



QEM Limited
ACN 167 966 770

Interim Financial Report
For the Half-Period Ended December 2023

**INTERIM FINANCIAL REPORT
QEM LIMITED**

For the Period Ended 31 December 2023

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QEM LIMITED CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Tim Wall

MANAGING DIRECTOR

Gavin Loyden

NON-EXECUTIVE DIRECTORS

David Fitch

Daniel Harris

Tony Pearson

COMPANY SECRETARY

David Palumbo

REGISTERED OFFICE

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STOCK EXCHANGE CODE

ASX: QEM



QEM

*2023 Directors' and HY Review of
Operations Report*

13 MARCH 2024

QEM LIMITED

QEM LIMITED DIRECTORS' REPORT

Your directors submit the financial report of QEM Limited (referred to hereafter as “QEM”, or the “Company”) for the period ended 31 December 2023.

DIRECTORS

The names of Directors who held office during or since the end of the period are:

Timothy Wall	Non-Executive Chairman (appointed 15 February 2023)
Gavin Loyden	Managing Director
David Fitch	Non-Executive Director
Daniel Harris	Non-Executive Director
Tony Pearson	None-Executive Director (appointed 24 August 2023)

PRINCIPAL ACTIVITY

The principal activity of the Company during the financial period was the exploration at the Julia Creek vanadium and oil shale project.

RESULTS

The loss after tax for the period ended 31 December 2023 was \$2,728,306 (2022: \$2,415,399).

REVIEW OF OPERATIONS

Resource

2023 Exploration Campaign

In July, QEM engaged Measured Group as the lead geologist/ program exploration managers for the 2023 drilling campaign. All State Drilling as the drilling contractors, Cartledge Mining and Geotechnics (Cartledge) to supervise geotechnical investigations and ATC Williams as the hydrogeologists to supervise groundwater bore installations.

Conduct and Compensation Agreements (CCAs) were issued and executed by the landholders in May and the drilling program began on 10 July 2023, with successful completion on 3 August 2023. (ASX announcement 9 August 2023)

The program was conducted for the purpose of resource exploration and definition, geotechnical studies and water boreholes. Material from the overburden levels was also collected for waste characterization.

The campaign targeted 12 exploration locations in the north of the QEM tenement with a target depth of up to 80 metres, with 620 total metres of 4C drilled (620m).

QEM LIMITED DIRECTORS' REPORT

Two of the drilling campaign's 12 exploration holes have now been converted to groundwater monitoring bores, and a further four were used for geotechnical analysis. Overburden and core samples from a range of holes have been collected, allowing for waste characterisation analysis to commence. Fresh core samples were also collected for further pilot plant testing and metallurgical test work at QEM's pilot plant at HRL Labs in Victoria.

In October 2023, QEM conducted a 2D non-disturbing seismic survey across the tenement. The survey was made up of two 4.5km lines running East-West. The program took approximately ten days to complete and was led by Velseis Integrated Seismic Technologies and Measured Group. The purpose of the program was to determine the geological structure(s) and the continuity of the resource across the project area.

During the reporting quarter, core samples recovered from the 2023 drilling campaign were sent for assaying. These results, along with the geophysical data obtained during the campaign were processed by Measured Group and incorporated into company's JORC report produced post reporting period in Q1 2024.

Mining

Scoping Study Development

As mentioned above, the 2023 exploration campaign has been completed and updated JORC results will provide further input to the Scoping Study, currently under development.

During the reporting period, QEM received the results of the Mineral Characterisation Study conducted by University of Queensland's, WH Bryan Mining Geology Research Centre.

In summary, mass balance and reconciliation of MLA data estimates that more than 90% of contained vanadium occurs in association with montmorillonite/smectite with less than 10% occurring in other measured phases. These results allow for highly targeted beneficiation processes to be developed by UQ's Sustainable Minerals Institute (SMI).

In addition, Cartledge Mining and Geotechnics conducted geomechanical testing to obtain the inputs required to develop a geotechnical model that will be the basis for recommended mine pit slope geometries. Final geotechnical report is expected during Q1 2024.

Waste characterisation

RGS Consultants Pty Ltd (RGS) was commissioned by QEM in 2023 to complete a soil quality, geochemical, and physical characterisation assessment of mine waste materials for the Julia Creek Project.

During the reporting period, RGS received the final batch of core samples from the 2023 drilling campaign. A total of 119 core samples have been collected and will be used for the geochemical and physical testing program.

