

Vertical Integration of Energy Supply Chain: Acquisition of the Moranbah Project

Queensland Pacific Metals Limited (ASX:QPM) (“QPM” or “the Company”) is delighted to announce that wholly owned subsidiaries of QPM and QPM Energy Pty Ltd (“QPME”), have entered into a conditional agreement to acquire 100% of assets from the Moranbah Gas Project and North Queensland Energy Joint Venture (“NQE”) (collectively the “Moranbah Project”) (the “Transaction”) from the Arrow Energy Group and AGL Energy Ltd (the “Sellers”). This acquisition delivers:

- ✓ An established coal mine waste gas project with production, 240 PJ of 2P reserves and existing infrastructure with processing capacity of up to 30 PJ per annum;
- ✓ Long term, economically sustainable gas supply for the TECH project avoiding exposure to the extreme price volatility of the Eastern Australian gas market;
- ✓ The TECH project’s sustainability target of NEGATIVE 989,000 CO₂e emissions pa, as calculated in the Miniviro Life Cycle Assessment which was undertaken in accordance with ISO standards including third party peer review (see ASX release 25 November 2022);
 - QPM will now have two carbon abatement hubs in the Northern Bowen Basin facilitating the collection and beneficial use of waste coal mine gas.
 - Moranbah Project is already directly connected to five operating coal mines, with the ability to quickly connect additional mines.
- ✓ An operating business with significant revenues:
 - Gas sales of 7 PJ per annum to the Dyno Nobel Moranbah Ammonium Nitrate Plant, owned by Incitec Pivot Limited (“IPL”).
 - Contracts in place to transport and toll gas through the Townsville Power Station for peaking electricity generation. All electricity revenues accrue to QPME.

On completion:

- QPME will pay the Sellers \$5m as consideration for the Moranbah Project assets; and
- QPME will receive \$35m as consideration for assuming obligations to supply gas under the Moranbah Project contracts.

The Transaction is anticipated to close around June / July 2023.

QPM is uniquely positioned to create significant value from the Moranbah Project through creation of a vertically integrated energy supply chain.

In support of the acquisition, QPME and IPL are in advanced negotiations to finalise a long term, gas supply agreement for the Moranbah Ammonium Nitrate Plant including potential funding support to further develop the Moranbah Project.

QPM Comments

QPM Managing Director and CEO Dr Stephen Grocott commented,

“Vertical integration of our energy supply chain for the TECH Project is a significant de-risking event that cannot be underestimated. This Transaction is yet another commercial arrangement that the management team of QPM has been able to orchestrate to bring us one step closer to construction of the TECH Project and to deliver value for shareholders.”

QPM Energy Pty Ltd Chief Executive Officer David Wrench commented,

“The potential of the Moranbah Project and QPME’s Carbon Abatement Strategy is enormous and via our collection Hubs, the Northern Bowen Basin is well positioned to become a major energy supplier to Northern Australia. This potential is further reinforced by the strong tailwinds we are experiencing from Australian Government reform for carbon emissions reductions and the growing global need and acceptance to utilise gas to facilitate successful energy transition.”

For any enquiries relating to QPM Energy, please contact qpme@qpmetals.com.au

Highlights

Queensland Pacific Metals Ltd is delighted to announce that its wholly owned subsidiaries QPM Energy (MGP Upstream) Pty Ltd, QPM Energy (Midstream) Pty Ltd and QPM Energy Markets Pty Ltd (collectively “**QPME**”) have entered into a binding Asset Sale Agreement (“**ASA**”) to acquire the Moranbah Project from the Arrow Energy Group and AGL Energy Ltd. This Transaction represents a major milestone for QPM, achieving vertical integration of the energy supply chain for the TECH Project. This significantly de-risks TECH Project operations by securing a long-term, economical gas supply.

Completion of the ASA is subject to a number of customary conditions for a transaction of this nature, including obtaining indicative approval from the Minister to the transfer of Petroleum Titles, the replacement of rehabilitation security for the Environmental Authorities and securing the approval of the counterparties to the novation or assignment of certain material contracts.

- ✓ The Moranbah Project is located in the Northern Bowen Basin (“**NBB**”) and has been in production since 2004. The Project encompasses:
 - Independently certified 2P Reserves of 240 PJ and 2C Resources of 269 PJ. 74% of these reserves are located within active mining leases;
 - Approximately 100 producing wells and associated gas gathering and water management infrastructure supplying a centralised gas processing and compression facility connected to the North Queensland Gas Pipeline (“**NQGP**”), which runs adjacent to the TECH Project;
 - Direct connections to five operating metallurgical coal mines for capture and processing of mine waste gas, with the ability to quickly connect additional NBB mines. The Project will therefore directly reduce carbon emissions from these sites;
 - Historical development capital expenditure exceeding \$1.0 billion;
 - Infrastructure with the capacity to supply up to 30 PJ gas per annum to end users. Current production is approximately 10 PJ per annum of which 7 PJ per annum is sold to Incitec Pivot (**ASX:IPL**) subsidiary Dyno Nobel Moranbah’s Ammonium Nitrate Plant under an existing Gas Supply Agreement (“**GSA**”);
 - Gas Transport Agreement (“**GTA**”) with NQGP for gas transportation and storage from the Moranbah Project to Townsville. THE NQGP has the capacity to transport up to 39 PJ per annum; and
 - Power Purchase Agreement (“**PPA**”) with the 242 MW Townsville Power Station (owned by Ratch Australia) for 100% capacity rights to toll gas and generate revenue by producing electricity for sale into the National Electricity Market (“**NEM**”).
- ✓ The acquisition is highly strategic for QPM and its energy supply chain through the development of Carbon Abatement Hubs in the NBB (see ASX Announcement dated 25th Nov 2022):
 - Reserves, resources and existing infrastructure underpin long term economic gas supply for the TECH Project;
 - Transforms QPME into an operating business generating material revenues;

- Provides processing infrastructure with significant excess capacity above the TECH Project's requirements which can be used to capture and process additional waste mine gas for sale to third party customers;
 - Enabler for the Stage 2 expansion of the TECH Project, (refer ASX Announcement of 12 October 2022); and
 - Accelerates QPM's carbon abatement strategy of reducing carbon emissions by capturing waste mine gas for beneficial use in the manufacturing and electricity sectors.
- ✓ By creating a vertically integrated energy supply chain, QPM (as an industrial end user) is uniquely positioned to create significant value from the Moranbah Project.
- ✓ The Moranbah Project is ideally positioned to help the coal industry reduce their carbon emissions in line with the Australian Government's recently passed Safeguard Mechanism reform through the beneficial use of waste mine gas:
- The NBB has the largest concentration of Australia's coal mine Safeguard Sites. The Moranbah Project infrastructure is the critical link that allows these operations to directly reduce their emissions by transporting waste gas off their mining leases; and
 - QPME has been in ongoing discussions with NBB mine owners on opportunities to capture additional waste gas for the TECH Project. The acquisition will accelerate QPME's ability to secure additional mine waste gas supplies.
- ✓ The key terms of the Transaction are:
- QPME will pay \$5 million to acquire 100% of the Moranbah Project.
 - QPME will acquire warehouse inventory related to the Moranbah Project operations; and
 - Typical condition precedents and consents (including from Dyno Nobel) required for a transaction of this nature, which are anticipated to be satisfied by June / July 2023.
- ✓ Separately on completion, QPME will receive \$35m from the Sellers as consideration for assuming obligations to supply gas under the Moranbah Project contracts.
- ✓ QPM has built its gas focussed management team over the past 18 months. Together with the existing Moranbah Project field operations team, it has the capability to successfully operate and expand gas production and supply.
- ✓ QPM is currently in advanced negotiations with IPL regarding:
- A long-term gas supply agreement to Dyno Nobel Moranbah's (IPL's wholly owned subsidiary) ammonium nitrate plant in Moranbah commencing in April 2026 following the expiry of the current gas supply agreement; and
 - Potential funding support from Dyno Nobel to further develop the Moranbah Project.



