

December 2023 Quarterly Report

Highlights

- ✓ Majority of technical workstreams have reached a high level of maturity for the TECH Project – current focus is on project optimisation, maximising synergies with the QPME business and financing initiatives. As a result, December quarter TECH Project costs were reduced by 62% from the average of the previous two quarters and costs will continue to be further reduced.
- ✓ Current macroeconomic conditions for nickel and other battery critical metals are challenging for all battery metals companies – QPM is fortunate that it is diversified and owns the Moranbah Project via its wholly owned subsidiary, QPM Energy (“QPME”).
- ✓ Immediate focus for QPM is to ensure QPME and the Moranbah Project generates positive earnings. The first full operating quarter for QPME has been successful:
 - Zero lost time incidents;
 - Consistent month on month production and revenue growth;
 - Stable monthly operating cost base established at a lower level than that of previous owners;
- ✓ Continued progress in January 2024 with strong revenue of \$12.3+m resulting in a positive operating surplus of around \$2m for the month (based on budget costs), a fantastic turnaround to a profitable business in the 5 months since completion of the acquisition.
- ✓ Ongoing political engagement at Federal and State Government level with the target of securing financial support for QPM.
- ✓ Successful operation of High Purity Alumina (“HPA”) demonstration plant by partners Lava Blue to produce 62kg >99.99% (“4N”) purity HPA with marketing samples being transported to the United States to provide to potential offtakers.

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

QPM Energy Moranbah Project

Moranbah Project Overview

When QPME first announced conditional agreement to acquire the Moranbah Project in April 2023, gas production was around 28TJ / day. When financial close was achieved late August 2023, under the previous

owners, production had declined to around 23TJ / day. In the 5 months since completion of the acquisition, QPME has grown production back to ~28TJ / day and has a clear pathway for significant gas production growth in 2024.

The December 2023 quarter represents the first full operating quarter for QPME. Alongside experienced contract field operator GR Production Solutions (“GRPS”), QPME has successfully transitioned to full operating control with great success. Highlights include:

- Zero lost time incidents;
- Retained key operating staff and employed new team members;
- Consistent month on month production growth;
- Consistent month on month revenue growth;
- Stable operating costs at levels below that of previous owners and tracking internal budgets;
- Agreed initial well development program with Dyno Nobel and undertaken initial drawdown of \$2.8m from the Dyno Nobel \$80-120m Development Funding Facility (“DFF”);
- Identified and held discussions with a number of potential new gas customers in Townsville and surrounding region;
- Identified new production growth and field optimisation opportunities.

Moranbah Project Turnaround

The progress of QPME’s turnaround of the Moranbah Project has been a real highlight for the company. In September 2023, the first month of QPME’s operating control, QPME recorded revenue of \$4.7m and an operating loss of \$4.9m. Just 5 months later the company is on track to generate in excess of \$12.3m in revenue for the month of January. Based on budget costs, this will result in an operating surplus of around \$2m for the Moranbah Project.

The ability to turnaround the operating performance of the Moranbah Project in a relatively short period of time is an excellent result for QPME and a tribute to the operating team and our partners. It must be noted that QPME received a net payment of \$30m as part of the acquisition of the Moranbah Project.

Well Development Program Funded by Dyno Nobel Development Funding Facility (“DFF”)

QPME previously announced an initial \$80m DFF (with ability to increase to \$120m) with major customer Dyno Nobel, designed to extend production and field life through targeted drilling to increase reserves and production rates. During the quarter, QPME completed the design of the initial well development to be drilled in an area of the Moranbah Field that is expected to be productive.

The program is expected to commence around April 2024, subject to drill rig availability.

It is intended that the program will be fully funded by the Dyno Nobel DFF. The first stage of the program, including early works and long lead time item procurement, has been approved and funded under the DFF with additional stages to be approved during the March 2024 quarter.

Well Workover Program

During the December quarter, QPME successfully completed a low cost well workover program targeting non-producing wells. 11 wells have been brought back into production adding in excess of 2TJ / day. The total cost of this program was approximately \$1 million.

Following the success of this program, QPME has identified a further group of wells which we believe can successfully worked over and brought back into production. The Company aims to have approximately 130 wells producing by June 2024 up from around 100 wells at completion of the Moranbah Project acquisition.

Power Generation

Excess gas not sold to Dyno Nobel or Copper Refineries Ltd is sent to the Townsville Power Station (“TPS”) to generate electricity. As QPM has increased gas production month on month, it has produced more electricity for sale into the National Electricity Market.

