

**ASX RELEASE  
27 January 2021**

## **December 2020 Quarterly Report**

### **Highlights**

- **Strong progress made on product marketing resulting in offtake MOUs signed with LG Chem and Samsung SDI**
- **Commencement of pilot plant activities with first MHP produced in preliminary pilot run**
- **TECH Project site within Lansdown Eco-Industrial Precinct formally secured by Reservation Deed with Townsville City Council**

Queensland Pacific Metals Ltd (ASX:QPM) ("**QPM**" or "the **Company**") is pleased to publish a summary of its activities for the December 2020 quarter.

### **Product Marketing and Offtake**

Product marketing of the key battery chemicals to be produced by the TECH Project, nickel sulfate and cobalt sulfate, has been the focus for QPM. To date, QPM has targeted potential customers in the Asian region, due to the geographical location of the TECH Project and Covid-19 constraints. Strong progress has been made with Memorandum of Understandings ("**MOU**") entered into during the December quarter with LG Chem and Samsung SDI. Despite this success, European and North American markets remain on QPM's radar and the Company plans to start developing relationships with potential customers in these regions.

#### **LG Chem**

In October, QPM announced it had entered into a non-binding MOU with LG Chem regarding the supply of nickel and cobalt from the TECH Project. The key terms of the MOU are:

- LG Chem is seeking to purchase 10,000t of nickel in the form of mixed hydroxide precipitate ("**MHP**") and nickel sulfate;
- QPM and LG Chem agree to negotiate in good faith to enter into a binding offtake agreement at these quantities for an initial term of 3 to 5 years;
- Pricing will be linked to underlying commodity prices on an agreed exchange such as the London Metals Exchange; and
- LG Chem will consider assisting in financing of the TECH Project by way of a prepayment.

Subsequent to execution of the MOU, LG Chem spun out its battery business, LG Energy Solution ("**LGES**"). LGES is the world's largest producer of lithium ion batteries. The ability for QPM to attract the attention of LGES highlights the potential of the TECH Project to become an important part of the nickel and cobalt supply chain for the battery sector.

### **Samsung SDI**

In follow-up to the LG Chem agreement, QPM entered into a non-binding MOU with Samsung SDI in November regarding the supply of nickel from the TECH Project. The key terms of the MOU are:

- Samsung is seeking to purchase 6,000t of nickel in the form of mixed hydroxide precipitate (“MHP”) and nickel sulfate;
- QPM and Samsung agree to negotiate in good faith to enter into a binding offtake agreement at these quantities for an initial term of 3 to 5 years; and
- Pricing will be linked to underlying commodity prices on an agreed exchange such as the London Metals Exchange.

Samsung SDI is also a major player in the lithium ion battery sector and a leading manufacturer of batteries.

### **TECH Project Sizing**

The original scaling of the TECH Project, as contemplated in the Pre-Feasibility Study (“PFS”), was for a plant that would produce approximately 6,000t of contained nickel per annum. At the time of undertaking the PFS, QPM was seeking to minimise initial capex by designing the TECH Project to be the smallest commercially viable plant.

In light of discussions with LGES and Samsung, it has become apparent to QPM that scale is important to potential customers as they are seeking significant and reliable supply from projects with strong sustainability credentials. The two MOUs also highlight that there will be significant demand for QPM products.

During the quarter, QPM commenced work on assessing what level it could appropriately scale the TECH Project to meet the demands of offtakers, giving due consideration to:

- Capital expenditure and fundability of the project;
- Impact on environmental and regulatory approvals;
- Ore supply; and
- Supporting infrastructure requirements.

QPM plans to finalise the scale of the TECH Project in the March 2021 quarter, prior to the commencement of a Definitive Feasibility Study (“DFS”).



## Pilot Plant Activities

During the quarter, a pilot plant was constructed at ALS Global's facilities in Perth, Western Australia, to pilot the Direct Nickel Process ("DNi Process™") on representative ore sourced from QPM's New Caledonian ore supply partners. The first continuous run on the pilot plant was completed just before Christmas. With a scheduled break over the Christmas and New Year holiday period, completing this first run was a key milestone for QPM as it allowed the team to assess how the plant would run and provide time to plan for any modifications and adjustments to set the plant up for successful continuous operation.