Figure: Project Location – Moranbah to Townsville

Moranbah Project Overview

The Moranbah Project is located approximately 390km south of Townsville and is the only currently producing gas field in the NBB with the capacity to supply gas to North Queensland consumers. The project has been in production since 2004 with current gas production sourced from approximately 100 operated wells across four Petroleum Leases and waste mine gas supplied from five active coal mines in the region. The Moranbah Project has the infrastructure in place to supply up to 30 PJ of gas per annum including gas processing and compression facilities connected to the NQGP for transportation through to Townsville and the TECH Project.

2023 calendar year gas production is forecast to be at least 10 PJ.

The Moranbah Project has independently certified 2P gas reserves of 240 PJ and 2C gas resources of 269 PJ as shown in the table below:

Petroleum Lease	Gross Wellhead Reserves		Gross Wellhead Resources
	Proved (1P) PJ	Proved + Probable (2P) PJ	(2C) PJ
PL191	121	188	192
PL196	9	10	32
PL223	28	32	13
PL224	10	11	32
Total	168	240	269

Figure: Reserves and Resources 31 March 2022 certified by Netherland Sewell and Associates- see Appendix 4.

7 PJ of gas per annum is currently sold to the Moranbah Ammonium Nitrate Plant, which is owned by IPL's wholly owned subsidiary Dyno Nobel under an existing GSA expiring in March 2026. The supply of gas to Dyno Nobel is primarily at low pressure with limited use of the processing and compression facilities connected to the NQGP. Other modest gas supply agreements, including supply to the Glencore copper refinery, are also in place with industrial users in Townsville (totalling 0.3 PJ/a).

The Moranbah Project also has a PPA with Ratch Australia that provides it with 100% capacity rights for the 242 MW Townsville Power Station ("TPS"). This allows excess gas produced at the Moranbah Project to be transported to the TPS to generate electricity for sale into the NEM. TPS is currently operated as a peaking power station, generating electricity during daily periods of high electricity pricing.

Strategic Rationale

QPM's TECH Project requires approximately 14 PJ gas per annum to achieve its Stage 1 nameplate capacity of processing 1.6m wet metric tonnes ("wmt") ore to produce approximately 16,000t nickel and 1,800t cobalt in the form of high purity lithium-ion battery feeds and other valuable co-products. As outlined in its Advanced Feasibility Study (see ASX announcement 5 December 2022) and part of its ongoing strategy, QPM will use waste mine gas from the NBB to meet a substantial portion of its energy requirements.

Accordingly, QPM has undertaken detailed work to develop a vertically integrated energy chain for the TECH Project and in November 2022, QPM formally launched QPME and the Carbon Abatement Hub Strategy to secure gas supply for the TECH Project.

Gas in the NBB is effectively a "stranded resource", with no pipeline infrastructure to connect into the East Australian gas markets. While the NQGP enables gas transportation to Townsville, the absence of significant baseload demand in and around Townsville has prevented the large scale economic development of waste mine gas collection and processing facilities. The TECH Project provides that baseload demand.

The acquisition of the Moranbah Project fast tracks this vertical integration strategy and significantly de-risks a commercially attractive energy supply chain for the TECH Project by:

- Securing ownership of gas reserves and resources (including rights to gas produced as a by-product of mining activities) that will underpin long term, economically attractive gas supply to the TECH Project;

- Securing ownership of substantial existing infrastructure for gas processing and compression with capacity in excess of the needs of Stage 1 of the TECH Project; and
- Being well positioned to execute commercial arrangements with coal mine operators for the supply of additional waste coal mine gas for use at either the TECH Project, third party sales or electricity generation.

Furthermore, the acquisition is anticipated to deliver significant value for shareholders through:

- Turns QPM into a significant revenue generating company with a mature producing asset that has the opportunity to generate profits prior to first production at the TECH Project;
- The opportunity for QPME to make improvements to the Moranbah Project in terms of production, revenue and operating expenditure; and
- Expansion of QPM's footprint and presence in Queensland and Northern Australia.

Moranbah Project - Operating Plan

QPME intends to implement the following initiatives to improve the operating and financial performance of the Moranbah Project.

Operations

- Workovers of wells currently off-line to improve overall field production and well availability;
- Improved coordination of production activities with co-located coal mine operators including connection of existing, in-field coal mine waste gas production to the Moranbah Project gathering system;
- Targetted maintenance of field infrastructure to improve capacity and reliability; and
- Further development of the Moranbah Project with potential funding support from Dyno Nobel.

These operating initiatives noted above have the potential to increase overall Moranbah Project gas supply from current production of around 30 TJ / day (10.9 PJ / annum) to 35 - 40 TJ / day (12.7 – 14.6 PJ / annum) with only modest additional capital costs. However, given it has only been possible to undertake preliminary analysis of these opportunities to date, uncertainty does exist over both the timing and specific amount of increased gas supply that will ultimately be achieved.

Other opportunities to increase production include:

- Sourcing of additional waste gas from other regional coal mines; and
- Drilling of new wells.

Costs

- A reduction in general, administrative and corporate overhead costs through a fit for purpose management structure;

- Reductions in well workover, drilling, completion and connection costs through fit for purpose well design and equipment specification; and
- Where possible, use of local contractors and suppliers to improve the timeliness and cost of project delivery.

Moranbah Project - Sales Revenues

The Moranbah Project's revenues are currently generated through the sale of gas to Dyno Nobel Moranbah (7 PJ/year or approximately 20 TJ/day) and CRL (0.3 PJ/year or approximately 0.8 TJ/day) and electricity through the TPS.

QPME has a near term opportunity to increase revenue by increasing gas supply available to TPS to generate more electricity for despatch into the NEM, resulting in increased revenue. TPS is a 242 MW power station with a 160 MW Siemens turbine and 82 MW heat recovery steam generator and steam turbine. The optimal way to operate TPS is in combined cycle mode, taking advantage of the heat recovery steam generator. To achieve this operating mode, gas supply of at least 11 TJ / day (4 PJ / annum) is required, allowing TPS to operate Monday to Friday for approximately 7 hours each day. As part of its due diligence, QPME visited TPS and assessed the quantity of electricity that could be generated basis different levels of gas supply under open cycle and combined cycle operating modes.

The table below estimates the total electricity generated under different quantities of gas being delivered to TPS.

Annual Gas Delivered to TPS	Daily TPS Operating Hours (Mon-Fri)	Total Electricity Generated (MWh / annum)
7 TJ / day (2.6 PJ / annum)	5.2 hours Open Cycle (150MW)	201,158
11 TJ / day (4.0 PJ / annum)	7.4 hours Combined Cycle (225MW)	431,053
15 TJ / day (5.5 PJ / annum)	10.0 hours Combined Cycle (225MW)	587,799
19 TJ / day (6.9 PJ / annum)	12.7 hours Combined Cycle (225MW)	744,545