QEM LIMITED DIRECTORS' REPORT

In October, RGS supplied QEM with the geochemical and physical sampling and analysis plan (GAPSAP) which outlines the static and kinetic geochemical and physical testing that will be performed on the Batch 1 soil and overburden and Batch 2 oil shale samples. The purpose of the GAPSAP is to guide the selection, collection, and analysis of samples of soil, overburden, and oil shale materials collected from the QEM (2023) drilling program. The information derived from the sampling and analysis program will be used to determine the geochemical and physical properties of the mine materials and report these in a format that is suitable for inclusion in relevant approvals documentation.

An interim report was provided for review in mid-November 2023 which contained details of the static geotechnical results and preliminary kinetic leach column test work. The next interim report is expected in March 2024.

Processing

Vanadium Extraction, flowsheet development – GSA Environmental

The test program continued throughout the reporting period. GSAe UK produced the initial flow sheets for a two-step acid curing and leaching process. This is an additional option to the previous work undertaken by GSAe for vanadium processing which may avoid the requirement for roasting.

The test results indicate a considerable increase in vanadium recovery once calcite has been removed. A post-calcite removal grind appears to improve vanadium recovery compared to grinding pre-calcite removal. However, it is worth noting that calcite removal efficiency is also increased by grinding prior to removal attempts.

Pilot plant trials-HRL Technology

During the reporting period, QEM's technical partner HRL conducted two pilot plant tests with the following objectives:

- Test T6 involved a trial with hydrogen donor solvent only (no shale) as the feedstock. The intent was to establish the extent of solvent breakdown as a result of heating to a target temperature of 450°C;
- Test T7 involved a trial with hydrogen donor solvent and the shale residue from a previous trial (Test T4). The intent was to establish whether the presence of shale solids has an influence on the extent of breakdown of the solvent. An additional outcome was the production of a new quantity of fully processed shale residue for additional vanadium beneficiation and extraction work.

QEM LIMITED DIRECTORS' REPORT

In addition to Tests T6 and T7, HRL conducted a small-scale trial in QEM's 100ml autoclave using direct injection of hydrogen gas. The aim of the trial was to test alternatives to the hydrogen donor solvent previously used.

Based on the results of a single small-scale test with hydrogen and naphthalene as solvent, equivalent carbon conversions can be achieved using either the solvent previously used or hydrogen gas.

Flotation separation of vanadium host minerals – UQ's Sustainable Minerals Institute

During the reporting period, UQ's SMI presented progress on the potential approaches in flotation techniques for beneficiation of QEM's feed material:

1. Calcite flotation / clay depression
2. Clay flotation / calcite depression
3. Clay-quartz flotation
4. Oil flotation / oil removal

During the following quarter, UQ's SMI will continue the development of the test work/flowsheet beneficiation options including optimal dosage of reagents.

Environmental

Water Monitoring – ATC Williams

ATC Williams continued monthly surface and groundwater surveys in Julia Creek with 5 site visits by ATC Williams and QEM personnel, collecting water quality samples from various locations around the shire and tenement. The monitoring program aims to characterise environmental baseline conditions and inform the engineering design for tailings storage facilities. During the reporting period, two additional groundwater monitoring bores were installed as part of this year's drilling campaign. These additional bores were installed and tested under ATC Williams' supervision and now form part of QEM's water monitoring network.

In November 2023, ATC Williams completed the 12-month baseline water monitoring campaign in Julia Creek. The water monitoring program continued throughout the quarter with two site visits, completing the 12-month baseline study.

ATC Williams and QEM conducted routine monthly monitoring of the Julia Creek monitoring network for the period between November 2022 and November 2023. The purpose of this work is to provide an assessment of baseline groundwater conditions to support preparation of an Environmental Impact Statement (EIS). In accordance with the Environmental Protection Act 1994, this EIS is required by QEM to obtain environmental authority to proceed with the Julia Creek Project.

QEM LIMITED DIRECTORS' REPORT

The water monitoring baseline report is expected post reporting period and will provide an assessment of baseline annual trends in water levels and water quality identified through the monitoring program. ATC Williams will also include recommendations for improvements to QEM's water monitoring network.

Julia Creek Renewable Energy Project

The Julia Creek Renewables Project (JCRP) is a planned solar/wind project for a minimum 1GW of renewable energy generation, that could be an input into the CopperString 2032 transmission line, which is being built by the Queensland Government through its wholly owned entity Powerlink.