		Sep 23	Oct 23	Dec 23
Total gas supplied	TJ	96.9	156.2	242.2
Electricity Generated and Sold	MWhr	9,306	15,604	21,759

Figure: Unaudited electricity generated and sold by QPME

Under current operating conditions, TPS produces approximately 150MW when operating on Open Cycle, which only utilises the gas turbine. When operating in Combined Cycle mode, which utilises the Heat Recovery Steam Generator (“HRSG”), it produces approximately 225MW. Gas consumption under both modes is the same, however to operate the HRSG, the gas turbine must first be operational to generate enough heat in the system.

To date, QPME has largely operated in Open Cycle mode. As more gas becomes available, it will operate more often in Combined Cycle mode, which will have a significant impact on total electricity generated.

New Gas Customer Development

Since acquiring the Moranbah Project, QPME has received a number of inbound enquiries for gas supply and has commenced discussions with these groups.

Memorandums of Understanding (“MOUs”) have been executed with a number of groups to jointly investigate gas supply from QPM. Currently, a number of mining and industrial companies are generating power with diesel as a fuel source. This is expensive and translates to an equivalent gas price of approximately \$35/GJ.

In order to facilitate gas supply to these customers, QPME is assessing the establishment of an Energy Hub at the TECH Project Lansdown site. This could include:

- Compressed natural gas (“CNG”) supply: QPME already has strategically purchased high quality, second hand CNG equipment.

- Liquefied natural gas (“LNG”) supply: QPME’s contract operator GRPS has undertaken significant feasibility work with regards to micro-LNG.
- Hydrogen-ready firming power supply: Gas turbines that can also use hydrogen fuel can be established at Lansdown to supply the peaking electricity market and also ultimately provide power to projects within the Lansdown precinct.

TECH Project

Technical Workstreams

The majority of technical workstreams for the TECH Project have reached a high level of maturity and engineering design. Lead engineers Hatch and other consultants have largely been demobilised. The core QPM technical team is currently focussed on project optimisation, maximising synergies with the QPME business and de-risking to make the project as attractive as possible to financiers and investors.

As a result, December 2023 quarter TECH Project costs were reduced by 62% from the average of the previous two quarters and costs will continue to be significantly reduced in the March 2024 quarter.



Figure: Mature 3D engineering design of TECH Project

Financing Activities

QPM acknowledges the current state the battery metals sector, in particular nickel and lithium. Spot commodity prices have depreciated significantly and there has been a number of mine closures, deferred expansion and cost cutting initiatives.

Interest and support for the TECH Project from financiers remains positive, in particularly with regards to the TECH Project’s strong partners/offtakers, world class ESG credentials and operating jurisdiction – especially given the USA’s recently proposed rules governing the Foreign Entities of Concern. However, financing any nickel project in the current environment is very challenging and will likely require an improvement in the macroeconomic conditions for the nickel sector in order for QPM to be successful.

As stated previously, QPM is currently focussed on optimisation activities to make the economic returns from the TECH Project as robust as possible. This will ensure that the TECH Project is best positioned when there is a change in sentiment in the nickel sector.

Lava Blue HPA Demonstration Plant

During the quarter, QPM and Lava Blue have completed the first campaign of HPA Demonstration Plant operation, which successfully produced 62 kg of 4N HPA. The two primary objectives of this technical work have been well and truly met, being:

- Confirmation of HPA flowsheet for the TECH Project; and
- Production of samples for offtake marketing purposes.

HPA produced from the Demonstration Plant has been split into six ~10 kg blends and have been transported to the USA. The blends have been assayed and results have far exceeded 4N purity.

Blend #		1	2	3	4	5	6
Ca	ppm	6.34	3.84	4.06	3.43	4.26	4.17
Cr	ppm	0.15	0.17	0.16	0.09	0.12	0.16
Cu	ppm	0.22	0.23	0.22	0.27	0.22	0.11
Fe	ppm	1.15	0.69	0.74	0.81	0.61	0.45
Ga	ppm	<LOD	<LOD	<LOD	<LOD	<LOD	<LOD
K	ppm	0.96	1.82	<LOD	<LOD	<LOD	<LOD
Mg	ppm	1.07	0.75	0.88	0.54	0.44	0.47
Na	ppm	9.65	10.22	10.39	9.00	11.70	9.19
Ni	ppm	0.11	0.10	0.06	0.08	0.10	0.10
Si	ppm	8.19	11.83	5.45	2.80	3.50	4.04
Ti	ppm	0.39	0.16	0.30	0.15	0.16	0.14
Zn	ppm	0.18	0.09	<LOD	0.08	0.16	0.11
Purity	%	99.997	99.997	99.998	99.998	99.998	99.998

Figure: Blend assay results

QPM's technical and marketing team have been working closely with a specialised US consultant to identify potential offtakers. The initial focus has been on the LED market (sapphire glass). The HPA blends have been transported and will be provided to potential offtakers for testing.