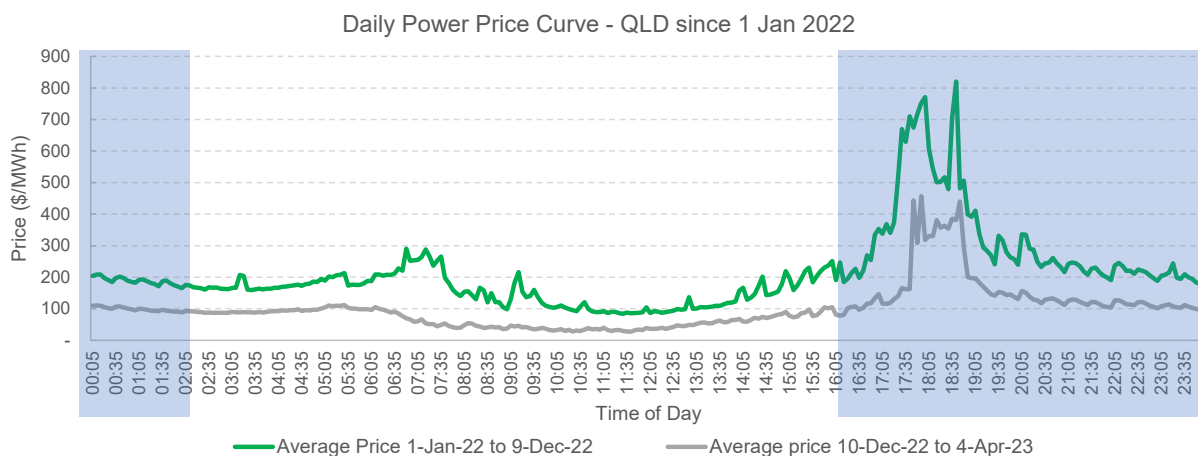
Note: 150MW open cycle / 225MW combined cycle operating efficiency is based on QPM's due diligence of the operating performance of TPS. Operating efficiency will vary throughout the year based on seasonal climate conditions.

Figure: Electricity generation at TPS at different levels of gas supply from the Moranbah Project

Electricity prices fluctuate greatly over a typical 24 hour period for a number of reasons, including:

- Varying consumer demand – e.g. greatest consumption is in the evenings; and
- Increased electricity supply during the day time from renewables.

The graph below shows the average daily power price across 5 minute intervals. On 10 December 2022, the Australian Government announced coal and gas price caps, which resulted in a decrease in electricity prices. Furthermore, the recent Queensland Summer season has been one of the coolest for a long time, resulting in lower power consumption.



Note: Blue shaded area would be the target operating window of TPS if it operated 10 hours daily

Figure: Queensland average daily power price (source: AEMO)

The operating, cost and revenue initiatives outlined previously provide significant opportunities for the Moranbah Project to improve its financial performance and profitability. QPM will update the market regarding financial forecasts following Transaction completion and integration of the assets.

Safeguard Mechanism

On 30 March 2023, the Australian Government passed its reforms to the Safeguard Mechanism. The Amendment Bill is considered a key policy to help Australia achieve its commitment to a 43% reduction in greenhouse gas emissions by 2030 and net zero emissions by 2050 and will be in operation from 1 July 2023.

The Safeguard Mechanism reforms require Australia's largest greenhouse gas emitters to ensure that they operate under a baseline level of emissions each year. Safeguard Facilities are those operations that emit in excess of 100,000t CO₂e equivalent per annum. There are currently 215 Safeguard Facilities around Australia, and the NBB has one of the largest regional concentrations of coal mine Safeguard sites in Australia. Under the reforms, carbon emitters must reduce their carbon emissions by 4.9% per annum below the starting baseline.

Other changes under the Safeguard Mechanism reforms include:

- At least \$1 billion in funding for the manufacturing sector and trade-exposed industries through the Powering the Regions Fund;
- Specific treatment for hard-to-abate, value-added manufacturing;
- Addressing the risks of carbon leakage and increased methane monitoring which should lead to greater coal emissions reductions;

- A hard cap on gross emissions so entities can't purchase simple offsets just to meet their baseline level;
- Improving accountability, transparency and integrity of the overall scheme, including emissions reporting and setting baseline emission levels for each Safeguard Facility.

Coal mine emissions are largely caused by the gas generated as a by-product of mining which is either vented (methane emission, ~29.8 times worse than CO₂ under IPCC standards) or flared (CO₂ emission). The only substantive way for coal mines to reduce these emissions is to capture the gas and utilise it for beneficial purposes either on the Mining Lease or elsewhere.

Industry participants with high energy requirements like IPL and QPM provide the key to unlocking the potential of the NBB as a major gas producing centre. QPM's Stage 1 TECH Project gas requirements are approximately 14 PJ per annum, nearly doubling to 27 PJ upon a Stage 2 expansion.

QPME plans to increase the supply of gas through the Moranbah Project. Long term reliable supply will encourage existing industry to switch to gas and also facilitate new industry growth and customers for QPME gas. The Safeguard Mechanism reform provides a strong incentive for coal miners to work with QPME and ensure their waste gas is captured and used for beneficial purposes.

QPME has had extensive engagement with various coal miners over the past 12 months and is confident of the availability of additional waste gas to be captured and processed through the Moranbah Project.

Key Terms of the Transaction

The key terms of the Transaction are provided in the table below:

Area	Transaction Terms
Acquisition	Wholly-owned subsidiaries of QPM Energy (QPM Energy) will acquire 100% of the Moranbah Project assets.
Consideration	QPME will PAY \$5 million to the Sellers as consideration for the Moranbah Project assets.
Make Good Payment to QPM	QPME will RECEIVE \$35 million from the Sellers for assuming obligations to supply gas under the Moranbah Project contracts.
Inventory	QPME will acquire Moranbah Project warehouse inventory.
Environmental Bond	QPME will be required to lodge environmental securities for estimated rehabilitation costs which are currently calculated as \$25.2m, to replace the Sellers' existing environmental scheme contributions/securities. QPME is engaging with the Queensland Government concerning how QPM will be assessed under the Financial Provisioning Scheme guidelines. QPME's environmental bonding requirements are determined when the Petroleum Leases are transferred.
Conditions	The completion of the ASA is subject to a number of customary conditions precedent for a transaction of this nature, including obtaining indicative approval from the Minister to the transfer of Petroleum Titles, the provision of replacement rehabilitation security for the Environmental Authorities and securing the approval of the counterparties (including from Dyno Nobel) to the novation or assignment of certain material contracts.
Target Completion Date	June/July 2023

Figure: Key terms of the Transaction

For further details on the transaction terms, refer to Appendix 2.

QPM believes that the purchase price is attractive, and that this reflects the fact that the Moranbah Project is not connected to the Eastern Australian gas market and that without the long term offtake that QPM and IPL provide, it has limited value because it cannot trigger additional gas users. It does not reflect the quality and potential of the project's reserves, infrastructure and strategic location as a Carbon Abatement Hub that QPM intends to unlock. The Moranbah Project is only a small component of the Sellers asset portfolios and AGL Energy has previously announced that natural gas exploration and production is a non-core business. In contrast, by creating a vertically integrated energy supply chain, QPM is in an ideal position to create significant value from the assets that would only be available to a significant industrial user.

Financial effect of the Transaction

As QPME is acquiring the Moranbah Project's assets and liabilities and will integrate Moranbah field operations team members subject to the terms of transitional and employee transfer arrangements forming part of the Transaction (i.e.: the elements which comprise a "business"), the Transaction will therefore meet the definition of a business combination under the accounting standards (AASB 3).

As a result, QPM will need to account for the acquisition under this standard:

A comprehensive review will be completed prior to Transaction completion of all identifiable assets (e.g. cash, inventory, Petroleum Leases, Property Plant & Equipment, etc.), and assumed liabilities including those not recorded (if any) such as contingent liabilities.

The Fair Value ("FV") of the identifiable assets and assumed liabilities will be calculated by an external valuer, with economic obsolescence provisions applied which may reduce the fair value of assets that are subject to decreased value due to external factors outside of the asset itself (e.g. changes in technology, market conditions).

If the total FV of the net assets exceeds the Transaction consideration the difference would be recorded as a "Gain on Bargain Purchase" whereas if the total FV of the assets is less than the consideration, the difference would be recorded as goodwill.

