

## QPME signs MOU with Ratch to secure 100% of the Townsville Power Station's Generation Capacity

### Highlights

- ✓ QPM Energy Pty Ltd's ("QPME") acquisition of the Moranbah Project includes a contract for the dispatch and direct sale to the National Electricity Market ("NEM") for 100% of the electricity generation capacity of the 242MW Townsville Power Station ("TPS").
- ✓ QPME and Ratch Australia Corporation Pty Ltd ("Ratch"), owner of the TPS, have entered into a Memorandum of Understanding ("MOU") where the parties have agreed to exclusively negotiate and enter into a new Capacity Agreement for 100% of the TPS' generation capacity from February 2025, when the existing agreement expires.
- ✓ Securing the capacity of TPS enables QPME to directly participate in the NEM and generate a significant electricity revenue stream. QPME is targeting delivery of gas to TPS at a rate of 5 PJ per annum within 6 months of completing the Moranbah Project acquisition.
- ✓ QPME intends to dispatch the TPS during periods of peak electricity prices to support the decarbonisation of the Eastern Australian electricity market, including as it transitions through the (as flagged by AEMO) coal plant closures, increasing renewable generation and the lack of new market firming and storage capacity that are expected to continue to cause electricity price volatility.
- ✓ The MOU is conditional on completion of the Moranbah Project Acquisition.

Queensland Pacific Metals Limited (**ASX:QPM**) is pleased to announce the details of an MOU between its wholly owned subsidiary QPME and Ratch in relation to the TPS.

### Background

Ratch owns 100% of the TPS, which consists of a 160MW Siemens turbine and an 82MW heat recovery steam generator. 100% of the electricity generation capacity of the TPS is currently contracted to the Moranbah Project under an existing PPA which expires February 2025. The PPA operates as follows:

- Moranbah Project can send gas to TPS and has sole rights to the electricity generated from this gas;
- Moranbah Project can decide when TPS generates electricity;
- Ratch owns, operates and maintains the TPS; and
- Moranbah Project pays Ratch a fee with a fixed and variable component.

Current gas production at the Moranbah Project is ~10PJ per annum, of which ~7PJ is sold to Dyno Nobel. Following completion of the Transaction, QPM is targeting an increase in gas production to 12-13PJ per annum within six months. In order to meet the needs of the TECH Project, QPME plans to ramp up production from the Northern Bowen Basin to 20+PJ per annum in parallel with construction of the TECH

Project. As such, TPS is strategic as it effectively provides a use for this gas during this ramp up phase and beyond.

## Memorandum of Understanding

QPME and Ratch recognise the strategic commercial rationale in entering into a new PPA and have entered into a non-binding MOU to highlight the intent of the parties. The key terms of the MOU are:

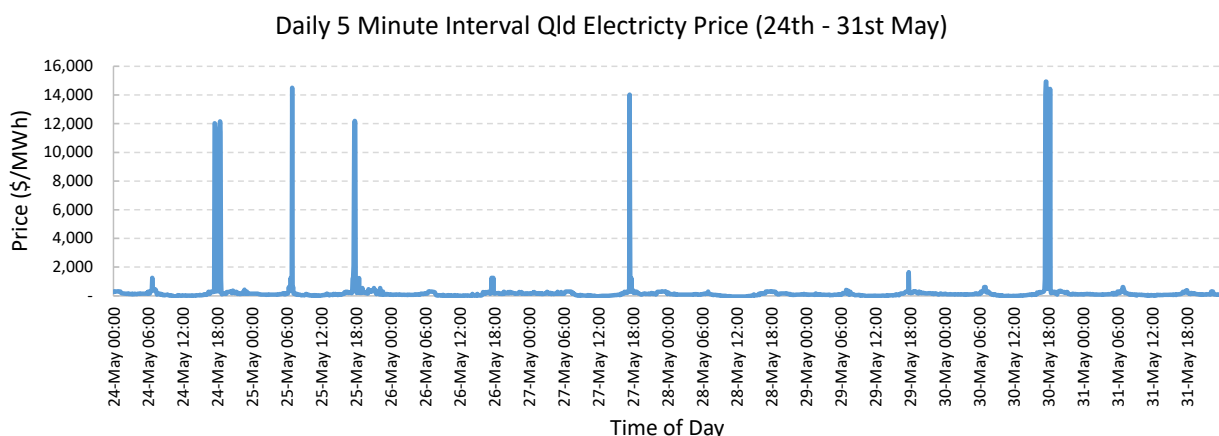
- During the term of the MOU, Ratch will exclusively deal with QPME regarding the electricity generation capacity of TPS (binding);
- During the term of the MOU, QPME will exclusively deal with Ratch regarding the sale/supply of gas from 2025 onwards and will not negotiate with any other power stations or electricity generators (binding);
- QPME and Ratch will negotiate in good faith to enter into a new PPA commencing upon the expiry of the existing PPA; and
- The MOU expires the earlier of 31 August 2023 or when a new PPA is executed.

