



ABN 61 125 368 658

**CONSOLIDATED FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2023**

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DIRECTORS' REPORT

The Directors of Queensland Pacific Metals Limited ("QPM" or "the Company") present their report, together with the financial statements on the consolidated Group consisting of Queensland Pacific Metals Limited and its controlled entities for the half-year ended 31 December 2023 ("the Period").

It is recommended that the Directors' Report be read in conjunction with the annual financial statements for the year ended 30 June 2023 and considered together with any public announcement made by the Company during the Period and up to the date of this report.

It is pertinent to note that due to the acquisition, the half year results reflect the application of complex business combination, fair value accounting and as such, the results do not reflect typical accounting entries. It is expected that the impact of the business combination accounting will subside in two years and the subsequent financial statements will more reflective of actual operational results.

1. DIRECTORS

The names of the Company's Directors who held office during the Period and until the date of this report are set out below. The Directors were in office for this entire Period unless otherwise stated.

Director	Position	Duration of Appointment
Stephen Grocott	Chief Executive Officer	21 July 2020 (current)
	Managing Director	1 April 2021 (current)
John Downie	Executive Director	1 April 2021 (current)
Eddie King	Non- Executive Director	26 March 2018 (current)
Jim Simpson	Non-Executive Director	1 May 2021 (current)
Sharna Glover	Non-Executive Director	24 September 2021 (current)
John Abbott	Non-Executive Chairman	24 September 2021 (current)

2. REVIEW OF OPERATIONS AND ACTIVITIES

Overview

Queensland Pacific Metals (ASX: QPM) is an Australian company based in Brisbane, Queensland, with two key business units:

- The Townsville Energy Chemicals Hub (TECH) Project which aims to establish a modern and sustainable refinery to produce nickel, cobalt and High Purity Alumina (HPA) for the burgeoning lithium-ion battery and electric vehicle industries, and high-grade hematite for the global steel sector.
- QPM Energy Pty Ltd ("QPME") which is an energy supply business which harvests Waste Mine Gas ("WMG") from the Bowen Basin for beneficial use and electricity generation in North Queensland.

The TECH Project is expected to require between 11-14 PJ of gas per annum. QPME was established to source reliable and cost-effective gas for the TECH Project. As part of executing this strategy, on 25 August 2023, QPME successfully completed the acquisition of the Moranbah Gas Project (MGP) from Arrow Energy Group and AGL Energy Ltd. The MGP is already a well-established gas producer supplying several customers around Moranbah and Townsville.

Townsville Energy Chemicals Hub ("TECH Project")

The TECH Project is designed to become a leading supplier of high-grade, sustainable battery materials for the global electric vehicle market. The process will generate no process liquid discharge or solids waste, eliminating the need for tailings dams or evaporation ponds. All process liquids will be recycled and re-used on site and the

only solid waste remaining after recovering all minerals recovered for sale will be an inert residue which is suitable for use as an engineered landfill. QPM has been continuing to work on obtaining End of Waste code approval for its residue and is progressing well on the test work and reporting to support an End of Waste (EOW) application beneath the Environmental Protection Act 1994 for the residue that is produced by the TECH Project.

Significant advancements were achieved by the TECH Project during the period to advance the project to a Final Investment Decision, the highlights include:

- Successful hematite pellet testwork completed with CSIRO which resulted in below typical thresholds for impurities such as silica, phosphorus and sulphur which attract penalties in the iron ore market. These properties make the hematite product an attractive feed option for blast furnace iron making. Hematite pellets are processed using waste coal mine gas, producing a low carbon feed stock for steel making.
- Sulfate Refinery pilot plant produced Nickel Sulfate which meets the specifications of the General Motors, LG Energy Solutions and POSCO offtake agreements validating the commercial flowsheet being used in the TECH Project.

QPM has maintained a close relationship with the Bindal People, the Traditional Owners and Native Title claimants of the QPM TECH site. QPM and the Bindal People have upgraded their Cultural Heritage Management Agreement (“CHMA”) to a Cultural Heritage Management Plan (“CHMP”) that has subsequently been registered with the Department of Seniors, Disability Services and Aboriginal and Torres Strait Islander Partnerships (DSDSATSIP). This agreement governs how QPM will manage cultural heritage for the TECH Project into the future.

QPM’s sponsorship activities have provided meaningful support to the local community, as we maintained our sponsorship of several organisations and events during 2023. QPM has been committed to promoting a healthy and active lifestyle for children of all abilities and continued in 2023 as primary sponsors for The Challenge Games which are held in July and support school aged students with disabilities. QPM is also a major sponsor for the Townsville Table Tennis Association (TTTA) and the Woodstock Horse Sports Club (WHSC). This year QPM and The Challenge Games offered budding Para-Olympians a bursary to assist qualifiers to attend state and national championships. This initiative inspires young athletes to attend The Challenge Games knowing there’s support available to attend state and national trials should they qualify. This initiative assisted seven athletes to attend North Queensland Championships in Mackay, three of whom qualified and went on to compete in the National All Schools Championships in Perth.

QPM Energy

On 25th August, wholly-owned subsidiary QPME reached financial completion of the Moranbah Project acquisition with settlement proceeds of \$30.0m (before disbursements associated with the acquisition) being received from the vendors. On 30th August, operatorship of the gas production and supply asset was transferred from Arrow Energy to QPME’s owner’s team and contract operator, GR Production Services. Since obtaining ownership, planning for field optimisation, production and gas supply growth initiatives have been undertaken. These initiatives include:

- A program to work over 8 existing wells to re-establish gas production from these wells. This has resulted in successful results which have increased gas production.
- Optimisation of existing wells and infrastructure to increase gas flows;
- Construction of new tie-in points to allow connection of gas produced from third party wells which has resulted in an increase in the operating gas flows starting; and

- A new well drilling program funded by the Dyno Nobel Development Funding Facility.

As part of the acquisition, QPME also obtained the contractual rights to transport and store gas using the North Queensland Gas Pipeline (“NQGP”) for delivery to Townsville as well as the rights to generate and dispatch electricity from the Townsville Power Station (“TPS”). In the second quarter of 2023, QPME assumed full control to dispatch of TPS and was able to optimise run times to coincide with peak markets prices and commence combined cycle generation.

Corporate

In August, a Share Placement to institutional and sophisticated investors were undertaken, raising gross proceeds of \$16M. QPM also raised an additional \$1.93M (before costs) via Share Purchase Plan that closed on 13 October 2023.

Project Funding

During the period, QPM continued to advance debt financing discussions in parallel with the due diligence being undertaken by independent technical expert RPM Global.

Interest and support for the TECH Project from financiers remains positive in particularly with regards to the TECH Projects strong partners/offtakers, world class ESG credentials and operating jurisdiction.