QPM intends to undertake this work following the signing of the ASA it and is anticipated to be completed in time for the 30 June 2023 annual accounts.

QPM Energy Team

QPME has been building its management team over the past 18 months and it now has the necessary foundations in place to successfully integrate, operate and grow the Moranbah Project.

QPME is led by Chief Executive Officer David Wrench. David is an experienced Managing Director of both publicly listed and private companies and has strong strategic, operational, financial management and corporate governance skills. He has deep experience in waste coal mine gas operations and was one of the founding directors of CH4 Limited which was the original developer and operator of the Moranbah Project.

QPM's Chairman John Abbott, has over 43 years of experience in the resources and energy sector in Australia and South-East Asia. His most recent executive role was as Executive Director of NRG Gladstone Operating Services, the operator of the Gladstone Power Station and he has extensive knowledge of the power generation and electricity market.

As part of the Transaction, QPME will integrate Moranbah field operations team members to ensure the continuity of safe production at the site.

This announcement has been authorised for release by the Board.



ASX: QPM | ACN:125 368 658

For Further Info: P: +61 7 3517 5900 | E: info@qpmetals.com.au | W: www.qpmetals.com.au

Contact: Dr Stephen Grocott, MD & CEO | Address: Level 17, 307 Queens St, Brisbane Q 4000

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Appendix 1 – Moranbah Project Overview

Project Infrastructure

The Moranbah Project has extensive infrastructure and facilities that can collect and process gas from the surrounding area. This includes:

- Central gas processing facility connected to the NQGP which has 108 TJ per day (39 PJ per annum) capacity;
- Four nodal compression stations which collect gas from various petroleum leases and coal mines that have a combined capacity of 77 TJ per day (28.1 PJ per annum) at ~35kPa inlet pressure, which can be increased to increase capacity;
- Reverse osmosis water treatment plant;
- Storage dams and water offtake agreement;
- Low pressure gas and water gathering networks;
- High voltage electricity network; and
- Ancillary maintenance and support services.

This is displayed in the diagram below:

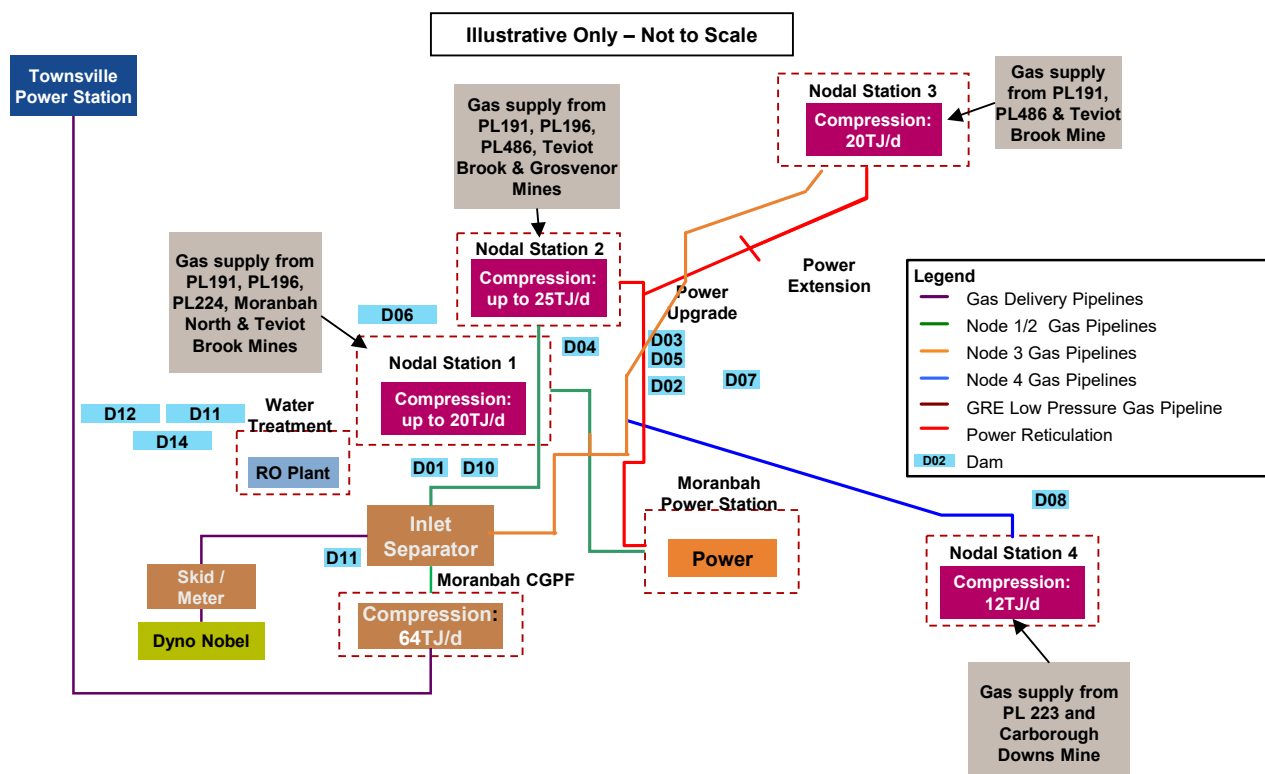


Figure: Moranbah Project infrastructure and facilities (source: Sellers)

The Moranbah Project has the only major gas collection and processing infrastructure in the NBB. It also

has the only injection point into the NQGP. Based on the current production profile and sales, the compression capacity is significantly under-utilised.

This unutilised capacity represents a significant upside and opportunity for QPME to meet the needs of the TECH Project, to generate electricity through the TPS and also to make additional sales to third parties.

Third Party Gas Supply

The Moranbah Project is an operating example of how waste mine gas can be captured and put to beneficial use. Moranbah Project's tenure overlaps with:

- Anglo American's Grosvenor mine – PL191 and PL196;
- Anglo American's Teviot Brook mine – PL191;
- Anglo American's Moranbah North mine – PL191;
- Fitzroy Resources' Carborough Downs mine – PL223; and
- Stanmore's Isaac Plains mine – PL191, PL196 and PL223.

Co-Development / coordination agreements are in place with each of these mines. There are opportunities to optimise resource development and in some cases, receive additional mine gas to process and sell.

The Moranbah Project also receives third party gas supply from PL486, which is 100% owned by Arrow Energy.

Gas Sales Agreements

The Dyno Nobel Ammonium Nitrate Plant is the single largest customer for the Moranbah Project. A summary of GSA's is provided in the table below (note: pricing is commercial in confidence).

Customer	Contract Volume (PJ / annum)	Contract Expiry	Gas Usage
IPL / Dyno Nobel	7.0	31 March 2026	Manufacture ammonium nitrate plant
Copper Refineries Ltd	0.32	1 July 2023	Operation of a copper refinery in Townsville
Moranbah Power Station	1.1 (at Moranbah Project election)	1 Jan 2025	Power supply to Moranbah Project and the electricity market

Figure: Summary of gas sales contracts

In addition, the Moranbah Project has a PPA with the TPS which provides the Moranbah Project with 100% of the capacity rights of TPS to use gas to generate electricity for sales into the National Electricity Market until February 2025 (for further details refer to later in this announcement).

The near term expiry of these contracts provides an opportunity for QPME to negotiate new agreements which will be on favourable terms to both parties and which will help facilitate growth and supply through the Moranbah Project.

As a condition precedent to the Transaction, these counterparties must consent to the assignment of the GSA's to QPME.

North Queensland Gas Pipeline Gas Transportation Agreement

The NQGP connects the NBB to Townsville with multiple delivery points including Townsville Power Station and Townsville Copper Refinery. The NQGP has a total capacity of approximately 39 PJ per annum.