CopperString 2032 is a \$5 billion power transmission project that will connect vast renewable wind and solar resources with critical minerals mining and processing in the North West Minerals Province ("NWMP") and will be delivered as part of the \$62 billion Queensland Energy and Jobs Plan. Early works have begun with construction slated to begin in early 2024.

The primary objective of the JCRP is to potentially provide cheaper clean power for the Company's flagship, Julia Creek vanadium and oil shale project (JCP) and to contribute to both the Queensland and Australian Government's renewable energy and emission reduction targets.

Outcomes, if successful, have the potential to form crucial components of the proposed Pre-Feasibility Study for the JCP.

On 3 July 2023, QEM announced it had shortlisted non-binding indicative offers from 3 global developers:

- ENEL Green Power (Aust),
- Acciona Energia and
- Origin Energy and Energy Estate (joint venture) ("ORG")

to build, own and operate the project. (Ref: ASX announcement 3 July 2023). Productive discussions continued throughout the reporting period with each of the 3 proponents.

During the reporting period, QEM and Enel Green Power Australia Pty Ltd (EGPA) - jointly owned by Enel Green Power (within the Enel Group) and INPEX Renewable Energy Australia Pty Ltd (part of INPEX CORPORATION) - entered into an exclusive dealing period after being selected from the short list of proponents announced in July 2023 (Ref: ASX announcement 3 July 2023).

QEM LIMITED DIRECTORS' REPORT

Negotiations were conducted for the sale of the Julia Creek Renewables Project (JCRP or Renewables Project) proposed to be adjacent to the Company's flagship Julia Creek Vanadium and Oil Shale Project (JCP) in north-west Queensland.

The Renewables Project has the potential to provide cheaper power for the JCP and to contribute to decarbonisation and the Queensland and Australian Government renewable energy and emission reduction targets.

The transaction was completed post-quarter. (Ref: ASX announcement 15 January 2024).

Corporate

ESG and Community Relations

This reporting period marks the seventh and eighth consecutive quarters that QEM is monitoring and disclosing the Company's ESG progress and initiatives via Socialsuite's ESG Go platform.

QEM's ESG reporting is based on the 21-core metrics set by the World Economic Forum (WEF), as part of WEF's standardised and globally recognised Stakeholder Capitalism Metrics ESG framework. Further details available on the QEM website.

Board Addition

On 24th August 2023, Tony Pearson, former Managing Director of HSBC joined the QEM Board of Directors as a non-executive director (NED). Mr Pearson is a highly experienced company director with 10 years' experience on Australian, Toronto and Hong Kong Stock Exchange-listed companies, government, and not-for profit boards. Mr Pearson's experience spans natural resources, infrastructure, and State and Federal Government. He is currently Chair of Possibility Group Limited ("Possibility") and ASX listed company, Cellnet Group Limited (ASX: CLT). He also serves as a Non-Executive Director of ASX listed Xanadu Mines (ASX: XAM) and not-for-profit Communicare. His experience includes a variety of senior positions as a finance and investment professional, most recently as Managing Director at HSBC (Hong Kong Shanghai Banking Corporation) and prior to that as Group Executive at South Gobi Resources (TSX: SGQ) and was previously Chair of ASX-listed Peak Rare Earths (ASX: PEK).

QEM also welcomes the ESG and critical minerals credentials that Mr Pearson brings to the Board from many of his roles, including currently as the Chair of Possibility, a leading human services organisation in disability and youth services. His tenure as a Commissioner at the Independent Planning Commission allowed him to determine state significant development projects, with a need to consider relevant environmental and other stakeholder impacts alongside planning legislation, as well as gaining valuable experience in developing natural resource and wind farm projects and navigating climate change associated issues. As a former Senior Advisor to global impact investing specialist, Regnan, Mr Pearson provided ESG advice to some of Australia's largest institutional shareholders.

