

June 2023 Quarterly Report

Highlights

- ✓ **Announced game changing acquisition of the Moranbah Project, a producing gas asset that will help transform QPM into a vertically integrated, advanced manufacturer of critical metals:**
 - Receive net \$30 million in cash consideration upon financial close, which should occur in the next two weeks;
 - Excess gas compression and transportation infrastructure capacity to meet the needs of the TECH Project and additional gas users;
 - Reserves and resources that will underpin gas requirements for at least the first 15 years of the TECH Project;
 - Ability to connect to other regional coking coal mines in the Bowen Basin and collect additional waste gas to significantly increase gas production;
 - Forecast to generate considerable earnings as a stand-alone business from electricity generation and sales to existing customers; and
 - \$80m prepayment for drilling new wells to be provided by customer Dyno Nobel as part of new long term gas supply agreement.
- ✓ **Continued progress on advancing the TECH Project towards debt funding and subsequent final investment decision ("FID"):**
 - Ongoing engagement with key government backed financiers and commercial banks highlight potential for attractive debt finance package;
 - Significant progress on engineering, testwork and updated capital pricing as required by financiers;
 - Early engagement of Monadelphous to provide input on constructability to streamline construction time;
 - Successful co-product testwork for HPA and hematite pellets, now producing samples which can be used for marketing to assist in securing offtake;
 - Receipt of \$5m Federal Government grant under Critical Minerals Development Program which will be used to accelerate Front End Engineering Design ("FEED") for the TECH Project; and
 - End of Waste Code application submitted for approval to use TECH Project residue for engineered landfill which will facilitate QPM achieving its goal of being zero solids waste at the

TECH Project.

✓ Extensive political engagement across all levels of government:

- Key meeting held in Korea with Queensland Government delegation, including Premier Hon. Annastacia Palaszczuk MP, Minister for Resources Hon. Scott Stewart MP, and key QPM stakeholders LG Energy Solution (“LGES”), POSCO and K-Sure; and
- Premier reaffirms that the Queensland Government is working with QPM for investment support to help it achieve FID.

Queensland Pacific Metals Ltd (ASX:QPM) (“QPM” or “the **Company**”) is pleased to present a summary of activities from the June 2023 quarter.



Figure: Participants from Queensland Government and stakeholders, LGES, POSCO, K-Sure and QPM at the Critical Minerals Strategy meeting in Seoul, South Korea.

Premier Hon. Annastacia Palaszczuk MP commented,

“We’re working with QPM on investment support for early works for the nickel and cobalt processing plant at the Lansdown Eco-Industrial Precinct.”

Moranbah Project

In April, wholly owned subsidiary QPM Energy (“**QPME**”) announced the acquisition of the Moranbah Project. At the time of publishing this Quarterly Report, financial close of the acquisition is imminent. QPME will take over ownership of the assets and agreements that comprise the project and will also receive net cash consideration of \$30 million. QPME will also appoint Upstream Petroleum Services to operate the gas field.

QPME’s strategy with respect to the Moranbah Project is to produce enough gas to meet the requirements of the TECH Project and to operate as a standalone business with significant earnings from gas sales to third parties and electricity generation.

A number of key agreements were executed during the quarter which will help facilitate this strategy.

Incitec Pivot (“IPL”) / Dyno Nobel Gas Supply Agreement and Development Funding

Dyno Nobel, a wholly owned subsidiary of IPL, is a major customer of the Moranbah Project and has an existing Gas Supply Agreement (“**GSA**”) of 7 PJ per annum through to March 2026. QPME and Dyno Nobel have entered into a new GSA which will commence upon the expiry of the existing GSA. Key terms of the new GSA are displayed in the table below:

Summary of key terms of the new GSA	
Commencement Date	April 2026
Annual Contract Quantity	7.1 PJ gas per annum
Term	7 years (to April 2033) Option for Dyno Nobel to extend term by 4 years (to April 2037)
Termination	Customary events of default (e.g. non-payment, change of control, misrepresentations, insolvency etc.) with cure periods
Pricing	Commercial in Confidence Same basis as gas to be sold to the TECH Project Pricing linked to underlying cost of producing and delivering gas, including (stay in business) capital costs and operating costs.