The GTA allows Moranbah Project to transport up to 60 TJ per day (21.9 PJ per annum) of gas. The agreement is a take or pay arrangement with set tariffs in place and expires 6 February 2025.

QPM has developed a good relationship with NQGP and previously signed a Memorandum of Understanding regarding the development of a gas supply chain from the NBB to the TECH Project (see ASX announcement 11 August 2021).

QPM remains in active discussions with NQGP over a new GTA once the existing contract expires.

As a condition precedent to the Transaction, NQGP must consent to assign the GTA to a new party.

Townsville Power Station Power Purchase Agreement

The TPS is owned by Ratch Australia and is located at Yabulu, Townsville. TPS is a 242 MW power station with a 160 MW Siemens turbine and 82 MW heat recovery steam generator and steam turbine.

The Moranbah Project and TPS have a PPA in place which expires 7 February 2025. Under the PPA:

- NQE has the sole and exclusive right to 100% of the capacity and electrical energy produced at TPS in return for a combination of fixed and variable charges; and
- NQE has the right to sell electricity generated by TPS into the NEM, can determine the price at which electricity is offered into the NEM and is entitled to receive 100% of the revenue of these electrical sales.

This PPA is a strategic asset for the Moranbah Project as it provides an outlet for excess gas produced in excess of its firm gas supply obligations to customers. The TPS can operate in a combined cycle as a baseload power station and consume up to 15 PJ gas per annum.

The combination of daily electricity demand fluctuations and the supply of electricity from renewable generation during solar hours means there is significant variability in the price of electricity over a 24 hour period. Therefore, operating TPS as a baseload power station is not economical given the occurrence of low pricing periods particularly during the middle of the day.

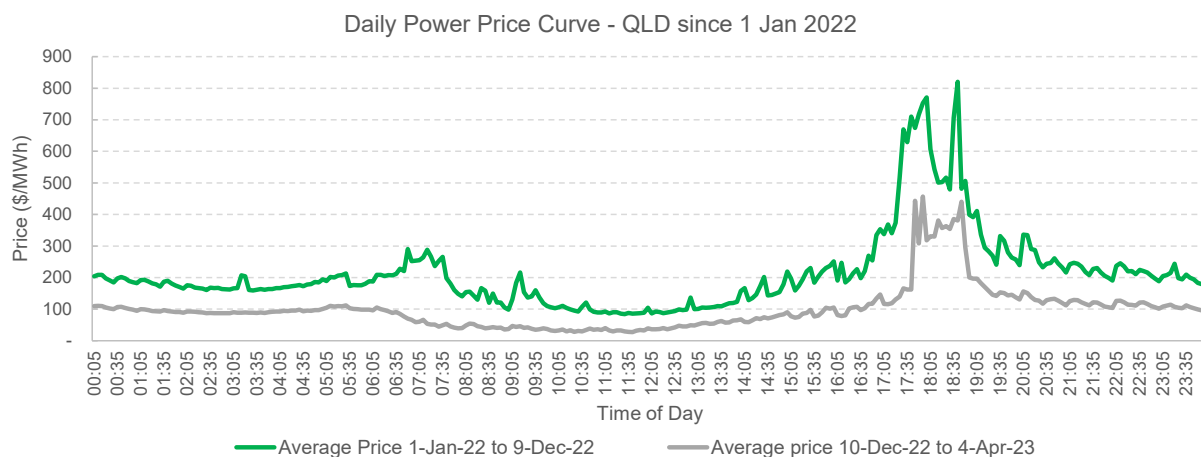


Figure: Daily average electricity price in Queensland (source: AEMO)

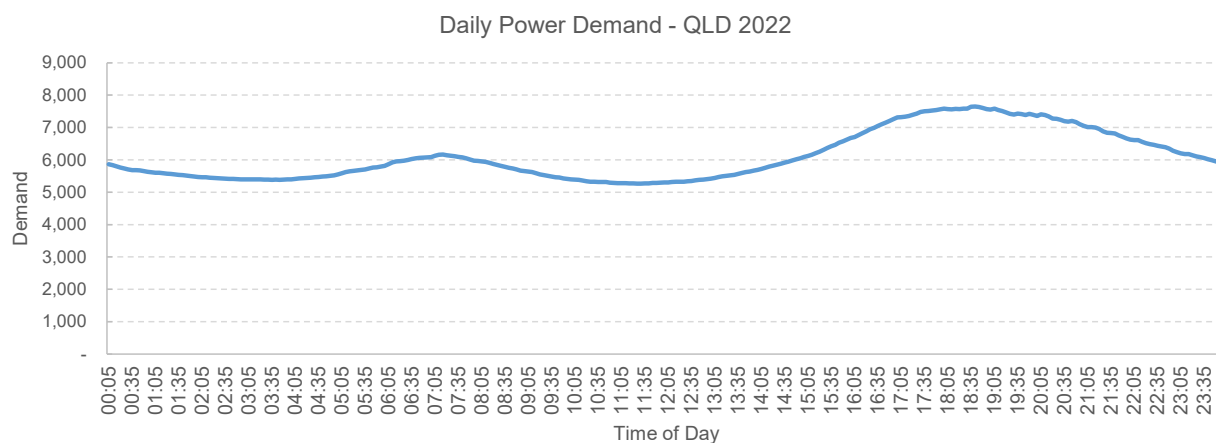


Figure: Daily average power demand Queensland (source: AEMO)

The optimum revenue strategy is to operate TPS as a peaking power station, by dispatching and selling its generation into the National Electricity Market (NEM) during peak pricing periods when prices are at the most volatile.

The optimal way in which to operate TPS is in combined cycle mode, taking advantage of the heat recovery steam generator. In order to achieve this operating mode, gas supply of 11 TJ / day (4 PJ / annum) is required, which would allow TPS to operate Monday to Friday for 7 hours each day.

Peaking power stations can also take advantage of electricity volatility events where underlying supply and demand issues cause the electricity price to peak at \$15,500 per MWh (the maximum price under which electricity can be sold into the NEM). Whilst these events are relatively infrequent, they are extremely attractive for peaking power stations. In 2022, there was ten such market cap price events where the electricity price settled at its maximum price level of \$15,500 per MWh.

Moranbah Power Station Contract

The contract in place with MPS allows Moranbah Project to supply gas to MPS to generate electricity for use by the Moranbah Project to run its operations. This agreement is in place to assist Moranbah Project

in managing electricity cost variability in its operations as opposed to being a typical sales contract.

Gas Sales

Historical gas sales from the Moranbah Project are detailed in the figure below:



Figure: Historical gas sales at Moranbah Project

Historically, the amount of gas delivered to Dyno Nobel, Copper Refineries and the MPS (collectively 8.4 PJ per annum) has meant only limited gas was available to send to TPS to generate electricity.