Other than demonstration of the DNi Process™, the objectives of the pilot plant are:

- Production of nickel-cobalt MHP to send as product sample to prospective customers for offtake;
- Production of nickel-cobalt MHP for conversion into nickel and cobalt sulfate;
- Production of by-product aluminium hydroxide for conversion into high purity alumina ("HPA");
- Production of iron oxide for conversion into saleable, high-grade haematite product;
- Generation of tailings residue for characterisation work and assessment of suitability as engineered landfill; and
- Generation of data for the DFS.

The first continuous run resulted in production of MHP and other by-products. Conversion work of MHP into nickel sulfate and aluminium hydroxide into HPA has been commissioned and is expected to be completed in the March 2021 quarter.

Pilot plant operation is due to resume in January 2021.

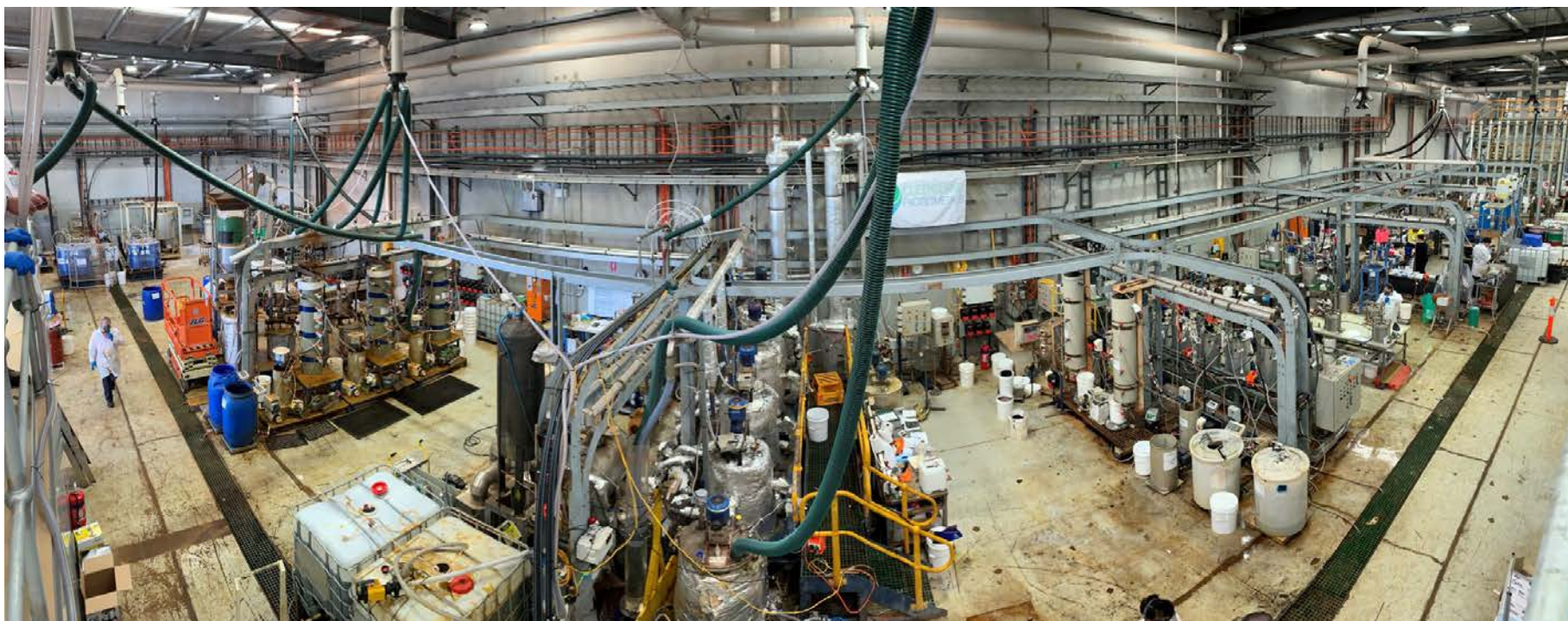
To ensure successful pilot plant operations, QPM has assembled a highly experienced team with strong nickel laterite and process development credentials. It has also engaged experts for the conversion of MHP to sulfate chemicals and the conversion of aluminium hydroxide into HPA. Team credentials are summarised below:

Company / Individual	Area	Expertise
ALS Global	Pilot Plant setup, operation and collection of process data	Global leader in laboratory test work
Altilium Group	Pilot plant operational support and metallurgical advice	Developer of DNi Process™
CSIRO	Pilot plant support and	Leading Australian research organisation



	operational advice including sulfate refining development	
Dr Frank Houllis	DFS study lead	Former CEO of Magnis Energy Technologies with 25+ years' process commercialisation experience, and extensive knowledge of battery materials and LIB production processes and industry networks
Hermann Scriba	Pilot plant support	30+ years' experience in metallurgical process, operations and process engineering design and feasibility consulting
Boyd Willis	Technical Lead	30+ years' experience and nickel laterite specialist, with contributions to more than 25 nickel laterite projects
Dr John Fittock	Refining Review and support	35+ years' experience in development of extraction and refining processes for nickel laterite ore.
Dr Chad Czerny	Pilot Plant, Review Support	30+ years' experience with focus on metallurgical process pilot-scale operations and testwork management, particularly for nickel laterites
David White	MHP Process Specialist	40 years' experience in the hydrometallurgy of nickel and cobalt.





*Figure: Pilot plant panoramic at ALS Global*





## Environmental and Regulatory Approvals

QPM has appointed EMM Consulting Pty Ltd (“**EMM**”) to lead its approvals process for the TECH Project. EMM has a strong track record with project approvals within Queensland and Australia.

From an approvals perspective, the TECH Project site has the benefit of being located in the Lansdown Eco-Industrial Precinct, which has been zoned for high impact, industrial use. The nature of business activity to be undertaken at the TECH Project is exactly what the Lansdown Eco-Industrial Precinct has been established for by Townsville City Council (“**TCC**”).

At the Queensland state government level, there are various regulatory triggers that may require the preparation of an Environmental Impact Statement (“**EIS**”) to facilitate the assessment process. However, after reviewing the nature of the TECH Project and from discussions with relevant Queensland government and TCC departments, EMM has advised QPM that it has not identified any regulatory EIS triggers required to facilitate assessment of the project under Queensland environmental and planning legislation. As such, it is unlikely that an EIS will be required to obtain Queensland state approvals.

At the Commonwealth government level, the TECH Project must be referred to the Commonwealth Department of Agriculture, Water and Environment (“**DAWE**”) to determine as to whether the project constitutes a Controlled Action under the *Environmental Protection and Biodiversity Conservation Act 1999* “EPBC Act”. To commence the Commonwealth assessment process, an EPBC Act Referral must be prepared and submitted to the Commonwealth Minister for the Environment (“**Minister**”) via DAWE. The Minister then has 20 business days from when the EPBC Referral is received by the Minister to determine whether approval is required under the EPBC Act and on the most appropriate process of assessment. EMM has commenced work on the EPBC Act Referral.

Assuming approval of the TECH Project under the EPBC Act is not required, QPM will be able to obtain necessary statutory approvals by way of a Development Application (“**DA**”). For the TECH project, the DA will be assessed by TCC and referred to necessary Queensland state government departments via the State Assessment and Referral Agency for assessment against relevant state interests. A DA has shorter statutory assessment timeframes than an EIS.

QPM is currently targeting the December 2021 quarter for obtaining the necessary statutory and environmental approvals required to proceed with construction of the TECH Project.



## Townsville Activities

QPM continues to advance its activities in Townsville, holding discussions with relevant regulatory bodies, key stakeholders and potential suppliers and service providers.

### Cultural Heritage and Community

QPM acknowledges the Traditional Owners and Custodians of Lansdown and the TECH Project site, the Bindal people. QPM has started engaging with the Bindal people and the broader community. This engagement will ramp up significantly in 2021, particularly as QPM goes through its approvals process.

### Lansdown

QPM entered into a binding Reservation Deed with TCC, securing the TECH project site at Lansdown. In addition to the regional supporting infrastructure, Lansdown was previously a CSIRO farm and the site itself is flat which makes it ideal for civil works for the TECH Project. QPM is working closely with TCC and other stakeholders to determine the optimal way in which regional infrastructure can be accessed for the TECH Project. This includes road alignment into site and access to water, gas and power.