However, subsequent to period end there was continued deterioration in the battery metals sector, in particular nickel and lithium where spot prices have depreciated significantly and there has been a number of mine closures, deferred expansion and cost cutting initiatives. This creates a challenging environment for funding projects such as QPM’s and is likely to require an improvement in the macroeconomic conditions in the nickel sector for the TECH Project funding to be successfully completed.

3. FINANCIAL RESULTS

The financial results of the Company for the half-year ended 31 December 2023 are:

	31-Dec-23	30-Jun-23
Cash and cash equivalents (\$)	14,350,743	15,755,410
Net assets (\$)	9,338,700	20,013,653
	31-Dec-23	31-Dec-22
Net loss after tax (\$)	(28,371,821)	(16,637,141)
Loss per share (cents)	(1.46)	(1.01)

Subsequent Events

On 6 February 2024, QPM TECH Project Pty Ltd received the second instalment (\$2,926,000) under the Front-End Engineering Design (“FEED”) of the TECH Project. The grant period commenced on 30 June 2023 and ends on 31 December 2024. Funding received is only to be spent on eligible expenditure as defined in the grant agreement and in line with the activity budget.

On 31 January 2024, QPM Energy Markets Pty Ltd executed a transaction notice under the existing Master Spot Agreement with Copper Refineries Pty Ltd. The contract entitles QPM to two upfront payments at \$12/GJ of gas for future delivery of 292,800 GJ of high-pressure gas during the period commencing 1 February 2024 until 1 February 2025. The first tranche (\$1,921,920) was paid into QPM Energy Pty Ltd’s bank account on 15 February 2024.

4. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s 307C of the Corporations Act 2001 is set out on page 7. for the half-year ended 31 December 2023.

This report is signed in accordance with a resolution of the Board of Directors.



Stephen Grocott
Managing Director
14 March 2024



**Building a better
working world**

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Auditor's independence declaration to the directors of Queensland Pacific Metals Limited

As lead auditor for the review of the half-year financial report of Queensland Pacific Metals Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Queensland Pacific Metals Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Andrew Carrick', written in a cursive style.

Andrew Carrick
Partner
14 March 2024

QUEENSLAND PACIFIC METALS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31-Dec-23	31-Dec-22
		\$	\$
Revenue	4	39,424,894	-
Other Income	5	1,872,646	10,187,013
Transaction costs		(2,237,007)	-
Operating expenses	6	(16,493,749)	-
TECH project expenses		(19,668,940)	(17,571,806)
Royalties		(968,750)	-
Employee benefits	7	(4,926,026)	(3,101,927)
Other expenses		(5,604,025)	(4,850,317)
Share based payment	21	(547,631)	(606,184)
Depreciation and amortisation	8	(13,100,168)	(128,739)
Operating loss		(22,248,756)	(16,071,960)
Foreign exchange gain/ (loss)		(111,062)	(677,819)
Finance income		431,771	126,196
Finance expense	9	(6,443,774)	(13,558)
Loss before income tax for the half-year		(28,371,821)	(16,637,141)
Income tax expense		-	-
Loss after income tax for the half-year		(28,371,821)	(16,637,141)
Total comprehensive loss for the half-year attributable to members of Queensland Pacific Metals Limited		(28,371,821)	(16,637,141)
Basic loss per share	23	(1.46)	(1.01)
Diluted loss per share		(1.46)	(1.01)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the consolidated financial statements.

QUEENSLAND PACIFIC METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31-Dec-23 \$	30-Jun-23 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	14,350,743	15,755,410
Trade and other receivables	11	24,967,811	15,914,110
Other assets	12	14,995,460	205,989
Inventory		4,723,279	-
Total Current Assets		59,037,293	31,875,509
Non-Current Assets			
Long term deposits		1,983,192	626,272
Exploration and evaluation expenditure		252,801	208,363
Property, plant and equipment	13	69,004,913	773,135
Oil and gas properties	14	48,500,366	-
Right of use assets	16	33,803,084	541,660
Total Non-Current Assets		153,544,356	2,149,430
TOTAL ASSETS		212,581,649	34,024,939
LIABILITIES			
Current Liabilities			
Trade and other payables	15	25,192,213	11,113,646
Employee entitlements		1,144,189	486,032
Lease liabilities	16	60,423,666	185,909
Deferred grant income		-	1,840,000
Other liabilities	17	32,968,129	-
Interest-bearing loans and borrowings	18	13,450,966	-
Total Current Liabilities		133,179,163	13,625,587
Non-Current Liabilities			
Lease liabilities	16	9,431,457	385,699
Other liabilities	17	39,353,176	-
Employee entitlements		188,419	-
Interest-bearing loans and borrowings	18	2,845,000	-
Provisions	19	18,245,734	-
Total Non-Current Liabilities		70,063,786	385,699
TOTAL LIABILITIES		203,242,949	14,011,286

QUEENSLAND PACIFIC METALS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	31-Dec-23	30-Jun-23
NET ASSETS		9,338,700	20,013,653
EQUITY			
Issued capital	20	126,995,489	113,574,307
Reserves	22	17,035,263	12,759,577
Accumulated losses		(134,692,052)	(106,320,231)
TOTAL EQUITY		9,338,700	20,013,653

The Consolidated Statement of Financial Position should be read in conjunction with the notes to the consolidated financial statements.

QUEENSLAND PACIFIC METALS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Issued Capital	Share-base payment Reserve	Equity raise - Options Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2023	113,574,307	8,223,733	4,535,844	(106,320,231)	20,013,653
Loss for the period	-	-	-	(28,371,821)	(28,371,821)
Total comprehensive loss for the half- year after tax	-	-	-	(28,371,821)	(28,371,821)
Transactions with owners in their capacity as owners					
Share Placement & SPP	14,200,733	-	3,730,117	-	17,930,850
Transaction costs	(1,081,613)	-	-	-	(1,081,613)
Share-based payments	-	547,631	-	-	547,631
Conversion of unlisted options	302,062	(2,062)	-	-	300,000
Balance at 31 December 2023	126,995,489	8,769,302	8,265,961	(134,692,052)	9,338,700
At 1 July 2022	86,366,328	6,894,697	-	(67,268,036)	25,992,989
Loss for the period	-	-	-	(16,637,141)	(16,637,141)
Total comprehensive loss for the half- year after tax	-	-	-	(16,637,141)	(16,637,141)
Transactions with owners in their capacity as owners					
Share Placement	27,549,646	-	4,535,844	-	32,085,490
Transaction costs	(584,667)	-	-	-	(584,667)
Share-based payments	-	606,184	-	-	606,184
Conversion of unlisted options	243,000	-	-	-	243,000
Balance at 31 December 2022	113,574,307	7,500,881	4,535,844	(83,905,177)	41,705,855