Figure: HPA blends packed for transportation

Political Engagement

Both the TECH Project and the Moranbah Project are strongly aligned with Federal and State government policy and objectives.

TECH Project:

- Nickel was made a strategic metal by Critical Metals Office and Australian Federal Government, aligning with most of the world that classifies nickel as a critical mineral;
- Development of advanced manufacturing and resource downstream processing capabilities is key for Federal and State government; and
- Strong ESG credentials and enabling of EV sector and batteries.

Moranbah Project:

- Gas is considered critical as a transitional energy source;
- QPME's strategy of collecting waste gas from coal mines results in significant carbon abatement aligning with Federal and State government carbon reduction targets and international methane reductions efforts (at COP28, Australia has signed the voluntary global methane pledge to cut emissions by 30 per cent by 2030).

QPM is actively pursuing funding from a number of government initiatives and was actively progressing these opportunities during the quarter. In addition to debt support from Export Finance Australia and Northern Australia Infrastructure Facility, QPM is targeting:

- National Reconstruction Fund for TECH Project;
- Queensland Government \$520m Low Emissions Industry Partnerships fund for carbon abatement in the Bowen Basin for Moranbah Project; and
- Other government funding opportunities.

Cash and Corporate

Total cash (including restricted cash) at the end of the quarter was \$27.5m. In the March 2024 quarter, QPM expects to receive net funds from its R&D tax return of \$3m (post repayment of loan) and \$2.6m from the CMDP grant as part of the second payment under the scheme.

Additional ASX Information

ASX Listing Rule 5.3.1: Cash outflow from Exploration and Evaluation during the quarter was \$14.5m. This largely related to payment of historical expenditure from the previous quarter and is not representative of actual expenditure.

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 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	\$295,673	Director and consulting fees paid to Directors and/or Director related entities

This announcement has been authorised for release by the Board.



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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")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	14,656	15,441
1.2	Payments for		
	(a) exploration & evaluation	(14,538)	(28,147)
	(b) development	-	-
	(c) production	(9,323)	(11,782)
	(d) staff costs	(3,419)	(5,858)
	(e) administration and corporate costs	(1,979)	(6,238)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	244	418
1.5	Interest and other costs of finance paid	(2,208)	(2,290)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	2,394	40,894
1.9	Net cash from / (used in) operating activities	(14,173)	2,438
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant, and equipment	(708)	(1,169)
	(d) exploration & evaluation	(33)	(38)
	(e) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets (relates to amounts (incl GST) paid by QPM for the acquisition of the Moranbah project)	-	(5,500)
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)	-	(50)
2.6	Net cash from / (used in) investing activities	(741)	(6,757)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) *	2,181	17,931
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	300
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(89)	(1,077)
3.5	Proceeds from borrowings	15,495	15,495
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(380)	(845)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	i) Balance includes lease principal payments on IFRS 9 and IFRS 16 leases held by the company.	(14,473)	(16,271)
3.10	Net cash from / (used in) financing activities	2,734	15,533
* The Share Purchase Plan (SPP) concluded in October raising \$1,930,850 (before costs) and the remaining placement balance of \$0.25 million was also received.			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	39,706	16,382
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(14,173)	2,438
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(741)	(6,757)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,734	15,533
4.5	Effect of movement in exchange rates on cash held	(6)	(76)
4.6	Cash and cash equivalents at end of period	27,520	27,520

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	15,016	28,706
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)		
	i) Balance comprises of \$11M (restricted) cash deposited related to IPL funding arrangements and \$1.5M deposit for TPS variable charges.	12,504	11,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	27,520	39,706

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	296
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	\$295,673

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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) *	92,650	15,495
7.4	Total financing facilities	92,650	15,495
7.5	Unused financing facilities available at quarter end		77,155
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.		
	* During the December quarter, QPM received \$12.65M through the drawdown on the Research and Development Grant loan and received the first \$2.845M drawdown from the \$80M Development Funding Facility ("DFF").		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(14,173)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(33)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(14,206)
8.4	Cash and cash equivalents at quarter end (item 4.6)	27,520
8.5	Unused finance facilities available at quarter end (item 7.5)	77,155
8.6	Total available funding (item 8.4 + item 8.5)	104,675
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	7.4
	<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?	
	Answer: N/A	
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?	
	Answer: N/A	
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?	
	Answer: N/A	
	<i>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.</i>	

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 January 2024

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.