978,847 |
| Brokerage costs | - | 70,000 |
| Consultant fees | 122,587 | 495,280 |
| Data & Communication equipment | 118,552 | 91,800 |
| Directors' salary expense | 120,000 | 132,000 |
| Legal & professional fees | 329,414 | 531,909 |
| Loss on issue of shares ¹ | 50,284 | 307,953 |
| Research & development | 229,792 | 223,718 |
| Rental expense | 112,200 | 112,200 |
| Sundry service fees | 102,000 | 102,000 |
| Other expenses ² | 377,786 | 314,096 |
| Subtotal | 1,585,828 | 3,359,803 |
| Depreciation expense | 14,250 | 16,491 |
| Total | 1,600,078 | 3,376,294 |

¹ Loss on issue of shares in respect of directors' remuneration and company secretary fees for the period 1 January 2023 to 31 December 2023 \$50,284 (31 December 2022 \$307,953).

² Other expenses include expenses relating to the regulatory administration and compliance (including maintenance) of the company's mining titles.



Notes to the consolidated financial statements (Continued)

4. EARNINGS PER SHARE

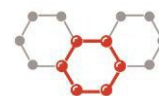
The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | 6 months to December 2023 | 6 months to December 2022 |
|---|---------------------------------|---------------------------------|
| Loss after income tax attributable to the owners of Quantum Graphite Limited (\$) | (1,600,797) | (3,092,716) |
| Weighted average number of shares used in basic earnings per share | 337,462,215 | 320,237,326 |
| Basic and Diluted Loss per share (cents) | (0.47) | (0.97) |

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.

5. PLANT AND EQUIPMENT

| 31 December 2023 | Plant & Equipment \$ | Motor vehicles \$ | Total \$ |
|--|----------------------------|-------------------------|-------------|
| Gross carrying amount | | | |
| Opening balance | 793,174 | 39,566 | 832,740 |
| Balance as at 31 December 2023 | 793,174 | 39,566 | 832,740 |
| Depreciation and impairment | | | |
| Opening balance | (545,755) | (39,566) | (585,321) |
| Depreciation | (14,250) | - | (14,250) |
| Balance as at 31 December 2023 | (560,005) | (39,566) | (599,571) |
| Carrying amount as at 31 December 2023 | 233,169 | - | 233,169 |



Notes to the consolidated financial statements (Continued)

5. PLANT AND EQUIPMENT (continued)

| 30 June 2023 | Plant & Equipment \$ | Motor vehicles \$ | Total \$ |
|------------------------------------|----------------------------|-------------------------|-------------|
| Gross carrying amount | | | |
| Opening balance | 793,174 | 39,566 | 832,740 |
| Balance as at 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 as at 30 June 2023 | (545,755) | (39,566) | (585,321) |
| Carrying amount as at 30 June 2023 | 247,419 | - | 247,419 |

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

6. (a) DEVELOPMENT ASSETS

| | 31 December 2023 \$ | 30 June 2023 \$ |
|--|---------------------------|-----------------------|
| Gross carrying amount | | |
| Opening balance | 15,330,963 | 14,807,253 |
| Expenditure on exploration during the reporting period | 86,141 | 523,710 |
| Closing balance | 15,417,104 | 15,330,963 |

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.

Notes to the consolidated financial statements (Continued)

6. (b) EXPLORATION AND EVALUATION ASSETS

| | 31 December 2023 \$ | 30 June 2023 \$ |
|--|---------------------------|-----------------------|
| Opening balance | 2,848,035 | 2,522,839 |
| Expenditure on exploration during the reporting period | 202,706 | 325,196 |
| Closing balance | <u>3,050,741</u> | <u>2,848,035</u> |

Impairment testing

For the purposes of assessing impairment, the Group's assets are grouped and reviewed for impairment at the CGU level (determined by management as equivalent to its operating segments). 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 ("the Uley 2 Assets") have been allocated to the CGU.

The Group considers both qualitative and quantitative factors when determining whether an asset or CGU may be impaired. The Directors have reviewed the carrying value and recoverable amount of the Uley 2 Assets and included in their assessment the results of the DFS Update (2023 DFS) that followed the release of the Value Engineering Assessment (VEA) in November 2023.

The VEA was prepared as part of the Company's plans to maximise production to meet the forecast increase in demand for natural flake products by the end of 2025. It resulted in a revision of both the capital and operating costs as at the end of Q2 2023 (2023 Costs Estimate) which were then incorporated in the 2023 DFS published by the Company in December 2023.

The 2023 Costs Estimate was prepared:

- at a standard commensurate with a definitive feasibility study (accurate to +/- 20%)
- at a foreign exchange rate of US\$1.00/ AU\$1.54
- based on an EPCM contract execution strategy

The 2023 DFS economic and financial results are based on:

- maximising mill throughput to 1,200,000 tpa (cf. 550,000 tpa 2019 DFS)
- revised capital costs of A\$152.7 million (cf. A\$79.8 million 2019 DFS)
- revised production costs (Av LOM) of US\$401 dmt (cf. US\$368 dmt 2019 DFS)
- increasing the basket price to US\$1,225 per tonne of gC (cf. US\$919 per tonne 2019 DFS)

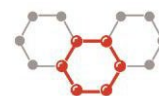
All other inputs to the 2019 DFS including the modifying factors forming part of the 2012 JORC Ore Reserve Estimate remain unchanged for the purpose of the 2023 DFS.