Figure: GSA key terms

QPME and Dyno Nobel have also entered into a Development Funding Facility (“**DFF**”) to accelerate production growth at the Moranbah Project. The DFF will have an initial aggregate limit of \$80m with an ability to increase this to \$120m, if required. This facility will be repaid by the delivery of gas over the term of the new GSA (summarised below).

The DFF will fund the drilling of 16 new wells over a 2 year period. QPME intends to commence development works as soon as possible following financial close of the acquisition.

Summary of key terms of the DFF	
Commencement Date	Funds available to draw down from completion of the Transaction
Facility Limit	\$80 million (ability to resize to \$120 million at discretion of lender)
Interest and Fees	Interest at a margin (6%) above BBSY; customary establishment fee (\$280k), repayable as part of gas delivery
Term	From completion of the Transaction until the earlier of: (a) March 2033; and (b) termination of the new GSA (summarised below)
Termination	Customary events of default (e.g. non-payment, change of control, misrepresentations, insolvency etc.) with cure periods
Repayment	In full by end of term; repayment obligations aligned with the new GSA

Figure: DFF key terms

Memorandum of Understandings (“MOU”) for waste gas collection

QPME plans to supplement gas production from existing reserves with the collection of additional waste gas from regional coking coal mines in the Bowen Basin. During the quarter QPME entered into two non-binding MOUs:

- Fitzroy Coal Management for a joint gas drainage program at Carborough Downs mine; and
- Blue Energy to collect gas from its pilot wells drilled at Sapphire.

QPME remains in active discussions with other miners in the region and is excited at the opportunities for significant increases in gas production.

Moranbah Guidance

QPME developed gas supply forecasts and operating budgets based on an extensive review of historical operations and field development plans. On the back of this work, QPME provided indicative production and financial guidance for the Moranbah Project through to the end of 2024.

	Dec 23 Qtr	Mar 24 Qtr	Jun 24 Qtr	Sep 24 Qtr	Dec 24 Qtr
Production					
Gas supply (pre field, compression and system use losses)	2.85 PJ	3.06 PJ	3.40 PJ	3.60 PJ	3.70 PJ
Financial					
Revenue from gas + electricity sales (net of royalties)	\$29.6m	\$34.8m	\$42.0m	\$46.0m	\$48.4m
Opex inc field operating costs + NQGP transportation and TPS electricity generation costs	\$31.2m	\$32.0m	\$32.9m	\$32.2m	\$33.8m
EBITDA	(\$1.6)m	\$2.8m	\$9.1m	\$13.8m	\$14.6m

Figure: Moranbah Project Guidance

QPM is forecasting that the Moranbah Project will generate positive EBITDA through 2024. These results are transformational for QPM, as it becomes a significant revenue generating company. For further information and underlying assumptions, please refer to ASX announcement 17 July 2023.

TECH Project

QPM continued to progress on all fronts as it advanced towards its target of achieving FID for the TECH Project.

Debt Funding

Ongoing engagement with key government backed financiers and commercial banks highlight potential for attractive debt finance package. In parallel to this, RPM Global continues to undertake its technical due diligence and is working with QPM to plan site visits to New Caledonia and Townsville. There is no change to QPM's previously stated target of achieving conditional debt approval during the December quarter of 2023.

Feasibility work

Lead engineers Hatch, key suppliers and QPM's owner's team continue to undertake the necessary technical work streams to facilitate securing debt funding. Updated capital pricing estimates are also being obtained so they will be current enough ahead of credit committees assessing the debt funding.

QPM has also engaged Monadelphous, a leading Australian engineering group who provides construction services. The engagement of a company like Monadelphous is taking place earlier than normal for a project of this ilk. This is advantageous as it allows Monadelphous to provide advice to optimise how the TECH Project will be constructed, which will assist in streamlining construction timelines and reducing costs.