*Figure: Lansdown TECH Project site*

### Port of Townsville

During the quarter, QPM continued discussions with the Port of Townsville confirming that there is sufficient capacity to meet QPM's imported ore requirements. The next steps are for QPM and the Port of Townsville to formalise an arrangement and assess an optimal solution to meet QPM's logistics requirements once ore has been discharged from incoming vessels. This will likely include a warehouse at the port to stockpile incoming ore prior to transport to the Lansdown site.



**Solar Power**

QPM has entered into a Heads of Agreement (“**HOA**”) with Edify Energy Pty Ltd (“**Edify**”). Edify is a market-leading Australian renewable energy and storage company with a diverse and rapidly expanding portfolio of assets. Edify has delivered in the order of \$1.5bn of investment to create large-scale sustainable energy and storage infrastructure. The company is developing a utility-scale solar and battery power station and associated network assets that will be able to supply electricity to the Lansdown Eco-Industrial Precinct.

The potential for the TECH Project to utilise solar power will further improve and reinforce its sustainability credentials. This is an important consideration for battery manufacturers with regards to their raw material supply.





## Corporate

In November, QPM received its R&D Tax Incentive refund of \$683k. Given the nature of the TECH Project, a significant portion of expenditure is considered eligible expenditure under this scheme. With the refund received, the Metamor R&D loan facility was extinguished.

Tranche 2 of the September share placement was settled and capital raising activities completed.

As at 31 December 2020, QPM's cash balance was \$3.58m.

## Additional ASX Information

### ASX Listing Rule 5.3.1

Exploration and Evaluation during the quarter was \$1,009,000. The majority of this was spent on the Company's TECH Project.

### ASX Listing Rule 5.3.2

There were no substantive mining production and development activities during the quarter.

### Tenement Table: ASX Listing Rule 5.3.3

Tenements currently held by QPM as at 31 December 2020 are detailed in the table below.

Tenement ID	Status	Applic Date	Granted Date	Expiry Date	Holding	Name	Registered Co.
EPM27035	GRANTED	28-Aug-2018	12-Feb-19	12-Feb-21	100%	Serpentine Ridge	Queensland Pacific Metals Pty Ltd

### ASX Listing Rule 5.3.5

Related Party	Amount	Description
Directors and CEO	\$148,000	Periodical Director Fees in accordance with Director Agreement

*This announcement has been authorised for release by the Board.*

### For more information, please contact:

John Downie  
Managing Director  
[info@qpmetals.com.au](mailto:info@qpmetals.com.au)  
+61 (0) 408 329 262

Stephen Grocott  
Chief Executive Officer  
[info@qpmetals.com.au](mailto:info@qpmetals.com.au)  
+61 (0) 409 417 326

Luke Forrestal  
Media Enquiries  
[Luke.forrestal@mcpartners.com.au](mailto:Luke.forrestal@mcpartners.com.au)  
+61 (0) 411 479144



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Queensland Pacific Metals Limited

ABN

61 125 368 658

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(1,009)	(1,922)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(70)	(114)
	(e) administration and corporate costs	(555)	(841)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	266	532
1.8	Australian Tax Office ("ATO") refund	683	683
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(685)</b>	<b>(1,660)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	(3)
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(3)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,766	4,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(140)	(271)
3.5	Proceeds from borrowings	-	220
3.6	Repayment of borrowings	(637)	(637)
3.7	Transaction costs related to loans and borrowings	(7)	(23)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,982</b>	<b>3,689</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,286	1,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(685)	(1,660)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,982	3,689

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>3,583</b>	<b>3,583</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,583	2,286
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,583</b>	<b>2,286</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

(148)

-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-
7.2	Credit standby arrangements	-
7.3	Other (please specify)	-
7.4	<b>Total financing facilities</b>	<b>-</b>

**7.5 Unused financing facilities available at quarter end**

-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(685)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(685)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	3,583
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	3,583
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>5</b>

On 21 January 2021, the Company issued 10,500,000 fully paid ordinary shares as a result of the conversion of unquoted options, raising \$315,000.

The Company is also expected to receive Cooperative Research Centres ("CRC") grant income of \$217,800 in the next quarter.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

## Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2021

Authorised by: The Board of Queensland Pacific Metals Limited  
(Name of body or officer authorising release – see note 4)

## Notes

- This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

---

**Mining exploration entity or oil and gas exploration entity quarterly cash flow report**

---

entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.