The Consolidated Statement of Changes in Equity should be
read in conjunction with the notes to the financial statements

QUEENSLAND PACIFIC METALS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31-Dec-23	31-Dec-22
	\$	\$
Cash flows used in operating activities		
Receipts from customers	17,129,994	-
Payment to suppliers and employees	(42,249,012)	(29,218,714)
Interest finance costs paid	(3,045,934)	(13,558)
Interest received	417,425	126,196
R&D tax offset and GST refund received	734,779	11,885,968
Net cash outflows used in operating activities	(27,012,748)	(17,220,108)
Cash flows from investing activities		
Payments for property and equipment	(2,787,633)	(27,865)
Payment of exploration activities capitalised	(37,265)	(48,696)
Long term deposits	(11,090,000)	(199,402)
Payment of acquisition costs relating to the Moranbah project	(3,040,732)	-
Consideration for inheriting Moranbah contract liability	34,637,324	-
Payment for acquisition of the Moranbah project	(5,000,000)	-
Net cash outflows used in investing activities	12,681,694	(275,963)
Cash flows from financing activities		
Proceeds from the issue of shares	17,930,850	32,085,490
Share issue costs	(1,081,613)	(584,667)
Proceeds from the exercise of options	300,000	243,000
Proceeds from borrowings	15,115,500	-
Principal repayments	(19,272,246)	(58,329)
Net cash inflows provided by financing activities	12,992,491	31,685,494
Net increase in cash and cash equivalents	(1,338,563)	14,189,423
Cash and cash equivalents at the beginning of the half-year	15,755,410	31,382,958
Effect of movement in exchange rates on cash held	(66,104)	(653,799)
Cash and cash equivalents at the end of the half-year	14,350,743	44,918,582

The Consolidated Statement of Cash Flows should be read in conjunction with the notes to the consolidated financial statements.

QUEENSLAND PACIFIC METALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 1: BASIS OF PREPARATION

Basis of Preparation

These general purpose interim financial statements for half-year reporting period ended 31 December 2023 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Queensland Pacific Metals Limited (“the Group”). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2023, together with any public announcements made during the following half-year.

During the half-year period, the Group acquired 100% interest of the Moranbah Gas Plant (MGP) and NQE assets, effectively turning the company into an operating business. As such, the presentation of the profit and loss was changed from nature to function to suit the change in the business’s nature and scale of operations.

Going Concern

This half year financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business at amounts stated in the financial report.

As at 31 December 2023, the Group had cash on hand of \$14.350 million (30 June 2023: \$15.755 million), net current liabilities of \$74.142 million (30 June 2023: net current assets \$18.250 million), and a recorded net loss of \$28.371 million (30 June 2023: \$39.052 million) for the period. The Group’s net cash operating outflows for the year were \$27.012 million (30 June 2023: \$45.195 million).

The above-mentioned loss and operating cash outflows include significant expenditure on advancing the definitive feasibility study (“DFS”) for the TECH Project. While the Group paid \$5.0 million plus transaction costs for the acquisition of the Moranbah Gas Project on 25 August 2023 (refer to note 24), it also received \$35.0 million for the assumption of certain gas supply obligations. Prospectively, the Group has operating cash commitments for production of gas to meet its existing supply obligations and other contractual commitments assumed as part of the acquisition of the Moranbah Gas Project as well as expansionary capital cash outflows to increase gas production.

The combined funding requirements of the TECH Project and Moranbah Gas Project and the Group’s net current liabilities mean there exists material uncertainty about the Group’s ability to continue as a going concern.

In the Directors’ opinion, at the date of signing this financial report, the going concern basis of preparation remains appropriate for the financial statements. A cash flow forecast has been prepared by Management through to June 2025 which indicates the Group will have sufficient cash to continue as a going concern due to the following:

- Most technical aspects of the TECH Project have achieved advanced stages of development and engineering design. The lead engineers, Hatch, along with other consultants, have been mostly demobilised. Presently, the core QPM technical team is dedicated to project optimisation, leveraging synergies with the QPME business and mitigating risks to enhance the project’s appeal to potential financiers and investors. The costs relating to TECH Project will continue to reduce during the project optimisation process.

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

- The Group has started to drawdown on its development funding facility with a Dyno Nobel, with the initial funding potential of up to \$80 million (and the ability to increase to \$120 million) which can only be used to fund the development of new production wells and boost gas production. As at 31 December 2023, \$2.845 million had been drawn down from this facility.
- QPME has effectively executed a cost-efficient well workover initiative aimed at revitalising non-producing wells. As a result, 11 wells have been brought back into production resulting in an addition 2TJ/day production.
- The increased production from the future development of the new wells, coupled with the well workover program, enables any additional gas produced above the requirements under the Dyno Nobel and Copper Refineries Ltd gas supply agreements to be tolled to the Townsville Power Station for the generation of electricity revenue.
- The Group expects to receive approximately \$15.3 million in refundable R&D tax incentives subsequent to period end. These monies will be used to repay the R&D advance funding loan.
- The Group continues to closely monitor available cash reserves and undertake initiatives to maintain liquidity.
- The Group also has opportunities to pursue debt financing or capital raising avenues if necessary.

In the event the Group is unsuccessful achieving the above matter, there is a material uncertainty that may cast significant doubt as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the ordinary course of business, at the amounts stated in the financial report. The half year financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

New Accounting Standards

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2023, except for the adoption of new standards effective as of 1 July 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim consolidated financial statements of the Group.

Significant accounting policies

(a) Revenue from contracts with customers

QPM's primary revenue streams relate to the sale of gas to business customers in Australia, and the sale of generated electricity to the National Electricity Market in Australia. Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer at an amount that reflects the consideration to which QPM expects to be entitled to receive in exchange for those goods or services.

QPM has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

QPM's primary performance obligations are the supply of energy (electricity or gas) over the contractual term. There are either individual contracts representing separate purchasing decisions of customers, or the units of supply of energy represent a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer and hence is considered one performance obligation satisfied over time. For the shorter term contracts, the performance obligations are considered to be satisfied, and revenue is recognised, as and when the units of energy are delivered. Additionally, in relation to QPM's longer term contracts, QPM

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

determines that the right-to invoice approach to measure the progress towards completion of the performance obligation is most appropriate as it depicts QPM's performance. QPM uses the units of energy delivered to the customer as estimated as part of the unbilled process (and later verified by meter readings) or as indicated by the customer's energy meter (where these are known more frequently).

Sales to the National Electricity Market relate to the sale of electricity. These sales are classified as individual, short term, day-by-day contracts and are recognised as revenue on a day-by-day basis upon delivery of energy to customers.

Significant financing component

QPM applies the practical expedient in that it does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(b) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Property, plant and equipment transferred from acquirees are initially measured at fair value at the date on which control is obtained.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Plant, machinery and equipment 5 to 40 years
- Leasehold improvements 20 years

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values. Furthermore, the Group considers climate-related matters, including physical and transition risks. Specifically, the Group determines whether climate-related legislation and regulations might impact either the useful life or residual values.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(c) Oil and gas exploration and evaluation assets

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Indefinite lived intangible assets are assessed at least annually for impairment. Finite lived intangible assets are amortised over their estimated useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Amortisation is calculated on a units of production basis over the estimated total production amount for the following assets:

- Petroleum licenses; and
- Rehabilitation asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

(d) Financial instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient (that allows for the promised amount of consideration not to be adjusted for the effects of a significant financing component if, at contract inception, the entity expects that the period between the transfer of a promised good or service and customer payment will be one year or less), the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient noted above, are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 3.3B Accounting policy – revenue. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement for purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised,

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modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method. Interest is accrued over the period it becomes due and unpaid interest is recorded as part of current trade and other payables. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another part and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the Consolidated Statement of Comprehensive Income as net finance costs. When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group considers a modification to be substantial based on: (1) qualitative factors which result in a significant change in the terms and conditions of the financial

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liability, and/or, (2) if the present value of the cash flows under the new terms, including any fees paid net of any fees received, discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as a modification gain or loss within other gains and losses.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out or weighted average basis. Net realisable value represents the estimated selling price for inventories less the estimated costs necessary to sell the inventory.

(f) Provisions

General Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Group records a provision for decommissioning costs to remediate the environmental damage of drilling wells and construction of infrastructure for the production and transportation of gas. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. The impact of climate-related matters, such as changes in environmental regulations and other relevant legislation, is considered by the Group in estimating the decommissioning liability on the business. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

(g) Business combinations

Business combinations are accounted for using the acquisition method.

The cost of acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is

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recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any the consideration transferred and the acquiree's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained and the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

For each business combination, non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition cost expenses are incurred to profit or loss.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the Consolidated Interim Financial Statements, the Directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, revenue and expenses.

The significant judgements made by the Directors in applying the Group's accounting policies and key sources of estimation uncertainty are the same as those described in the Group's Consolidated Financial Statements for the year-ended 30 June 2023, except as noted in notes:

- 11 – Trade and other receivables;
- 17 – Other liabilities; and
- 19 – Provisions.

Business Combination

The acquisition method of accounting is applied for all business combinations, whereby all identifiable assets acquired and liabilities, and contingent liabilities assumed are, with limited exceptions, measured initially at their fair values at the acquisition date. This is in accordance with the guidelines outlined in AASB 3 Business Combinations. The critical accounting estimates and judgements undertaken in accounting for the acquisition of the Moranbah Gas Project are as follows:

- The fair value of the gas properties acquired (which includes petroleum leases, property, plant and equipment) was measured by determining the difference between the sum of the fair values of all assets and liabilities separately identified and the consideration paid. As the consideration paid was less than the sum of the fair values of all assets and liabilities separately identified, economic obsolescence was applied to determine the fair value of the gas properties acquired.
- The fair value of contract liabilities was determined to be the present value of the difference between the contract price and market price for pre-existing revenue contracts at acquisition date and does not

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indicate that the pre-existing revenue contracts are unprofitable. The future gas prices are based on the Group's best estimate of the future market prices with reference to external market's analysts forecasts, current spot prices and forward curves. The Group has formed the opinion that the demand for gas will continue over the life of the respective leases. Where volumes are contracted, the future prices are based on the contracted price.

- The lease liabilities were measured using the present value of the remaining lease payments at the date of acquisition with consideration to any favourable or unfavourable terms. The right-of-use-assets were measured at an amount which differed from the amount recorded as a lease liability as it was recognised based on the relevant usage capacity. The incremental borrowing rate was determined as the weighted average cost of capital, adjusted for risks where appropriate.

The estimates, judgements and assumptions are based on historical experience, adjusted for current market conditions, and other factors that are believed to be reasonable under the circumstances, and are reviewed on a regular basis. Actual results may differ from these estimates.

NOTE 3: SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM). The Board, identified as the CODM, assess the performance of the Group and determine the allocation of resources.

The Group's operating segments have been determined with reference to the monthly management accounts used by the CODM to make decisions regarding the Group's operations and allocation of working capital.

Based on the quantitative thresholds included in the AASB 8 Operating Segments, there are three operating segments which are the same as the reporting segments.

For management purposes, the Group organises and reports on three operating segments as follows:

- The corporate segment which includes all corporate head office costs, shared services and capital raisings for the group. This segment also holds the Sewa Bay EL 1761 lease tenement in PNG.
- The TECH Project segment which houses all activities related to the TECH Project in Townsville
- The QPM Energy segment covers the production and sale of gas, gas processing services and electricity.

This segment's customers are located in one geographic area, QLD, with 100% of revenue from the sale of gas and electricity being derived from that area during the half-year period.

Two customers accounted for 61% of its revenue from contracts with customers during the half-year ended 31 December 2023.

	Corporate \$	TECH Project \$	Gas and power generation \$	Total \$
31 December 2023				
Revenue	-	-	39,424,894	39,424,894
Net foreign exchange loss	(64,342)	(46,720)	-	(111,062)
Share-based payment expense	(547,631)	-	-	(547,631)
Result (loss)	(8,377,293)	(18,525,794)	(1,468,734)	(28,371,821)
31 December 2022				
Other income	103,152	10,210,057	-	10,313,209

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Net foreign exchange loss	(655,137)	(22,682)	-	(677,819)
Share-based payment expense	(606,184)	-	-	(606,184)
Result (loss)	(5,700,411)	(7,938,348)	(2,998,382)	(16,637,141)
31 December 2023				
Total assets	5,687,705	20,068,463	186,825,481	212,581,649
Total liabilities	(17,726,942)	(3,554,784)	(181,961,223)	(203,242,949)
30 June 2023				
Total assets	6,580,138	25,922,741	1,522,060	34,024,939
Total liabilities	(1,931,720)	(10,647,198)	(1,432,368)	(14,011,286)

NOTE 4: REVENUE

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Revenue from contracts with customers	20,347,002	-
Other revenue ¹	19,077,892	-
	39,424,894	-

¹QPME acquired two customer contracts which were fair valued as at the acquisition date and assessed as contract liabilities. The fair value was calculated as the lower of a) differential cash flows between fulfilling the gas sales contract and selling the gas at market rates; and b) the termination penalties under the contract. The liabilities are unwound over the life of the contract against sundry income.

(a) Disaggregation of revenue from contracts with customers

The Group recognises revenue from the transfer of goods at a point in time for the following products.

Revenue from external customers

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Revenue from sale of gas	10,757,191	-
Revenue from the sale of electricity	9,298,440	-
Revenue from the provision of gas compression services		-
	291,371	-
Total segment revenue	20,347,002	-

	31-Dec-23	31-Dec-22
Revenue by major customers		
Customer A	49%	0%
Customer B	45%	0%
Customer C	5%	0%

(b) Recognition and measurement

Revenue is recognised when control of the goods is passed to the customer. The amount of revenue recognised is the consideration the Group is entitled to receive in exchange for transferred goods to the customer.

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(i) Contracts with customers – gas sales

Revenue from sale of gas is recognised in the profit or loss when performance obligations have been met, which is deemed to be when control of the gas has been transferred from the Group to the customer. Typically, the transfer of control and the recognition of a sale occurs when the amount of gas nominated by the customer is delivered to the contractual delivery point.

As is customary with gas contracts, quality specifications and requirements are tested using independent experts and gas meters once the gas is delivered to the customer's delivery point. The total quantity of gas delivered is confirmed between the customer and buyer after verification is received from several parties involved with the gas metering process. Once confirmed, the measured parameters form the basis for calculation of final price on the commercial invoice. All customer contracts specify a known price and tolerance range for quality parameters prior to the Group committing to the supply of gas to the customer.

(ii) Contracts with customers – gas compression services

Revenue from provision of gas compression services is recognised under the Dyno Nobel gas processing agreement (GPA). The Dyno Nobel GPA provides for QPME MGP Upstream Pty Ltd (as the Service Provider) processing gas received from Dyno Nobel at the Moranbah GPF and its re-delivery as Processed Gas at the outlet flange at the interconnection between the Moranbah gas processing facility and the North Queensland gas pipeline. The revenue each month is calculated by confirming the total high-pressure gas delivered to Dyno Nobel during the month.

Revenue from the provision of gas compression services is comprised of a fixed monthly service charge and variable compression charges which are based on the total gas delivered to the Moranbah gas processing facility and undergoes a compression process.

(iii) Electricity sales to the National Electricity Market

Sales to the National Electricity Market relate to the sale of electricity. These sales are classified as individual, short term, day-by-day contracts and are recognised as revenue on a day-by-day basis upon delivery of energy to customers. The daily units of electricity delivered are measured by two national metering identifiers on site that measure the power inflows into the national grid. Revenue is recognised based on the total units delivered per the National Metering Identifier reports at their respective electricity spot sale price.

Key judgements

Gas composition is measured using calibrated gas analysers and this data is available as soon as the gas is collected by the buyer at the delivery point. In the event that off-specification gas is delivered, the buyer is required to notify the seller within 2 hours after receiving or giving an off-specification notice that it rejects or accepts that off-specification gas. As a result, a refund provision is not required to be recognised for potential revenue reversal as at the end of each reporting period, there is no possibility for financial recourse.

As stipulated under the Dyno Nobel GSA, an annual adjustment is required at the end of the calendar year to effectively calculate any required true-ups or true-downs. A true-down occurs where and if Dyno Nobel the amount of gas taken by Dyno Nobel in December YTD is above their 7PJ/year annual contract quantity and is equal to or more than their opening banked gas reserve balance. Where this adjustment amount is not finalised at the end of a period due to the timing of contractual adjustments, management will make assessments on the adjustments and provide for the expected impact of the revenue recognised year to date.

Alternatively, there is a take or pay arrangement whereby the buyer must pay the seller for a Minimum Annual Contract Quantity (MACQ) of gas irrespective if buyer has taken that quantity in the Contract Year (other than

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during any Makeup Period). The MACQ for a Contract Year is equivalent to 85% of the Annual Contract Quantity (7 PJ/year). Thus, if the total gas supplied to Dyno Nobel is less than the MACQ as at December YTD, an additional top-up invoice would be raised in Pronto in the next month to charge Dyno Nobel for the shortfall. This shortfall would be raised in the next month as deferred income.

NOTE 5: OTHER INCOME

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
R&D tax offset	-	10,187,013
Grant income	1,840,000	-
Gain on termination lease	29,392	-
Sundry income	3,254	-
	1,872,646	10,187,013

NOTE 6: OPERATING EXPENSES

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Site overheads	8,044,495	-
Gas supply	563,077	-
Well operations	654,124	-
Nodal compression	526,442	-
Site labour	5,701,959	-
Landowner compensation	1,003,652	-
	16,493,749	-

NOTE 7: EMPLOYEE BENEFITS

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Salaries and wages	3,992,481	2,975,690
Superannuation	383,206	126,237
Other employee benefits expense	550,339	-
	4,926,026	3,101,927

NOTE 8: DEPRECIATION AND AMORTISATION

	Consolidated	
	31-Dec-23	31-Dec-22
	\$	\$
Petroleum leases	465,832	-
Rehabilitation asset	241,504	-
Plant and equipment	2,331,040	45,053
Right-of-use asset	10,061,792	83,686
	13,100,168	128,739

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NOTE 9: FINANCE EXPENSES

Interest paid	246	-
Lease interest	3,626,616	13,558
Unwinding of discount – other ¹	2,433,848	-
Other finance charges	383,064	-
	<u>6,443,774</u>	<u>13,558</u>

¹This includes interest unwound on borrowings and the finance component of amortisation on the fair value of the MPS and Dyno Nobel GSA customer contracts and rehabilitation provision which were acquired as part of the MGP acquisition during the half-year period.

NOTE 10: CASH AND CASH EQUIVALENTS

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
Cash at banks and on hand	14,350,743	15,755,410
	<u>14,350,743</u>	<u>15,755,410</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates.

At 31 December 2023, the Group had available \$77,155,000 of undrawn committed borrowing facilities.

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
Receivables from third-party customers	8,263,348	-
Allowance for expected credit losses	-	-
	<u>8,263,348</u>	<u>-</u>
GST receivable	867,804	564,133
Other deposits and receivables (includes R&D tax refund)	15,836,659	15,349,977
	<u>16,704,463</u>	<u>15,914,110</u>
	<u>24,967,811</u>	<u>15,914,110</u>

Recognition and measurement

Trade receivables are non-interest bearing and are generally on 30-day terms. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

The group applies the AASB 9 simplified approach to measuring credit losses which requires the expected lifetime losses to be recognised from initial recognition. To measure the expected credit losses, trade and other receivables with shared credit risk characteristics and days past due are grouped and then assessed.

Management has determined that the assessment of expected credit loss associated with trade receivables is immaterial.

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NOTE 12: OTHER ASSETS

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
Prepayments	3,701,058	205,989
Short-term deposits	294,402	-
Deposits held in trust for the corporate guarantee facility	11,000,000	-
	14,995,460	205,989

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
<i>Non-current assets</i>		
Land	1,950,000	-
	1,950,000	-
Plant and equipment	347,089	223,300
Less: Accumulated depreciation	(120,145)	(70,982)
	226,944	152,318
Motor vehicles	763,919	33,919
Less: Accumulated depreciation	(29,572)	(16,959)
	734,347	16,960
Leasehold improvements	42,228	35,542
Less: Accumulated depreciation	(15,088)	(11,842)
	27,140	23,700
Infrastructure	64,815,184	-
Less: Accumulated depreciation	(2,266,015)	-
	62,549,169	-
Well development costs	925,854	-
Less: Accumulated depreciation	-	-
	925,854	-
Capital work in progress	2,591,459	580,157
	2,591,459	580,157
	69,004,913	773,135

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

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Consolidated	Land \$	Plant and equipment \$	Motor Vehicles \$	Leasehold improvements \$	Infrastructure \$	Assets under construction \$	Well development costs \$	Total \$
Year ended 31 December 2023								
Balance at 1 July 2022	-	75,261	23,743	16,100	-	185,249	-	300,353
Additions	-	33,107	-	4,548	-	680,455	-	718,110
Transfers from work in progress	-	277,552	-	7,995	-	(285,547)	-	-
Disposed/Written Off	-	(191,787)	-	-	-	-	-	(191,787)
Depreciation Expense	-	(41,815)	(6,783)	(4,943)	-	-	-	(53,541)
Balance at 30 June 2023	-	152,318	16,960	23,700	-	580,157	-	773,135
Additions	-	122,432	-	-	-	2,019,348	925,854	3,067,634
Acquisition of business	1,950,000	-	730,000	-	64,815,184	-	-	67,495,184
Transfers from work in progress	-	1,360	-	6,686	-	(8,046)	-	-
Depreciation expense	-	(49,166)	(12,613)	(3,246)	(2,266,015)	-	-	(2,331,040)
Closing net book amount	1,950,000	226,944	734,347	27,140	62,549,169	2,591,459	925,854	69,004,913

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NOTE 14: OIL AND GAS PROPERTIES

	Consolidated	
	31-Dec-23 \$	30-Jun-23 \$
<i>Non-current assets</i>		
Petroleum leases		
Acquisition of business	31,213,000	-
Less: Accumulated amortisation	(465,832)	-
	30,747,168	-
Rehabilitation asset		
Acquisition of business	17,994,702	-
Less: Accumulated amortisation	(241,504)	-
	17,753,198	-
	48,500,366	

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated	
	31-Dec-23 \$	30-Jun-23 \$
Trade payables	9,801,478	790,639
Accrued expenses	14,194,422	9,691,603
Other payables	1,196,313	631,404
	25,192,213	11,113,646

NOTE 16: RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right of use asset

Reconciliation of movements

Opening balance	541,660	599,757
Acquisition of business	40,132,199	-
New leases entered	3,274,772	115,028
Lease modification	348,629	-
Depreciation	(10,061,792)	(173,125)
Lease de-recognised (terminated)	(432,384)	-
	33,803,084	541,660

Lease liability

Recognition and measurement

The lease liability recognised relates to office space, motor vehicle and equipment leases recognised under AASB 16 leases.

	Consolidated	
	31-Dec-23 \$	30-Jun-23 \$
<i>Current liabilities</i>		
Lease liability	60,423,666	185,909
	60,423,666	185,909

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Non-current liabilities

Lease liability	9,431,457	385,699
	<u>9,431,457</u>	<u>385,699</u>
	<u>69,855,123</u>	<u>571,608</u>

Reconciliation of movements

Opening balance	571,608	610,888
Acquisition of business	85,394,135	-
New leases entered	3,274,769	115,028
Payments	(22,898,860)	(181,341)
Interest unwind	3,626,617	27,033
Lease modification	348,629	-
Lease de-recognised (terminated)	(461,775)	-
	<u>69,855,123</u>	<u>571,608</u>

NOTE 17: OTHER LIABILITIES

	Consolidated	
	31-Dec-23	30-Jun-23
	\$	\$
<i>Current liabilities</i>		
Customer contract liabilities	32,968,129	-
	<u>32,968,129</u>	<u>-</u>
<i>Non-current liabilities</i>		
Customer contract liabilities ¹	5,755,586	-
Deferred income ²	33,597,590	-
	<u>39,353,176</u>	<u>-</u>
	<u>72,321,305</u>	<u>-</u>

¹These relate to the customer contracts acquired as part of the MGP acquisition. The revenue received under these agreements was assessed as being below market value. As a result, the present value of the difference between the contractual gas sale revenue and the market value was recorded as a liability at acquisition date which unwinds over the life of the contract with the customer.

²The above reflects the make-up gas liability under the Dyno Nobel gas sale agreement, unwound by the total make-up gas delivered to the customer during the half year ended 31 December 2023.

NOTE 18: INTEREST BEARING LOANS AND BORROWINGS

	31 December 2023			30 June 2023		
	Current Liabilities	Non-current liabilities	TOTAL	Current Liabilities	Non-current liabilities	Total
	\$	\$	\$	\$	\$	\$
Well development financing	-	-	-	-	-	-
R&D advance loan	12,550,110	-	12,550,110	-	-	-
Insurance premium funding	900,856	-	900,856	-	-	-
Well development financing	-	2,845,000	2,845,000	-	-	-

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Total interest-bearing loans and borrowings	13,450,966	2,845,000	16,295,966	-	-	-
Total borrowings	13,450,966	2,845,000	16,295,966	-	-	-

Financing arrangements

Interest bearing liabilities are initially recognised at fair value, net of any transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method. For facilities with fixed interest rates, the fair value of these liabilities reasonably approximates their carrying amount.

The Group entered into the following financing facilities in order to fund the TECH Project's R&D expenditure, and for the expanding operations of the Group.

The facilities available to the Group during the period are detailed in the categories below.

	31-Dec-23	30-Jun-23
R&D advance loan		
Total facility	12,650,000	-
Facility utilised	(12,650,000)	-
Available facility	-	-

Dyno Nobel well development funding facility

	31-Dec-23	30-Jun-23
Total facility	80,000,000	-
Facility utilised	(2,845,000)	-
Available facility	77,155,000	-

During the half-year, the Group obtained a new short-term loan that is secured against the R&D receivable. The loan is to fund working capital.

This facility is fully drawn and has a fixed interest rate of 10.5%, a security trustee fee of 1.5% of the loan amount, and a maturity date of 31 January 2024 or such later date as the Lender may reasonably determine if there is a delay by the ATO in processing the Borrower's 2023FY income tax return.

Repayments comprise of a quarterly interest payment on 31 December 2023, with the principal repayment and accrued interest payable on 31 January 2024.

The Dyno Nobel well development funding facility is a 5 year well capital development facility for drilling of additional wells in Moranbah. Interest is accrued on the facility from the initial draw down of funds. Interest is accrued at BBSY + 6% margin, with an upfront 0.35% establishment fee. The facility is secured over the Group's obligor assets.

The drawn-down funds and accrued interest will be repaid via the provision of gas from 1 April 2026.

Guarantee facility

Corporate Guarantee facility - AUD

	31-Dec-23	30-Jun-23
Total facility	97,906,000	-
Facility utilised	(74,865,000)	-
Available facility	23,041,000	-

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

The IPL corporate guarantee facility is the Group's guarantee facility for the fixed costs payable under the NQGP and Ratch lease contracts. This facility has a fixed monthly commitment fee of 0.5% on the utilised facility balance, with an upfront 0.1% establishment fee.

Other facilities

Insurance Premium Funding	31-Dec-23	30-Jun-23
Total funding amount	1,754,254	-
Facility utilised	(1,754,254)	-
Available facility	-	-

The 'Insurance Premium Funding' is a short-term agreement to access financing for the annual insurance premiums.

The facility is fully repaid during the relevant insurance periods.

NOTE 19: PROVISIONS

	31-Dec-23	30-Jun-23
	\$	\$
<i>Non-current liabilities</i>		
Rehabilitation provision	18,245,734	-
	18,245,734	-

Rehabilitation provision

The Group assesses rehabilitation liabilities at each reporting date as there are numerous factors that may affect the ultimate liability payable.

This includes the extent and nature of rehabilitation activity to be undertaken, changes in technology and techniques, changes in discount rates and regulatory impacts. There may be differences between the future actual expenditure and the assessment made at the balance date. The provisions at balance date represent management's best estimate of the present value of rehabilitation cost to completely rehabilitate the site.

During the period, \$18m of rehabilitation provisions were recognised upon acquisition of the Moranbah Gas Project on 25 August 2023.

The discount rate used in the calculation of provisions at 31 December 2023 equalled 3.96%.

Movements in provisions

	31-Dec-23	30-Jun-23
	\$	\$
Carrying amount at start of year	-	-
Acquisition of business	17,994,702	-
Unwinding of provision	-	-
Unwinding of discount via profit and loss	251,032	-
Carrying amount at 31 December 2023	18,245,734	-

QUEENSLAND PACIFIC METALS LIMITED

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 20: ISSUED CAPITAL

	Consolidated	
	31-Dec-23	30-Jun-23
(a) Issued and paid-up capital	\$	\$
2,012,540,312 Ordinary Shares Fully Paid (June 2023: 1,746,347,922)	126,995,489	113,574,307
(b) Movement reconciliation	Number	\$
At 1 July 2022	1,563,613,131	86,366,328
Placement of shares (net of costs)	174,634,791	26,967,048
Conversion of unlisted options (net of costs)	8,100,000	240,931
At 30 June 2023	1,746,347,922	113,574,307
At 1 July 2023	1,746,347,922	113,574,307
Placement of shares (net of costs) ⁽ⁱ⁾	256,154,895	13,121,937
Conversion of unlisted options (net of costs) ⁽ⁱⁱ⁾	10,000,000	297,215
Exercise of unlisted options (net of costs) ⁽ⁱⁱⁱ⁾	37,495	2,030
At 31 December 2023	2,012,540,312	126,995,489

- (i) 256,154,895 shares issued via placement/SPP and share issue costs of \$1,078,796. Placement/SPP subscribers were also provided \$3,730,117 in options for nil consideration which have also been treated as share issue costs.
- (ii) Exercise of 10,000,000 unlisted options by external advisors inclusive of \$2,785 share issue costs.
- (iii) Exercise of 37,495 performance rights by employee inclusive of \$32 share issue costs.

NOTE 21: SHARE-BASED PAYMENTS

In December 2023, 7,828,611 short-term incentive performance rights (STI1A) were granted to employees and executives, excluding directors under the new Performance Rights Plan. The rights hold a nil exercise price and vest immediately upon satisfying a 12-month retention commencing 29 November 2023. Should the employees and executives leave before this date, the options will lapse. The fair value at the grant date is estimated using the Black-Scholes model and using the following assumptions.

Grant Date: 5/12/2023

Value per right: \$0.052

Conversion price: \$0.00

QUEENSLAND PACIFIC METALS LIMITED

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

As part of the new Performance Rights Plan, 7,828,611 (STI2B) rights were issued to employees and executives for nil consideration. The rights vest if the group's share price increases 50% within 1 year from the date of ratification being 29 November 2023 and is contingent on continued employment with the company. Should the share price increase not be met, the rights will lapse on the completion date. The fair value at grant date is estimated using the Monte Carlo simulation model and the probability of the service condition being met. The share-based payment expense is estimated using the following assumptions.

Grant Date: 5/12/2023

Share Price: \$0.054

Target Price: \$0.081 or greater (15-day VWPP average share price prior to 29 November 2024)

Expected volatility: 91.04%

Dividend yield: 0%

Risk-free interest rate: 4.412%

Value per right: \$0.020

Conversion price: \$0.00

For the six months ended 31 December 2023, the Group has recognised \$547,631 of share-based payment expense in the statement of profit or loss (30 June 2023: \$606,184)

Summary of options

Options	Issue date	Date of Expiry	Exercise Price	Balance at the start of the period	Granted during the period	Exercised during the period	Expired during the period	Balance at the end of the period
Advisors	2/12/2020	25/09/2023	0.03	10,000,000	-	(10,000,000)	-	-
Corporate advisor	02/08/2021	2/08/2023	0.116	21,000,000	-	-	(21,000,000)	-
Director	02/08/2021	2/08/2024	0.15	1,000,000	-	-	-	1,000,000
Director	30/11/2021	30/11/2024	0.275	2,000,000	-	-	-	2,000,000
External investors	22/11/2022	22/11/2025	0.20	46,833,661	-	-	-	46,833,661
Placement & SPP ⁽ⁱ⁾	19/10/2023	18/10/2026	0.10	-	128,077,348	-	-	128,077,348
Total				80,833,661	128,077,348	(10,000,000)	(21,000,000)	177,911,009
Vested and exercisable								177,911,009

(i) Options - Placement & Share Purchase Plan ("SPP")

As part of the capital raising announced on 22 August 2023 via Placement and SPP, subscribers were offered up to 114,286,714 new options under the placement and up to 57,143,857 new options under the SPP. Options were offered on the basis of one new option for every two new shares issued and are exercisable at A\$0.10 on or before 18 October 2026. On 19 October 2023, QPM issued 128,077,348 options under the placement and 114,285,715 under the SPP option offer.

The issue of options was subject to shareholder approval which was received on 12 October 2023 at the EGM. As there were no services or goods exchanged for the options, this transaction was outside the scope of AASB 2. It is of the view that these options were granted as part of the capital raising

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

and so form part of the total subscription received. The following inputs were used in the Black Scholes model to calculate the fair value of the options issue. \$3,730,117 of the total subscription monies was classed against the equity raise options reserve:

Grant Date	12/10/2023
Expected volatility	83.64%
Dividend yield	0%
Risk-free rate	3.91%
Value per option	\$0.03
Conversion price	\$0.10

NOTE 22: RESERVES

	31-Dec-23	30 Jun-23
	\$	\$
Options	5,583,971	5,583,972
Listed options	769,725	769,725
Share-based payments reserve	2,415,606	1,870,036
Equity raising investor options reserve	8,265,961	4,535,844
	17,035,263	12,759,577

Movement in reserves

	Options reserve	Performance rights reserve	Equity raising options reserve	Total reserves
	\$	\$	\$	\$
Balance at 1 July 2023	6,353,696	1,870,037	4,535,844	12,759,577
Options issued as part of Placement/SPP capital raising ⁽ⁱ⁾	-	-	3,730,117	3,730,117
Performance rights ⁽ⁱ⁾	-	547,631	-	547,631
Performance rights exercised	-	(2,062)	-	(2,062)
	6,353,696	2,415,606	8,265,961	17,035,263

(i) Refer to note 21

QUEENSLAND PACIFIC METALS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 23: EARNINGS PER SHARE

	31-Dec-23	31-Dec-22
	\$	\$
Loss after income tax attributable to owners of Queensland Pacific Metals Limited	(28,371,821)	(16,637,141)
Weighted average number of ordinary shares used in calculated basic earnings per share	1,941,936,193	1,639,748,299
Basic earnings/(loss) per share (cents)	(1.46)	(1.01)

NOTE 24: PROVISIONAL BUSINESS COMBINATIONS

On 25 August 2023, the Group acquired 100% interest of the Moranbah Gas Plant (MGP) and NQE assets from CH4, Arrow Energy and AGL (collectively known as the MGP JV). The Moranbah Project collects, processes and transports waste mine gas (currently flared or vented) for industry use.

The acquisition was part of QPM's strategic rationale to secure long term gas supply for the TECH Project and generate cashflows during its construction.

In accordance with AASB 3 Business Combinations, the remaining value of the acquired identifiable assets and liabilities, after deducting the market value attributable to the assets employed in the operations, represents the values associated with the petroleum leases (disclosed as oil and gas properties below). It was determined that there was no goodwill or gain on bargain purchase as the \$5M consideration paid for the acquisition was reflective of the fair value of the business acquired as the purchase went through a prolonged, at arms length tender against several competing buyers.

The values identified in relation to the acquisition are provisional due to the fair value assessment of various assets and liabilities still pending finalisation by external valuers as at 31 December 2023. Additionally, the tax effect impact on the below provisional amounts has yet to be assessed.

Details of the acquisition are as follows:

	Provisional fair value
	\$
Assets	
Other debtors	323,356
Inventory	4,838,426
Property, plant and equipment	67,495,184
Oil and gas properties	49,207,702
Right-of-use assets	40,132,199
	<u>161,996,867</u>
Liabilities	
Employee benefit provisions	(382,900)
Customer contract liabilities	(51,169,777)
Assumed lease payout liability	(816,394)
Lease liabilities	(85,394,135)
Other liability	(1,008,127)
Retention bonus payable	(230,832)

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

Rehabilitation provision	(17,994,702)
	<u>(156,996,867)</u>
Total identifiable net assets	5,000,000
Non-controlling interest	-
Purchase consideration transferred	<u><u>(5,000,000)</u></u>

Analysis of cash flows on acquisition

Total consideration ¹	<u>(5,000,000)</u>
Net cash flow on acquisition	<u><u>(5,000,000)</u></u>

¹This amount does not include the \$35M received which has been accounted for separately and is related to the novated gas supply agreement to QPM.

Since the acquisition, the Moranbah Gas Project has contributed \$39,424,894 in revenue and a \$2,743,303 net profit.

It is impracticable to determine the total revenues and net profit the Group would have generated had the business combination occurred at the beginning of the financial reporting period. This is due to the appropriate data not being available to QPM and the business operations under QPM's ownership being significantly different to that of the vendors of MGP.

NOTE 25: TAX

The Group recognises deferred tax assets when it becomes probable that sufficient taxable income will be derived in future periods against which to offset these assets.

At each reporting date, the Group assesses the level of expected future cash flows from the business, and the probability associated with realising these cash flows and determines whether the deferred tax assets of the Group should continue to be recognised.

The Group has previously assessed that it is not considered probable that the portion of the Group's carry-forward tax losses and temporary differences previously recognised will be used to offset future taxable profits. The Group continues to assess that it is not probable that tax losses and temporary differences will be utilised to offset future taxable profits, until such time as the Group's planned well drilling program is completed and gas production and electricity generation are at their scheduled production levels.

QUEENSLAND PACIFIC METALS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

NOTE 26: COMMITMENTS

	31-Dec-23	31-Dec-22
	\$	\$
Exploration commitments		
Within one year	142,438	375,000
Later than one year but not later than five years	-	500,000
Later than five years	-	-
Total	142,438	875,000

NOTE 27: RELATED PARTIES

The Group has no related party transactions other than payments to key management personnel.

NOTE 28: SUBSEQUENT EVENTS

On 6 February 2024, QPM TECH Project Pty Ltd received the second instalment (\$2,926,000) under the Front-End Engineering Design ("FEED") of the TECH Project. The grant period commenced on 30 June 2023 and ends on 31 December 2024. Funding received is only to be spent on eligible expenditure as defined in the grant agreement and in line with the activity budget.

On 31 January 2024, QPM Energy Markets Pty Ltd executed a transaction notice under the existing Master Spot Agreement with Copper Refineries Pty Ltd. The contract entitles QPM to two upfront payments at \$12/GJ of gas for future delivery of 292,800 GJ of high-pressure gas during the period commencing 1 February 2024 until 1 February 2025. The first tranche (\$1,921,920) was paid into QPM Energy Pty Ltd's bank account on 15 February 2024.

QUEENSLAND PACIFIC METALS LIMITED

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

In accordance with a resolution of the directors of Queensland Pacific Metals Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 36 are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2023 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable (refer to note 1 – Going Concern).



Stephen Grocott
Managing Director
14 March 2024

Independent auditor's review report to the members of Queensland Pacific Metals Limited

Conclusion

We have reviewed the accompanying half-year financial report of Queensland Pacific Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst + Young' in a stylized, cursive script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Andrew Carrick', written in a cursive style.

Andrew Carrick
Partner
Brisbane
14 March 2024