Appendix 2 – Summary of Key Terms of the Transaction

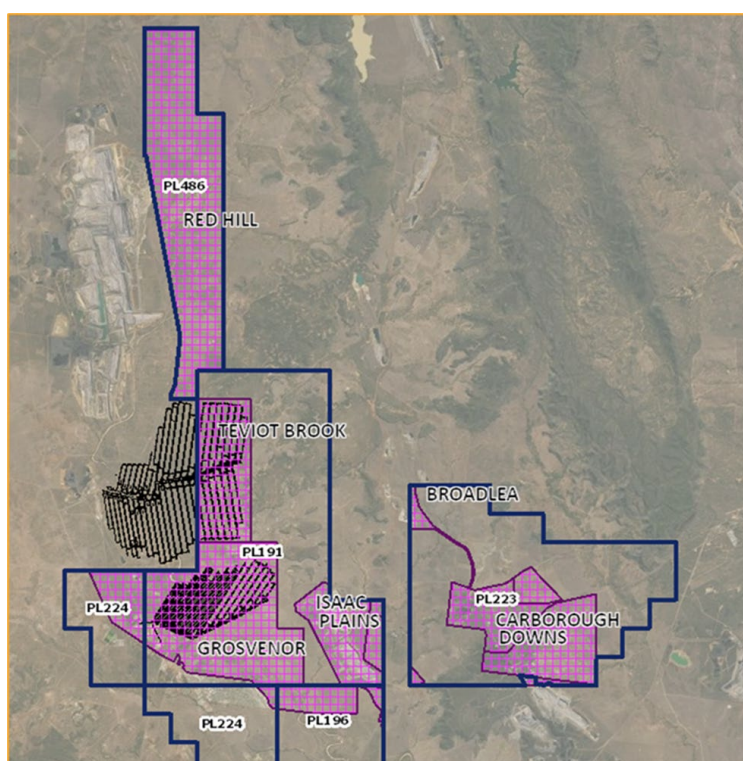
Transaction	QPM will (via a number of wholly-owned subsidiaries) acquire the Moranbah Project Assets (as defined below). The Transaction will be effected by way of an Asset Sale Agreement and a number of ancillary documents (also summarised below).
Buyers	QPM Energy (MGP Upstream) Pty Ltd (MGP Upstream Buyer), QPM Energy (Midstream) Pty Ltd (MGP Midstream Buyer) and QPM Energy Markets Pty Ltd (NQE Buyer) (collectively, the Buyers), each a wholly-owned subsidiary of QPM Energy Pty Ltd (QPM Energy) and QPM will acquire 100% of the Moranbah Project Assets.
Sellers	AGL Energy Limited (AGL), CH4 Pty Ltd (CH4), Arrow CSG (ATP 364) Pty Ltd (Arrow CSG) and North Queensland Merchant Pty Ltd (NQM) (collectively, the Sellers).
Moranbah Project Assets	The assets and business of the Moranbah Gas Project, comprised of certain gas fields, gas and water gathering and processing infrastructure, petroleum titles, environmental authorities, contracts, real property, records and prepayments (but excluding cash) and the North Queensland Energy Joint Venture, primarily comprised of contracts for gas transportation and supply to customers in north Queensland and electricity tolling rights for the Yabulu Power Station.
Assumption of liabilities	On Completion, the Buyers will assume all: (a) post-Completion direct and indirect liabilities relating to the Moranbah Gas Project and the North Queensland Energy Project; (b) pre- and post-Completion direct and indirect liabilities relating to contamination, compliance or non-compliance with environmental laws and any rehabilitation, decommissioning, remediation and abandonment obligations; and (c) other pre-Completion liabilities (to the extent such liabilities have been fairly disclosed to the Buyers).
Consideration	The purchase price under the Asset Sale Agreement is \$5,000,000.
Conditions Precedent	Completion is conditional upon a number of conditions precedent, including without limitation: (a) indicative approval from the Minister in respect of the transfer of the Petroleum Titles to the Buyers; (b) the Buyers providing replacement rehabilitation security in respect of each environmental authority; (c) the release of the Seller guarantees in respect of certain material contracts; (d) novation of certain material contracts. These conditions precedent must be satisfied, or waived, within 6 months of the date of the Asset Sale Agreement, unless either the Buyers or the Sellers elect to extend this period by an additional 3 months.
Target Completion Date	June / July 2023
Transition Working Group	The parties will establish a Transitional Working Group comprising representatives of the Buyers and the Sellers to agree on a transition plan for the smooth, efficient and effective transition of the ownership and operation of the Moranbah Project Assets to the Buyers.
Warranties and Indemnities	Customary warranties and indemnities in the context of the sale.
Guarantee	The obligations of the Buyers under the Asset Sale Agreement are guaranteed by QPM.
Transitional Services Agreement	Contemporaneous with the execution of the Asset Sale Agreement, Arrow Energy Pty Ltd (Arrow Energy), CH4 Operations Pty Ltd (CH4 Operations), CH4, the MGP Upstream Buyer and the MGP Midstream Buyer are to enter into a Transitional Agreement, which will operate for a period of 3 months after Completion. This term may be extended by a further 3 months by agreement between the parties. CH4 Operations will provide a range of services on a transitional basis to the Buyers on a cost basis. The Buyers may terminate the provision of any particular transitional services at any time.

Employee Transfer Deed	<p>Contemporaneous with the execution of the Asset Sale Agreement, Arrow Energy and QPM Energy (Holdings No 2) Pty Ltd (QPM Energy Holdings) are to enter into an Employee Transfer Deed, pursuant to which QPM Energy Holdings may make offers of employment to employees of Arrow Energy identified by the Transitional Working Group. Offers must: (a) be conditional on and effective from Completion; (b) be on terms and conditions (including relating to superannuation and bonuses) that are substantially similar to and considered on an overall basis no less favourable than, the terms and conditions of their employment with Arrow Energy; (c) be for a comparable or superior position; and (d) provide that the employee's employment with Arrow Energy will be treated as continuous service for all service-related entitlements.</p> <p>QPM Energy Holdings will be responsible for all entitlements to annual leave, long service leave and personal / carer's leave of each Transferring Employee accrued as at Completion. At Completion, Arrow Energy will pay QPM Energy Holdings an amount equal to each transferring employee's entitlements to annual and long service leave accrued as at Completion.</p>
PL 486 Operation & Maintenance Agreement	<p>On Completion, Arrow CSG, CH4 and the MGP Upstream Buyer are to enter into an Operation & Maintenance Agreement, under which the MGP Upstream Buyer is appointed as operator to conduct O&M Services in respect of the PL 486 Infrastructure.</p> <p>The Operation & Maintenance Agreement will commence on Completion and (unless terminated earlier) continue until the earlier of 1 April 2026 and the expiry or cancellation of PL 486. The MGP Upstream Buyer will be responsible for preparing and submitting for approval future Work Programs and Budgets. Proper costs and expenses in performing its obligations as Operator will be billed to the PL 486 Parties. The Operator may charge an overhead as a percentage of costs incurred in any year.</p>

Appendix 3 – Technical Overview

Moranbah Project Location and Tenure

The Moranbah Project consists of four Petroleum Leases (PL 191, 196, 223, 224) and two Petroleum Pipeline Licences (PPL 115, 135) located in the north-central Bowen Basin surrounding the Moranbah township in Central Queensland. These leases cover a total area of 521km².



Petroleum Lease	Area (km ²)	Expiry Date
PL191	219.2	20 March 2032
PL196	38.1	15 Dec 2024
PL223	165.2	15 Dec 2024
PL224	69.8	30 June 2028
PPL115	0.9	15 Feb 2031
PPL135	28.0	10 Feb 2049
Total	521.2	

Figure: Moranbah Project Petroleum Leases (source: Sellers)

As required, QPME anticipates an extension of the Petroleum Leases on the basis there will have been no non-compliance with lease conditions.

Geology

The Bowen Basin is Early Permian to Late Triassic in age. It is characterised by deltaic to shallow marine sediments with Late Permian age coal development typified by thick, contiguous, gassy coal seams.