## National Electricity Market

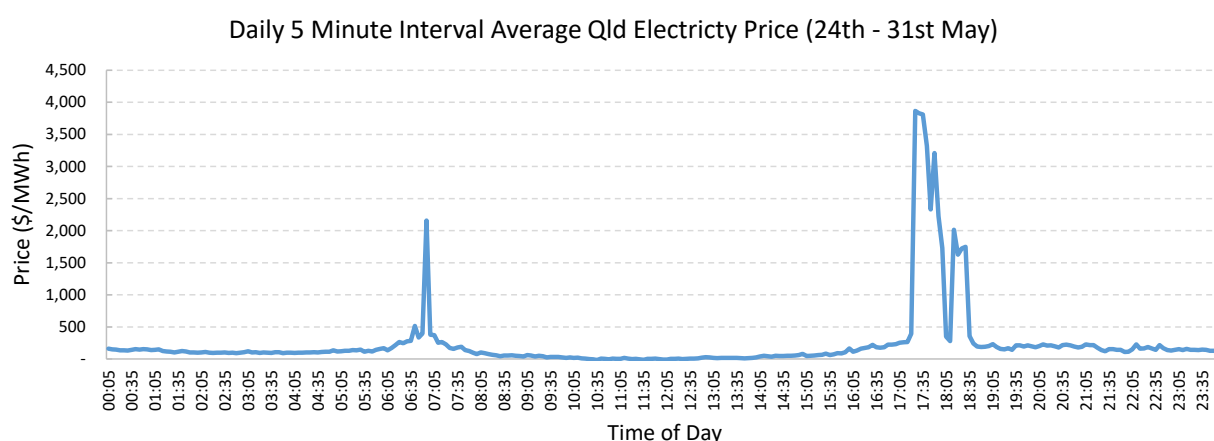
The Australian Energy Market Operator (“AEMO”) is forecasting that the impact of coal fired power plant closures, coupled with insufficient new dispatchable generation and storage capacity investment will challenge the NEM’s capacity to reliably meet energy supply needs. AEMO’s CEO, Daniel Westerman, commented in 2022:

*“In the next decade, Australia will experience our first cluster of coal-generation retirements, at least five power stations totalling 8.3 gigawatts (GW), equal to approximately 14 per cent of the NEM’s total capacity. Without further investments, this will reduce generation supply and challenge the transmission network’s capability to meet reliability standards and power system security needs.”<sup>1</sup>*

As a result, wholesale electricity markets are experiencing more frequent periods of extreme price volatility. A typical example of this price volatility occurred in the Queensland electricity market during the last week of May 2023 as shown in the charts below.



<sup>1</sup> AEMO Media Release 31/08/2022 titled “Critical investment needed to manage reliability gaps”



*Figure: Aggregated price and demand data (source: AEMO website)*

As noted above, the TPS is ideally suited to operate during these periods of market volatility and provide critical support to the NEM and electricity users as the grid transitions to increasing levels of renewable generation. The table below shows actual TPS generation support to the NEM on the 24<sup>th</sup>, 25<sup>th</sup> and 30<sup>th</sup> May.

Date	Queensland Peak Electricity Price (\$/MWh)	TPS Electricity Dispatch (MWh)	Average Price received (\$/MWh)
24 <sup>th</sup> May	\$12,163	753	\$1,701
25 <sup>th</sup> May	\$14,500	879	\$1,025
30 <sup>th</sup> May	\$14,930	620	\$1,739

*Figure: TPS revenue generation (source: AEMO website)*

QPME's strategy is to increase gas supply available to TPS to ensure it is able to increase its capacity to provide this market support.

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



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