Based on the above, the Directors noted no indicators of impairment as at 31 December 2023.



7. ISSUED CAPITAL

| | Number of shares # | 31 December 2023 \$ |
|--|--------------------------|---------------------------|
| (a) Issued and paid-up capital | | |
| Fully paid ordinary shares | 337,884,169 | 68,767,726 |
| (b) Movements in fully paid ordinary shares | | |
| Opening balance as at 30 June 2023 | 337,370,000 | 68,428,374 |
| Shares issued on 28 November 2023 – in lieu of directors' and company secretary fees | 514,169 | 339,352 |
| Balance as at 31 December 2023 | 337,884,169 | 68,767,726 |



Notes to the consolidated financial statements (Continued)

8. RESERVES

| | Number of options # | 31 December 2023 \$ |
|---------------------------|---------------------------|---------------------------|
| (a) Share options reserve | | |
| Share options reserve | 3,000,000 | 70,000 |

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, the Company has used the Black Scholes Model to determine the fair value of these options.

| | Number of options # | \$ |
|--|---------------------------|--------|
| (b) Movements in share options reserve | | |
| Opening balance as at 30 June 2023 | 3,000,000 | 70,000 |
| Balance as at 31 December 2023 | 3,000,000 | 70,000 |

9. 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.

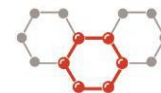
10. COMMITMENTS AND CONTINGENCIES

Exploration commitments

The Group's mining and exploration licenses remain valid as at 31 December 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. The minimum expenditure commitment for renewal of this license is \$80,000 over the two years to 12 October 2023.

Contingent liabilities and assets

The Group has no contingent assets or liabilities as at 31 December 2023 (30 June 2023: \$Nil).



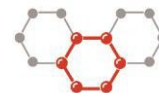
Notes to the consolidated financial statements (Continued)

11. RELATED PARTY TRANSACTIONS

Chimaera Capital Limited is responsible for corporate and asset management services.

| | 31 December 2023 \$ | 31 December 2022 \$ |
|---|---------------------------|---------------------------|
| (a) Transactions during the period | | |
| Chimaera Capital Limited (substantial shareholder in the Group) | | |
| Office rent charged | 112,200 | 112,200 |
| Tenement administration charged | 102,000 | 102,000 |
| IT services charged | 91,800 | 91,800 |
| Accounting services charged | 102,000 | 102,000 |
| Corporate administration fees charged | 35,700 | 35,700 |
| Research and development | 66,300 | 66,300 |
| Loan interests | 95,331 | 22,896 |
| Exercise of share options | - | 2,520,000 |
| SC Capital Pty Ltd (director-related entity) | | |
| Consultancy services charged | 150,000 | 150,000 |
| (b) Outstanding balances at 31 December 2023 | | |
| | 31 December 2023 \$ | 30 June 2023 \$ |
| Payables | 1,223,215 | 582,598 |
| Borrowings | 2,626,474 | 1,300,434 |

In addition to providing these services, \$980,646 (30 June 2023: \$965,936) of the Group's Cash and Cash Equivalents is held with Chimaera Custody Services, a division of Chimaera Capital Limited.



Notes to the consolidated financial statements (Continued)

11. RELATED PARTY TRANSACTIONS (continued)

(c) The Sunlands Energy Co. Pty Ltd (SEC) Collaboration (Director-related entity)

The Company and SEC each hold a 50% interest in Sunlands Power Pty Ltd (formerly The Quantum-Sunlands Partnership Pty Ltd). Sunlands Power is the incorporated joint venture established by the parties in June 2021 to manufacture the thermal storage media required by SEC for the production of its long duration energy storage TES Graphite Cells. In May 2023, the parties expanded Sunlands Power's activities as a result of the grant by SEC of exclusive OEM rights to manufacture complete TES Graphite Cells. As at 31 December 2023, no investment has been made into Sunlands Power.

12. EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

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

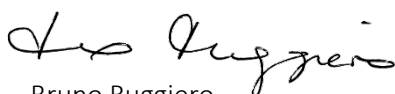
Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Bruno Ruggiero
Chairman
15 March 2024



Sal Catalano
Managing Director
15 March 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Quantum Graphite Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Quantum Graphite Limited ('the Company'), and its subsidiaries (together referred as 'the Group'), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* ('ASRE 2410'). Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (c) in the interim financial report, which indicates that the Group incurred a loss of \$1,600,797 and had net cash outflows from operating activities of \$1,015,534 during the half year ended 31 December 2023. Also, as at 31 December 2023 the Group's current liabilities exceeds its current assets by \$213,645. As stated in Note 1(c), these events and conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated entity's financial position as at 31 December 2023 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A stylized, handwritten signature of 'RSM' in dark ink.

RSM AUSTRALIA PARTNERS

A stylized, handwritten signature of 'R J Morillo Maldonado' in dark ink.

R J MORILLO MALDONADO

Partner

Date: 15 March 2024

Melbourne, Victoria