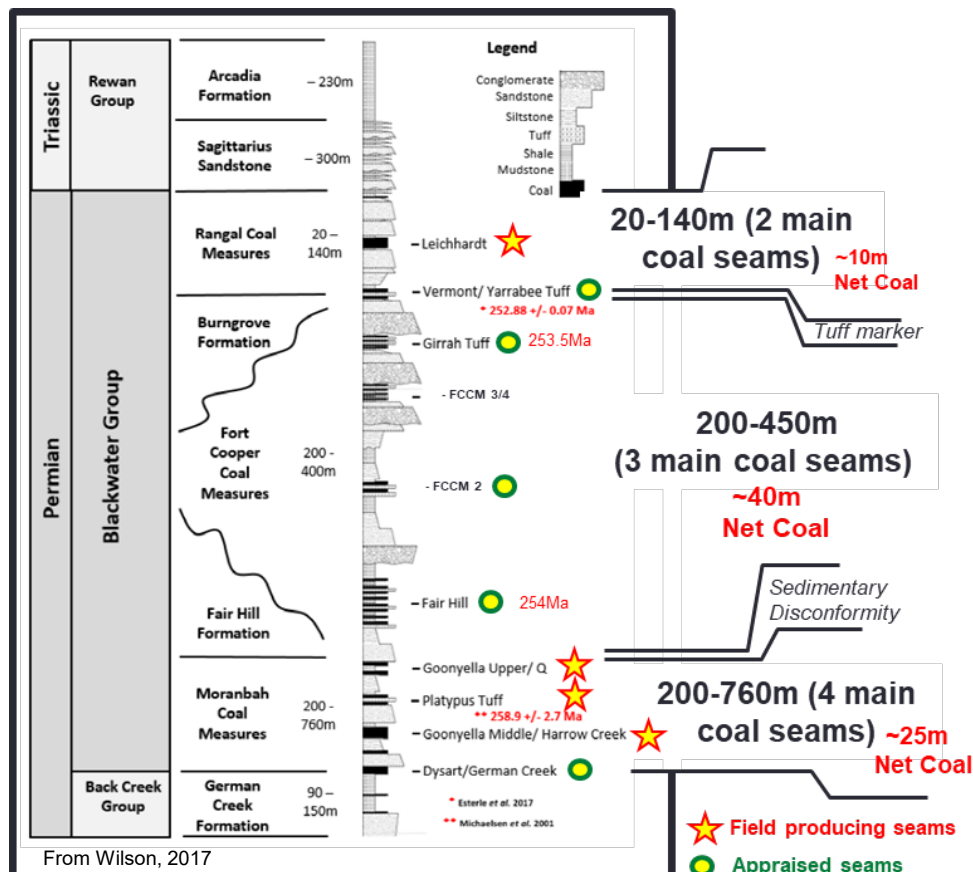


Figure: Moranbah Project Stratigraphy (source: Sellers)

From the image above, gas from the Moranbah Coal Measures and Rangal Coal Measures underpin Moranbah Project reserves. There is significant additional potential available from gas resources contained within the Fort Cooper Coal Measures.

The Moranbah Project's first pilot production was achieved in 2001 with field development commencing in 2003 and commercial sales commencing in 2004. As a result, there is extensive data available for the Moranbah Project with over 3 wells per square kilometre and extensive areas are covered by 2D and 3D seismic surveys.

Appendix 4 – Reserve and Resource Estimates

The estimated proved and probable reserves, evaluated as of 31 March 2022 contained within PLs 191, 196, 223 and 224, referred to as the Moranbah Project, located in the Bowen Basin of Queensland, Australia.

The volumes included in this estimate are attributable to coals in the LH seams from the Rangal Coal Measures and the GU, P, GM, and GL seams from the Moranbah Coal Measures. Economic analysis was performed only to assess economic viability and determine economic limits for the properties, using escalated price and cost parameters outlined in the Economic Parameters paragraphs.

These estimates have been prepared by Benjamin W. Johnson, P. E. 124738, Vice President, Netherland, Sewell & Associates, Inc. (“NSAI”) in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). NSAI is an independent group of petroleum engineers, geologists, geophysicists, and petrophysicists and does not own an interest in the Moranbah Project properties and has not been employed on a contingent basis.

NSAI has consented to the form and context in which the estimated reserves and contingent resources and the supporting information are presented in this announcement.

Reserves Estimate

Reserves are those quantities of petroleum anticipated to be commercially recoverable from known accumulations by application of development projects from a given date forward under defined conditions. Reserves must be discovered, recoverable, commercial, and remaining as of the evaluation date based on the planned development projects to be applied. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves that are sequentially less certain to be recovered than proved reserves.

The estimated Moranbah Project gas reserves (100% interest) as of 31 March 2022, are:

Category/Subclass	Gross Wellhead Gas Reserves ¹		Gross Sales Gas Reserves _{1,2}	
	(BCF)	(PJ)	(BCF)	(PJ)
Proved Developed Producing	56.4	58.6	54.1	56.3
Proved Developed Non-Producing	5.3	5.5	5.1	5.3
Proved Undeveloped Justified for Development	99.7	103.6	95.7	99.5
Total Proved (1P)	161.4	167.7	154.9	161.0
Probable On Production	27.4	28.5	26.3	27.4
Probable Justified for Development	42.3	43.9	40.6	42.1
Total Proved + Probable (2P)	231.1	240.1	221.9	230.5

Totals may not add because of rounding.

¹ Gas is expressed in billions of cubic feet (BCF) at standard temperature and pressure bases and in petajoules (PJ). The energy content of the produced gas is 1.039 PJ per BCF.

² Sales gas reserves are after a 4 percent deduction for shrinkage due to system use gas.

Contingent Resources Estimate

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. The contingent resources shown in this report are contingent upon the acquisition of additional technical data that demonstrate producing rates and volumes sufficient to sustain the economic viability of the project and, subsequently, the commitment to develop the resources. If these contingencies are successfully addressed, some portion of the contingent resources estimated in this report may be reclassified as reserves; our estimates have not been risked to account for the possibility that the contingencies are not successfully addressed. The project maturity subclass for these contingent gas resources is development pending or development on hold.

The estimated unrisks Moranbah Project contingent gas resources (100% interest) as of 31 March 2022, are:

Category/Subclass	Gross Unrisks Contingent Gas Resources			
	Wellhead ¹		Sales ^{1,2}	
	(BCF)	(PJ)	(BCF)	(PJ)
Low Estimate (1C)				
Development Pending	65.6	68.2	63.0	65.5
Development on Hold	34.9	36.3	33.5	34.8
Total 1C	100.6	104.5	96.6	100.3
Best Estimate (2C)				
Development Pending	207.7	215.8	199.4	207.2
Development on Hold	50.9	52.9	48.9	50.8
Total 2C	258.6	268.7	248.3	258.0
High Estimate (3C)				
Development Pending	273.0	283.7	262.1	272.4
Development on Hold ³	50.9	52.9	48.9	50.8
Total 3C	323.9	336.6	310.9	323.1

Totals may not add because of rounding.

¹ Gas is expressed in billions of cubic feet (BCF) at standard temperature and pressure bases and in petajoules (PJ). The energy content of the produced gas is 1.039 PJ per BCF.

² Sales gas reserves are after a 4 percent deduction for shrinkage due to system use of gas.

³ Incremental volumes have not been estimated.

The contingent resources have been estimated using deterministic methods, with classification and categorisation based on incremental well spacing concepts. Once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources actually recovered will equal or exceed the estimated amounts is generally inferred to be 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. It should be understood that each project within a subclass has varying degrees of risk associated with technical uncertainty, the chance of commerciality, and the likelihood that the project will be developed if all contingencies are addressed. Totals of contingent resources included herein are shown for convenience only and have not been adjusted for development risk.

Economic Parameters

Gas prices were used only to assess economic viability and determine economic limits for the properties. These estimates have been prepared using gas price parameters based on existing gas contracts and estimates of future gas contract pricing. For sales still in effect at the end of the existing contracts, reserves and contingent resources are scheduled to meet forecast demand. Gas prices are adjusted for energy content and transportation fees.