QEM LIMITED DIRECTORS' REPORT

Unsecured Loan Facility

On September 25, 2023, QEM entered into an unsecured loan facility ("Facility") with CL Fitch Pty Ltd ("Financier"), an entity controlled by QEM major shareholder and Non-Executive Director, David Fitch. The Facility will be used primarily to fund the completion of the Scoping Study and to provide working capital for QEM. The Facility provides QEM with an initial A\$1 million tranche of funding and the ability to call for an additional A\$1 million at the election of QEM at any time in the period 6 months after commencement of the Facility. The Facility bears interest at a rate of 10.0% per annum on the drawn amounts that is payable at maturity (12 months). QEM may at its election at any time up to the date that is 9 months after the commencement of the Facility, repay the amount owing under the Facility (in whole or in part) or by way of the issue of shares in QEM (subject to shareholder approval first being obtained).

2023 Annual Report and AGM

On 27 September 2023 the Company issued its Annual Report to shareholders for year ending 30 June 2023. The full report is available on the QEM website.

The QEM Annual General Meeting of shareholders was held on November 9, 2023, with all resolutions being passed by members.

SUBSEQUENT EVENTS

On 13 January 2024, the Company entered into a binding agreement to sell its Julia Creek Renewables Project assets to Enel Green Power Australia subject to the satisfaction of conditions outlined in the Project Sale Agreement. Under the conditions of this agreement, upon satisfaction, QEM will be entitled to an upfront payments of \$3,000,000 for the sale interests, along with consideration for two milestone payments totalling \$4,000,000 in separate tranches upon achievement of key project development milestones, and a contingent payment upon EGPA reaching a final investment decision.

At the time of this report, the Company has drawn-down \$750,000 of its \$A2m loan-facility with Non-Executive Director David Fitch subsequent to period end. Per the ASX announcement dated 25 September 2023, the Company entered into an unsecured loan facility with Mr Fitch and can draw up to \$A2m in cash, which bears an 10% interest rate per annum on amounts drawn and is repayable at maturity (12 months). QEM may at its election at any time up to the date that is 9 months after the commencement of the Facility, repay the amount owing under the Facility (in whole or in part) or by way of the issue of shares in QEM (subject to shareholder approval first being obtained).

QEM LIMITED DIRECTORS' REPORT

There were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial period.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2023 is set out on page 28.

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Gavin Loyden
Managing Director
Dated: 14 March 2024

QEM LIMITED
CONDENSED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Period Ended 31 December 2023

	Note	31 December 2023 \$	31 December 2022 \$
Revenue		8,695	445,785
Corporate and compliance expenses		(234,622)	(145,180)
Director fees and employee benefits expense		(262,377)	(170,023)
Exploration expenditure		(1,681,258)	(1,461,630)
Share based payments		(19,034)	(684,842)
Depreciation – right of use asset	4	(45,914)	(45,914)
Depreciation – plant and equipment		(94,351)	(81,856)
Other expenses		(399,445)	(271,739)
Loss before income tax expense		(2,728,306)	(2,415,399)
Income tax expense			
Loss after income tax expense for the period		(2,728,306)	(2,415,399)
Other comprehensive loss, net of tax		-	-
Total comprehensive loss for the period		(2,728,306)	(2,415,399)
Net loss for the period is attributable to:			
Members of the parent entity		(2,728,306)	(2,415,399)
Total comprehensive loss for the period is attributable to:			
Members of the parent entity		(2,728,306)	(2,415,399)
Basic and diluted loss per share (cents per share)		(1.82)	(2.02)

QEM LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	31 December 2023 \$	30 June 2023 \$
CURRENT ASSETS			
Cash and cash equivalents		280,908	1,970,158
Trade and other receivables		61,361	117,555
Other assets		70,272	96,858
Right of Use Asset	4a	76,523	91,828
TOTAL CURRENT ASSETS		489,064	2,276,399
NON-CURRENT ASSETS			
Other Assets		19,450	19,450
Right of Use Asset	4a	-	30,609
Plant and Equipment	5	991,132	1,062,649
TOTAL NON-CURRENT ASSETS		1,010,582	1,112,708
TOTAL ASSETS		1,499,646	3,389,107
CURRENT LIABILITIES			
Trade and other payables		461,507	392,026
Lease liabilities	4b	89,997	104,198
Provisions		147,986	107,199
TOTAL CURRENT LIABILITIES		699,490	603,423
NON-CURRENT LIABILITIES			
Lease Liability	4b	-	36,484
TOTAL NON-CURRENT LIABILITIES		-	36,484
TOTAL LIABILITIES		699,490	639,907
NET ASSETS		800,156	2,749,200
EQUITY			
Issued capital	2	16,991,177	16,230,949
Reserves		743,903	724,869
Accumulated losses		(16,934,924)	(14,206,618)
TOTAL EQUITY		800,156	2,749,200

