Quantum Materials Corp. Update (OTCQB: QTMM) - Launches Joint Venture in China to Produce and Develop QD Solutions - US$20 Million Invested by JV Partner GTG

Quantum Materials Corp. (QMC) had major news earlier this week wherein they announced the formation of a Joint Venture with Guanghui Technology Group (GTG) to establish infrastructure in China to both produce quantum dots and to further develop quantum dot based technology solutions for display, solid state lighting (SSL), lithium ion batteries, security and solar energy markets. GTG is a Financial Advisory and Services Company that assists advanced technological companies enter the China market. GTG is investing US$20 million into the joint venture to build out QDX™ quantum dot production facilities and fund quantum dot application development in China. Embedding quantum dot production regionally allows Quantum Materials to work closely with clients to customize quantum dot characteristics to optimize manufacturing efficiencies as well as supply chain logistics. An 8-K filing out this week further defined the relationship with GTG by reporting that Quantum Materials Corp. would represent 4 board seats (including QMC CEO Stephen Squires acting as CEO of the Joint Venture) with GTG comprising 3 seats on the board and cash distributions to be split on a 50-50 basis between the two entities.

Stephen Squires, founder and CEO of Quantum Materials Corp. QMC stated in the release: “This agreement represents our commitment to provide customers with best-in-class Quantum Dot materials, including Cadmium free quantum dots. Our patented mass production process enables us to rapidly establish locally based manufacturing to meet their volume production demands. Combining our resources and expertise in advanced quantum dot technologies with GTG’s strong financial support and business relationships with top-tier manufacturers of displays, lighting products and solar panels will facilitate generating tremendous business opportunities in both the government and private sectors.”


OUR TAKEAWAY:
We see this weeks' development as a MAJOR catalyst in moving QMC closer to their stated goal of becoming a global-scale supplier of quantum dot materials/solutions. We recently returned from the 2016 Consumer
Electronics Convention (CES) in Las Vegas (Jan 5-8) to check in on the major electronic OEM's and get a sense of the current marketplace for quantum dots. We left CES with absolutely no doubt that quantum dot technology has - and is going to continue to disrupt the flat panel display market in a big way over the next few years by allowing the OEM's to produce a higher performance product in color gamut coverage (WCG) for a very minimal upcharge in manufacturing cost. This dynamic solves two issues for the industry. First it allows OEM's to charge more for a product category that is quickly becoming "commoditized" and secondly it removes much of the "oxygen" from the large-form OLED technology capex push by manufacturers without the two letters L and G in their name. The graphic at the top of this post was taken at CES and links to some of the incredible, eye popping LCD panels Samsung showcased at the conference wherein they announced that 100% of their premium displays in 2016 would be powered by quantum dot technology (the tagline for Samsung at this years' show was "feel the power of quantum dot display technology") - if you haven't had a chance to see our full CES 2016 Travel Dispatch, here is a link:  https://understocks.files.wordpress.com/2016/01/qtmm-article-january-2016.pdf

Making this weeks announcement even more compelling is the geographic location of this Joint Venture - mainland China. Over the past year or two, the center of the flat panel display/LCD universe has continued its migration westward (it started in Japan, then moved to Taiwan/S Korea) with a massive amount of newly constructed, state-of-the-art LCD fab capacity being added in China and approximately $30 billion of additional LCD capex approved/appropriated there for the next few years. With massive capacity growth forecast for the LCD market in China (combined with the already large capacity on the ground), this is the ideal location for Quantum Materials Corp. to set up shop with a second processing facility and quantum dot application development presence/lab. The fact that their new JV partner is funding the establishment and growth of this enterprise with a US$20 million investment is also very impressive. From discussions we have had with QMC management regarding this development and from information in the press release we know that the individuals that make up GTG have long established, high-level contacts in the display technology market space - and while we realize that future product wins will be ultimately dependent on QMC component performance levels and pricing, gaining top level access efficiently can be the difference between success and failure in a business culture that is extremely contact dependent.

THE ROADMAP:
We have listed below several key market drivers that define a clear path for Quantum Materials Corp. to reach their stated goals of revenue in Q3-2016 (or possibly sooner) - and maps out the value model going forward from here. Investors that can correctly connect these dots (so to speak) should be able to get a glimpse of Quantum Materials Corp's near term future well ahead of the general investment market as they enter the most dynamic chapter of their growth strategy.

1) The QD industry is ramping up quickly and demand for QD's is going to be very brisk over the next few years starting in display's (happening now) and soon in SSL - and then eventually solar, biomedical, battery and anti-counterfeiting applications as they come online.

2) QMC has partnered with Nitto Denko to supply a QD coated opto-electronic film for the flat panel display market. Nitto Denko is one of, if not the largest global supplier of opto-electronic film substrates to the electronics marketplace and when this film product is completed (expected in Q2-2016), QMC will be in a position to gain product wins and start generating revenue. We suggest that you Google Nitto Denko when you get a chance, a very impressive partner. Here is a link to QMC's current PPT presentation - Milestone Timeline chart on page 18: http://qmcdots.com/qmcdecemberpresentation.pdf

3) QMC's key differentiator is their continuous flow production process and IP portfolio that allows them to make QDX™ branded high performance, cadmium free (and cadmium based) quantum dots with high heat, moisture and air exposure tolerance/stability. The nature of this process also allows for production parameters of low (production) cost, high volume, high tolerance material uniformity, low capex and rapid scaleup - allowing them to
grow their production capability quickly and cost efficiently as demand grows for their products and the industry ramps up (present capacity of 2.25 metric tons per year. Using a notional value of $100/gram for QD's this yields topline revenue at full capacity utilization of US$225 million. Any additional capacity brought online in China will add to this number).

4) QMC recently signed a US$20M JV partnership with a very well positioned China group (announced this week) to establish production in China and supply the China display market, which is quickly becoming the center of the LCD universe with the largest fleet of next gen LCD fabs that are currently pricing out the South Koreans in displays (Samsung has discontinued manufacturing 32" displays and is now sourcing this size display from a China OEM). China's strategy going forward is committed to producing large format, high quality product (UHD, HDR and WCG) panels and gearing up larger generation form fabs and supply chains to make that happen - which we believe will require many tons of high performance level quantum dot materials. We believe that this large capital commitment/investment by the GTG group into the JV is a strong endorsement of the quality and advanced development stage of QMC's QD products, production capability and solid IP position.

5) China RoHS has now passed and will be prohibiting cadmium based electronics in China post July 1, 2016 (any electronics product with over 0.01% cadmium content will be prohibited). Several competing quantum dot manufacturers have been lobbying aggressively to allow cadmium in electronics in Europe and were likely thinking that China would allow cadmium to be exempted as well. With this new ruling we know that this is clearly not going to be the case and will favor QD manufacturers that have the know-how and production capability to produce high-performance level, cadmium-free quantum dots - which is the format that Quantum Materials Corp has focused on over the past year or so.

So there you have it. The key reasons why we continue to see compelling value potential in Quantum Materials' future enterprise growth and investment upside. It's pretty rare that investors get a chance to truly be in on the ground floor of a "sea change" in technology. We see Quantum dots as that disruptive "super material" that will change the design landscape for a myriad of tech products, and we see Quantum Materials Corp as the ideal vehicle to play that major shift.

**QMC management will be presenting at this year's Roth Investment Conference (March 13-16 at Laguna Niguel, Ritz Carlton Resort). If you are planning to attend drop us a line and we can coordinate a face-to-face meeting with them during the conference.**

We will continue to keep you up to date on Quantum Materials Corp and their future development path.

Regards,

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