99.99% ("4N") High Purity Alumina ("HPA") produced from Lava Blue Demonstration Plant

Production from Lava Blue's HPA demonstration facility in Brisbane has begun to ramp up. Kilogram scale samples produced during commissioning are achieving better than 4N purity despite not yet having fully diminished contamination from commissioning new kilns. The results of a composite sample, produced June 15, and tested for purity in the QUT laboratory that is supported by the Lava Blue HPA project, are tabulated below.

Element	Sample QPM-HPA-150623-02-a	Sample QPM-HPA-150623-02-b	Sample average QPM-HPA-150623-02
Ca	12	9	10.5
Cr	4	4	4
Cu	7	7	7
Fe	30	29	29.5
Ga	<1	<1	<1
K	<5	<5	<5
Mg	4	4	4
Na	6	6	6
Ni	2	2	2
Si	13	11	12
Ti	1	1	1
Zn	1	5	3
Zr	<1	<1	<1
Total Impurities (mg/kg)	87	85	86
Purity (%)	99.9913	99.9915	99.9914

Figure: QUT analysis of HPA produced during commissioning of Lava Blue Demonstration Plant

Duplicates of the sample were tested and both the primary results of each test and the average of the test are displayed. While the results already demonstrate greater than 99.99% purity is being achieved, iron, silicon and calcium contamination levels have been detected and are attributed to ‘curing’ of new kiln internals. This will reduce during “curing” of the kilns.



Figure: Sample from which material from analysis tabulated above was drawn in the QUT laboratory.

CSIRO Testwork for Hematite Pellets

CSIRO testwork produced hematite pellets with excellent strength suitable for blast furnace steel making. Hematite pellets with properties suitable for direct feed to a blast furnace were produced on numerous occasions, using commercially standard methods. QPM are currently engaging with pellet plant suppliers to complete the process design and capital estimation of the commercial plant.



Figure: Hematite pellets produced during testwork

Chemical and physical analysis of the pellets produced by CSIRO were completed, with the results presented in the table below.

Area	Result
Fe (total)	63.0%
FeO	0.5%
SiO ₂	1.8%
Al ₂ O ₃	2.3%
P	0.006%
S	0.027%
CaO	0.6%
MgO	0.6%
Strength	>3000 N / pellet
Bulk Density	2.7 – 3.0 t / m ³
Size	8 – 14 mm
Reductive Index (RI)	60.3%
Reductive Degradation Index (RDI)	2.9% -2.8 mm

Figure: Chemical and physical analysis of pellets

The pellets produced in the CSIRO testwork had a high iron content and were below typical thresholds for impurities such as SiO₂, CaO, MgO, P and S that attract penalties in the iron ore market. This will make the

hematite product produced at the TECH Project an attractive feed option for steel mills, particularly when combined with the world class ESG credentials of the TECH Project. Based on this work, QPM's preference for the hematite precipitate is to produce pellets for the huge international blast furnace market.

Receipt of \$5m Federal Government Grant

QPM received a \$5m Federal Government grant under Critical Minerals Development Program which will be used to accelerate FEED for the TECH Project. Some areas of the TECH Project are further advanced than others and the grant will allow FEED activities to commence on these areas earlier. This will greatly assist in QPM achieving its target timelines.

Political Engagement

QPM's Chair, John Abbott and Managing Director & CEO, Dr. Stephen Grocott, joined key Queensland Government officials along with key Korean stakeholders as part a Queensland Government Trade Mission to Korea which also included:

- Premier Hon. Annastacia Palaszczuk MP and her key staff;
- Minister for Resources Hon. Scott Stewart MP and his key staff;
- Other key Queensland stakeholders including Mayor of Townsville CR Jenny Hill and Townsville Enterprise CEO Claudia Brumme-Smith;
- Senior executives and personnel from LGES' Cathode Procurement Division and Global Investment Division;
- Senior executives and personnel from POSCO's Fund Investment Division; and
- Senior executives and personnel from the K-Sure team that is assessing debt financing of the TECH Project.

During the meeting, the Queensland Government delivered the following key messages:

- Working with QPM in relation to investment support to help the Company achieve a Final Investment Decision for the TECH Project;
- Outlining the Queensland Critical Minerals Strategy and how it will support projects like the TECH Project; and
- Reaffirming Townsville as an ideal location for critical metals manufacturing.

Cash and Corporate

Cash at the end of the quarter was \$16.4m. QPM has started work on R&D tax incentive for the financial year ended 30 June 2023. Given increased expenditure on R&D related activities, QPM is forecasting a return in excess of the 30 June 2022 financial year, which was \$10.2m.

Additional ASX Information

ASX Listing Rule 5.3.1: Exploration and Evaluation during the quarter was \$17.3.m. 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 30 June are detailed in the table below.

TENEMENT ID	STATUS	APPLIC DATE	GRANTED DATE	EXPIRY DATE	HOLDING	NAME	REGISTERED CO.
EL 1761	Renewal application submitted and pending approval	11 Mar 2020	18 Sep 2020	12-Mar-22	100%	Sewa Bay	Queensland Pacific Metals Ltd

ASX Listing Rule 5.3.5:

RELATED PARTY	AMOUNT	DESCRIPTION
Directors and CEO	\$226,335	Director and consulting fees paid to Directors and/or Director related entities

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 10, 307 Queens St, Brisbane Q 4000

FORWARD LOOKING STATEMENT Statements & material contained in this ASX Release, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of QPM, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events & expectations and, as such, involve known and unknown risks & uncertainties. Although reasonable care has been taken to ensure facts stated in this Release are accurate and/or that the opinions expressed are fair & reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results & developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this Release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

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")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	-	-
1.2 Payments for			
(a) exploration & evaluation	(17,305)	(49,009)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(1,741)	(6,579)	
(e) administration and corporate costs	(2,004)	(6,523)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	49	294	
1.5 Interest and other costs of finance paid	-	-	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	1,840	12,027	
1.8 Other (provide details if material)	1,640	4,672	
1.9 Net cash from / (used in) operating activities	(17,521)	(45,118)	
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities	-	-	
(b) tenements	-	-	
(c) property, plant and equipment	(643)	(834)	
(d) exploration & evaluation	(4)	(62)	
(e) investments	-	-	
(f) other non-current assets	-	-	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(647)	(896)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	32,085
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	243
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(585)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(44)	(154)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(44)	31,589

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	34,554	31,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(17,521)	(45,118)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(647)	(896)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(44)	31,590

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	40	(577)
4.6	Cash and cash equivalents at end of period	16,382	16,382

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	16,382	34,554
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,382	34,554

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	227
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$226,535

7. Financing facilities <i>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.</i>	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 Total financing facilities	-	-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(17,521)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(4)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(17,525)
8.4 Cash and cash equivalents at quarter end (item 4.6)	16,382
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	16,382
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.9
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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?	
The company expects settlement of the Moranbah Project acquisition to take place in August. From this point onwards, Moranbah Project revenue and expenditure will significantly impact operating cash flows of QPM. Guidance revenue and expenditure around the Moranbah Project was recently announced which provides an indication of the impact to operating cash flows.	
8.8.2 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?	
As part of the Moranbah Project acquisition, the company will receive net cash consideration of \$30 million. Furthermore, the company is also expecting to receive a tax return as part of the R&D tax incentive for the 30 June 2023 financial year prior to the end of the 2023 calendar year. The 30 June 2022 financial year tax return under the R&D tax incentive was \$10.2 million and QPM is forecasting that the 30 June 2023 financial year return will be larger as there has been greater spend on R&D activities.	

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

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

Yes – based on the market guidance provided on Moranbah Project and the cash inflows detailed in 8.8.2

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 31 July 2023

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

Notes

1. 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 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.