QEM LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the Period Ended 31 December 2023

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2022	11,448,721	17,084	(9,645,299)	1,820,506
Loss for the period	-	-	(2,415,399)	(2,415,399)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,415,399)	(2,415,399)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	2,920,998	-	-	2,920,988
Options issued during the period	-	684,842	-	684,842
Less: Transaction costs arising from issue of shares	(28,527)	-	-	(28,527)
Balance at 31 December 2022	14,341,192	701,926	(12,060,698)	2,982,420
Balance at 1 July 2023	16,230,949	724,869	(14,206,618)	2,749,200
Loss for the period	-	-	(2,728,306)	(2,728,306)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,728,306)	(2,728,306)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	765,089	-	-	765,089
Options issued during the period	-	19,034	-	19,034
Less: Transaction costs arising from issue of shares	(4,861)	-	-	(4,861)
Balance at 31 December 2023	16,991,177	743,903	(16,934,924)	800,156

QEM LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the Period Ended 31 December 2023

	31 December 2023	31 December 2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(729,597)	(467,587)
Exploration expenditure and project evaluation costs	(1,649,378)	(1,505,374)
Payments for lease liability	(45,914)	(45,914)
Interest received	8,695	5,308
Grants Received	-	440,477
	<hr/>	<hr/>
Net cash used in operating activities	(2,416,194)	(1,573,090)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Property, Plant and Equipment	(33,284)	(416,790)
	<hr/>	<hr/>
Net cash used in investing activities	(33,284)	(416,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	765,089	2,920,998
Payments for capital raising costs	(4,861)	(38,072)
	<hr/>	<hr/>
Net cash provided by/(used in) financing activities	760,228	2,882,926
	<hr/>	<hr/>
Net increase/(decrease) in cash held	(1,689,250)	893,046
Cash and cash equivalents at beginning of period	1,970,158	1,425,475
	<hr/>	<hr/>
Cash and cash equivalents at end of reporting period	280,908	2,318,521
	<hr/>	<hr/>

The accompanying notes form part of this financial report

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2023

1: Summary of Significant Accounting Policies

Basis of Preparation

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

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2023 and any public announcements made by QEM Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements aside from the adoption of the accounting policy identified below.

Going Concern

The half year financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2023 the Company incurred a loss of \$2,728,306 (2022: \$2,415,399) and net cash outflows from operating activities of \$2,416,194 (2022: \$1,573,090).

The ability of the Company to continue as a going concern is principally dependent on the Company raising capital. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required. In addition to this, the Company expects to receive Milestone payments as part of the sale of its Julia Creek Renewables Power Project and intends to drawn down on its loan facility in place as and when required. As at the date of this report the Company has drawn down \$750,000 as disclosed in Note 8.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2023

and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

Accounting Policies adopted in the Half-year period

Property, Plant and Equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-10 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

New or amended Accounting Standards and Interpretations adopted

There were no new accounting standards or interpretations that applied to the company aside from the adoption of Property, Plant and Equipment given the relevance to half-year operations ended 31 December 2023.

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2023

2. ISSUED CAPITAL

	31 December 2023	30 June 2023
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	16,991,177	16,230,949
	<u>16,991,177</u>	<u>16,230,949</u>
	Number	\$
(b) Movement in ordinary shares on issue		
Balance at 1 July 2023	146,891,190	16,230,949
Issue of Ordinary Shares – 25 August 2023 (i)	4,500,523	765,089
Transaction Costs	-	(4,861)
Balance at 31 December 2023	<u>151,391,713</u>	<u>16,991,177</u>

(i) On 25 August 2023, the Company issued 4,500,523 shares at \$0.17 to raise \$765,089 before costs.

3. RESERVES

	31 December 2023	30 June 2023
	\$	\$
Share based payment reserve	743,903	724,869
	<u>743,903</u>	<u>724,869</u>
Share based payment reserve	No	\$
Reserve at the beginning of the period	5,850,000	724,869
Performance Rights Issued – 31 August 2023 ¹	375,000	7,333
Performance Rights Issued – 9 November 2023 ¹	1,500,000	11,701
Balance at 31 December 2023	<u>7,725,000</u>	<u>743,903</u>

Options

There were no options issued during the current period. In the prior period, the Company issued 5,850,000 options to directors and management.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2023

¹Performance Rights

The Company issued 1,875,000 share performance rights to directors of the Company during the financial period ended 31 December 2023. Details of the performance rights are as follows:

	Tranche 1 Class A Performance Rights¹	Tranche 2 Class B Performance Rights²	Tranche 3 Class C Performance Rights³
Recipient	Director (Tony Pearson)	Director (Tony Pearson)	Director (Tony Pearson)
Methodology	-	Monte-Carlo	-
Grant date	24 August 2023	24 August 2023	24 August 2023
Vesting date	26 August 2026	26 August 2026	26 August 2027
Expiry date	26 August 2026	26 August 2026	26 August 2027
Spot price	\$0.20	\$0.20	\$0.20
Share Price target	-	\$0.40	-
Risk-free rate	-	3.81%	-
Volatility	-	92.4%	-
Dividend Yield	-	-	-
Number	150,000	75,000	150,000
Value per PR	\$0.20	\$0.13268	\$0.20
Total fair value	\$30,000	\$9,951	\$30,000
Total share based payment recognised at 31 December 2023	\$3,525	\$1,163	2,645

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2023

	Tranche 1 Class A Performance Rights¹	Tranche 2 Class B Performance Rights²	Tranche 3 Class C Performance Rights³
Recipient	Directors (Tim Wall, Gavin Loyden, David Fitch, Daniel Harris)	Directors (Tim Wall, Gavin Loyden, David Fitch, Daniel Harris)	Directors (Tim Wall, Gavin Loyden, David Fitch, Daniel Harris)
Methodology	-	Monte-Carlo	-
Grant date	9 November 2023	9 November 2023	9 November 2023
Vesting date	26 August 2026	26 August 2026	26 August 2027
Expiry date	26 August 2026	26 August 2026	26 August 2027
Spot price	\$0.20	\$0.20	\$0.20
Share Price target	-	\$0.40	-
Risk-free rate	-	4.16%	-
Volatility	-	92.2%	-
Dividend Yield	-	-	-
Number	600,000	300,000	600,000
Value per PR	\$0.20	\$0.13268	\$0.20
Total fair value	\$120,000	\$39,600	\$120,000
Total share based payment recognised at 31 December 2023	\$5,664	\$1,869	\$4,168

¹A total of 750,000 Class A Share Performance Rights were granted to directors during the financial period. Share performance rights vest to directors after a 3-year service period with a total of \$9,189 recognized on a pro-rata basis at period end. Performance rights are based on non-market conditions and were valued using the spot price at the grant date. Tony Pearson's Share Performance Rights were granted on his appointment on 24 August 2023, using the closing spot price from previous day 23 August 2023 at \$0.20. Class A Share Performance Rights to Directors (Tim Wall, Gavin Loyden, David Fitch and Daniel Harris) were granted upon approval at the Annual General Meeting of Shareholders and were valued using the closing spot price on 9 November 2023 of \$0.20.

²A total of 375,000 Class B Share Performance Rights were granted to directors during the financial period. Share performance rights vest on the Company's share price reaching \$0.40 at any time prior to 26 August 2026. Class B performance rights vest on a pro-rata basis over the period with a view to be recognised in full on satisfaction of the share price target. A total value \$3,032 was recognised on a pro-rata basis in the current financial period.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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³A total of 750,000 Class C Share Performance Rights were granted to directors during the financial period. Share performance rights vest upon the security of a strategic investor to the Company at any time prior to 26 August 2027. Class C Performance rights will vest on a pro-rata basis over the time to expiry with \$6,813 recognised in the current financial period with a view to be accelerated if the non-market performance condition is met at anytime prior to expiry. Performance rights are based on non-market conditions and were valued using the spot price at the grant date. Tony Pearson's Share Performance Rights were granted on his appointment on 24 August 2023, using the closing spot price from previous day 23 August 2023 at \$0.20. Class C Share Performance Rights to Directors (Tim Wall, Gavin Loyden, David Fitch and Daniel Harris) were granted upon approval at the Annual General Meeting of Shareholders and were valued using the closing spot price on 9 November 2023 of \$0.20.

4. LEASES

	31 December 2023	30 June 2023
	\$	\$
a) Right-of-use asset		
Balance at the beginning of the year	122,437	214,265
Additions	-	-
Depreciation	(45,914)	(91,828)
Balance at the end of the year	<u>76,523</u>	<u>122,437</u>
Current	76,523	91,828
Non-Current	-	30,609
	<u>76,523</u>	<u>122,437</u>
b) Lease liabilities		
Office lease	<u>89,997</u>	<u>140,682</u>
Current	89,997	104,198
Non-Current	-	36,484
	<u>89,997</u>	<u>140,682</u>

QEM LIMITED
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5. PLANT AND EQUIPMENT

	31 December 2023	30 June 2023
	\$	\$
Equipment at cost	52,538	51,103
Equipment – accumulated depreciation	(18,827)	(11,806)
Plant and Equipment at cost	1,210,693	1,189,294
Plant and Equipment – accumulated depreciation	(253,272)	(165,942)
	991,132	1,062,649
PLANT AND EQUIPMENT		
Opening balance	1,062,649	716,877
Additions	22,834	517,050
Disposals	-	-
Depreciation	(94,351)	(171,278)
	991,132	1,062,649

6. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

7. SEGMENT INFORMATION

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. During the period ended 31 December 2023, the Board considers that it has only operated in one segment, being mineral exploration.

The Board as a whole will regularly review the identified segment in order to allocate resources to the segment and to assess its performance.

8. EVENTS SUBSEQUENT TO REPORTING PERIOD

On 13 January 2024, the Company entered into a binding agreement to sell its Julia Creek Renewables Project assets to Enel Green Power Australia subject to the satisfaction of conditions outlined in the Project Sale Agreement. Under the conditions of this agreement, upon satisfaction, QEM will be entitled to an upfront payments of \$3,000,000 for the sale interests, along with consideration for two milestone payments totalling \$4,000,000 in separate tranches upon achievement of key project development milestones, and a contingent payment upon EGPA reaching a final investment decision.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2023

At the time of this report, the Company has drawn-down \$750,000 of its \$A2m loan-facility with Non-Executive Director David Fitch subsequent to period end. Per the ASX announcement dated 25 September 2023, the Company entered into an unsecured loan facility with Mr Fitch and can draw up to \$A2m in cash, which bears an 10% interest rate per annum on amounts drawn and is repayable at maturity (12 months). QEM may at its election at any time up to the date that is 9 months after the commencement of the Facility, repay the amount owing under the Facility (in whole or in part) or by way of the issue of shares in QEM (subject to shareholder approval first being obtained).

There were no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

9. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Per terms of the Enel Green Power Agreement, announced 15 January 2024, the Company is entitled to the following payments contingent on conditions precedents being met for the Julia Creek Renewables Project (JCRP):

- \$3,000,000 upfront for sale interests of the Julia Creek Renewables Project assets;
- Two contingent milestone payments totalling \$4,000,000 in aggregate, payable in separate tranches upon achievement of key Project development milestones;
- A contingent milestone payment upon EGPA reaching a Final Investment Decision (FID). The FID payment amount is not currently ascertainable by QEM as it is dependent on a number of variables (including the total generation and storage capacity of the JCRP and the relevant proportions that wind, solar and BESS contribute to the project).

Separately, on and from the Commercial Operations Date, EGPA has agreed to pay QEM a revenue based royalty of between 1-2% generated by JCRP operations.

There has been no other changes in contingent liabilities or contingent assets since the last annual reporting date.

10. COMMITMENTS

Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration requirements specified by the Queensland Governments Department of Natural Resource and Mines. These commitments have not changed materially since the release of the 30 June 2023 financial statements.

QEM LIMITED
DIRECTORS' DECLARATION
For the Period Ended 31 December 2023

In the opinion of the Directors of QEM Limited (the Company):

1. The financial statements and notes thereto of the Company, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Company's financial position as at 31 December 2023 and its performance for the period then ended.
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.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Gavin Loyden
Managing Director

Perth
Dated: 14 March 2024

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF QEM LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of QEM Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2023, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, 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 QEM Limited does not comply with the *Corporations Act 2001* including:

- a. 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; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *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*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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* 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.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Company incurred a net loss of \$2,728,306 during the half year ended 31 December 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the 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 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 Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 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 Company'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.

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA

Director

Dated this 14th day of March 2024
Perth, Western Australia

To the Board of Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead audit Director for the review of the financial statements of QEM Limited for the half year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,

Hall Chadwick

HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis

MARK DELAURENTIS CA

Director

Dated this 14th day of March 2024
Perth, Western Australia