Costs were used only to assess economic viability and determine economic limits for the properties. Operating costs used in this estimate are based on operating expense records and forecasts provided by the operator of the properties. Operating costs are limited to direct well- and field-level costs and estimates of general and administrative overhead expenses necessary to operate the properties. Operating costs have been divided into field-level costs and per-well costs. Capital costs used in this report are based on budget forecasts and actual costs from recent activity. Capital costs are included as required for new development wells and production equipment.

Specific information required by Listing Rule 5.31

For the purposes of ASX Listing Rule 5.31, QPM makes the following disclosures:

1. **material economic assumptions** - the gas price parameters used to assess economic viability are based on existing gas contracts and estimates of future gas contract pricing for extensions of existing contractual arrangements and the other price and cost parameters outlined in the Economic Parameters paragraphs above;
2. **operatorship** - subject to completion of the Transaction, a subsidiary of QPM will assume operatorship of the Moranbah Project;
3. **types of permits** - the Moranbah Project comprises a number of petroleum leases (PLs 191, 196, 223 and 224) with expiry dates of 10 March 2032, 15 December 2024, 15 December 2024 and 30 June 2028 respectively;
4. **basis of the report** (i)The Moranbah Project has been in production since 2004 with approximately 100 surface to in seam ("SIS") wells currently operating. An extensive data set including individual well production data, detailed geological models, coal reservoir parameters (gas contents, gas saturation and permeability), coal exploration and seismic data has been used for the technical assessment of producible gas. This has been then combined with numerical reservoir simulation to generate type curves for well production profiles which are incorporated into an economic model containing other input assumptions, including gas sales price, operating expenditure and capital expenditure to confirm commerciality. Gas prices were used only to assess economic viability and determine economic limits for the properties. Reserve estimates have been prepared using gas price parameters that are based on existing gas contracts and estimates of future gas contract pricing. For sales still in effect at the end of the existing contracts, reserves and contingent resources are scheduled to meet forecast demand. Gas prices are adjusted for energy content and transportation fees. Costs were used only to assess economic viability and determine economic limits for the properties. Operating costs used in this report are based on operating expense records and forecasts provided by the operator of the properties. The operating costs are limited to direct well- and field-level costs and the operator's estimate of the portion of its headquarters general and administrative overhead expenses necessary to operate the properties. Operating

costs have been divided into field-level costs and per-well costs. Capital costs used in this report were provided by the operator and are based on budgetary forecasts and actual costs from recent activity. Capital costs are included as required for new development wells and production equipment. (ii) The reserves of the Moranbah Project have been estimated using deterministic methods. The Moranbah Project has been in production since 2004 with approximately 100 SIS wells currently operating. An extensive data set including individual well production data, detailed geological models, coal reservoir parameters (gas contents, gas saturation and permeability), coal exploration and seismic data has been used for the technical assessment of producible gas. This is then combined with numerical reservoir simulation to generate type curves for well production profiles which are incorporated into an economic model containing other input assumptions, including gas sales price, operating expenditure and capital expenditure to confirm commerciality. ; (iii) SIS wells have been used to extract the gas reserves over the last 20 years and it is anticipated that SIS wells will continue to be the method used to develop additional reserves; (iv) no specialised processing of gas following extraction is required;

5. **recovery from existing and future wells** – This is detailed in the table below:

Category/Subclass	Gas Reserves			
	Gross (100%)		Net	
	(BCF)	(PJ)	(BCF)	(PJ)
Proved Developed Producing	56.4	58.6	27.1	28.2
Proved Developed Non-Producing	5.3	5.5	2.5	2.6
Proved Undeveloped Justified for Development	99.7	103.6	47.8	49.7
Total Proved (1P)	161.4	167.7	77.5	80.5
Probable				
On Production	27.4	28.5	13.2	13.7
Justified for Development	42.3	43.9	20.3	21.1
Proved + Probable (2P)	231.1	240.1	110.9	115.3

Net gas reserves are a 4 percent deduction for shrinkage due to system use of gas.

6. **undeveloped petroleum reserves** -the undeveloped petroleum reserves as detailed in the table in this Appendix will be developed in line with the gas requirements of the TECH Project. In order to ensure ongoing delivery of gas to the TECH Project, an access agreement for either QPM or QPME for the NQGP must be executed. No additional environmental approvals will be required to facilitate the development of the undeveloped reserves;
7. **unconventional disclosure** - the petroleum leases that comprise the Moranbah Project host approximately 100 producing wells over an aggregate area of 492.3 square kilometres; and
8. **where 1P = 0** - not applicable, the Moranbah Project has 1P reserves.

Specific information required by Listing Rule 5.33

For the purposes of ASX Listing Rule 5.33, QPM makes the following disclosures:

- types of permits** - the contingent resources are contained within petroleum leases PLs 191, 196, 223 and 224 with expiry dates of 10 March 2032, 15 December 2024, 15 December 2024 and 30 June 2028 respectively;
- the existence of potentially moveable hydrocarbons and determination of discovery** – the

Moranbah Project has been in production since 2004 with approximately 100 SIS wells currently operating. An extensive data set including individual well production data, detailed geological models, coal reservoir parameters (gas contents, gas saturation and permeability), coal exploration and seismic data has been used to demonstrate the existence of potentially moveable hydrocarbons across the Moranbah Project permits.

3. **analytical procedures, key contingencies and further appraisal / evaluation** - The contingent resources shown in this report have been estimated using deterministic methods, with classification and categorisation based on incremental well spacing concepts. The Contingent Resources are contingent upon the acquisition of additional technical data that demonstrate producing rates and volumes sufficient to sustain the economic viability of the project and, subsequently, the commitment to develop the resources. Once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources actually recovered will equal or exceed the estimated amounts is generally inferred to be 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. It should be understood that each project within a subclass has varying degrees of risk associated with technical uncertainty, the chance of commerciality, and the likelihood that the project will be developed if all contingencies are addressed;
4. **technology** – the contingent resources can be produced using conventional SIS coal seam gas wells and are not contingent on any technology under development for extraction; and
5. **unconventional petroleum resources** – the area covered by the Contingent Resources is approximately 200km². The number of wells for which the Contingent Resources are determined is up to 100 wells in the 3C case.

General Information

The reserves and contingent resources are estimates only and should not be construed as exact quantities. Estimates may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, the estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans, that the properties will be operated in a prudent manner, that no government regulations or controls will be put in place that would impact the ability of the interest owner to recover the volumes, and that projections of future production will prove consistent with actual performance. If these volumes are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts used to assess economic viability and determine economic limits for the properties. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from the assumptions made.

Technical and economic data including, but not limited to, coal properties, gas content and composition data, well logs, geologic maps, well test data, production data, historical price and cost information, and property ownership interests were used to prepare these estimates. The reserves and contingent resources have been estimated using deterministic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). Standard engineering and geoscience methods, or a combination of methods, including performance analysis, volumetric analysis, and analogy, are considered to be appropriate and necessary to classify,

categorise, and estimate volumes in accordance with the 2018 PRMS definitions and guidelines. A substantial portion of the estimated reserves are for undeveloped locations and producing wells that lack sufficient production history upon which performance-related estimates of reserves can be based, and the contingent resources shown in this report are for undeveloped locations. Such volumes are based on estimates of reservoir volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, conclusions necessarily represent only informed professional judgment.

The estimates of Reserves and Contingent Resources detailed throughout this announcement have been provided by Benjamin W. Johnson of Netherland, Sewell and Associates Inc (“NSAI”) in accordance with the Society of Petroleum Engineers’ Petroleum Resource Management System (SPE-PRMS) guidelines.

Mr Johnson is a full-time employee of NSAI, and is a qualified person as defined under the ASX Listing Rule 5.42. Mr Johnson is a Licensed Professional Engineer in the State of Texas] and has consented to the use of the information presented herein.

The technical persons are primarily responsible for preparing the estimates presented herein to meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards.