

ASX announcement



QEM

ASX: QEM

ACN 167 966 770

20 December 2018

QEM receives positive results from preliminary testing for oil extraction

- **QEM has received successful initial test results from Petroteq Energy Inc (TSX-V:PQE). Based on the sample tested, these results show that Petroteq's proprietary technology was able to extract hydrocarbons from QEM's Julia Creek Project**
- **Based on the Petroteq results report, QEM is confident that with further testing, the percentage of extractable hydrocarbons from the oil shale would be close to the maximum hydrocarbon content available in the Julia Creek sample**
- **Recent drilling program provided the fresh sample required for the testing regime**

20 December 2018: QEM Limited ("QEM" or "the company") is pleased to announce it has received successful initial preliminary results using Petroteq's technology from test work carried out on the previously drilled core sample.

As noted in the Company's IPO prospectus, a short drilling program was completed for the purpose of collecting samples in June 2018 comprising of:

- 2 [4C] drilled core holes were completed for 36.4m of core and 121.75m of open drilling totalling 158.15m. The location of these are shown in Figure 1
- All holes geophysically and geologically logged
- A 27kg sample of oil shale (OSU & OSL seams) was vacuum sealed and dispatched to ChemTreat Laboratories in the USA who performed the test work which was overseen by Petroteq

The initial test was performed by ChemTreat Laboratories on a sample over a nine-day period and was overseen by Petroteq's Chief Technology Officer. The testing involved ChemTreat being provided Petroteq's proprietary solvent blend to test how much oil could be extracted from QEM's inactivated oil shale.

These preliminary results show that Petroteq's proprietary technology was able to extract hydrocarbons from QEM's Julia Creek Project. Further optimisation is required to determine the final yield of the hydrocarbon products.

Gateway, Level 6

50 Appel Street

Surfers Paradise QLD 4217

T: +61 8 9481 0389

F: +61 8 9463 6103

E: info@qldem.com.au

www.qldem.com.au

John Foley
Chairman

Daniel Harris
Non-Executive Director

David Fitch
Executive Director

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Next Steps

Stage 2 optimisation testing is underway and Petroteq have indicated that QEM's type of shale is expected to be sensitive to their shale activation. Therefore, based on Petroteq's previous work and their results report, QEM is confident that a maximum hydrocarbon content approaching greater than 90% yield is achievable from an activated oil shale sample (the Company notes however that if successful, any result should not be taken as indicative that such yield is achievable across the Company's Julia Creek Project and that further testing will be required).

QEM Managing Director David Fitch said, "Having completed a highly successful, oversubscribed Initial Public Offer (IPO) and debuting on the ASX in mid-October, we are pleased to announce this positive initial test result. This result has been highly anticipated by the Company and we are eager to expedite the next stage of testing and optimisation.

Following optimisation test work next year, we look forward to the possibility of utilising Petroteq's closed-loop, environmentally friendly technology at Julia Creek.

The stage 2 results will provide us with an opportunity to further develop the most commercially suited process for vanadium extraction, with test work to be carried out over the duration of 2019. We look forward to receiving and announcing the results of this continued work as we advance our vanadium and oil shale project."

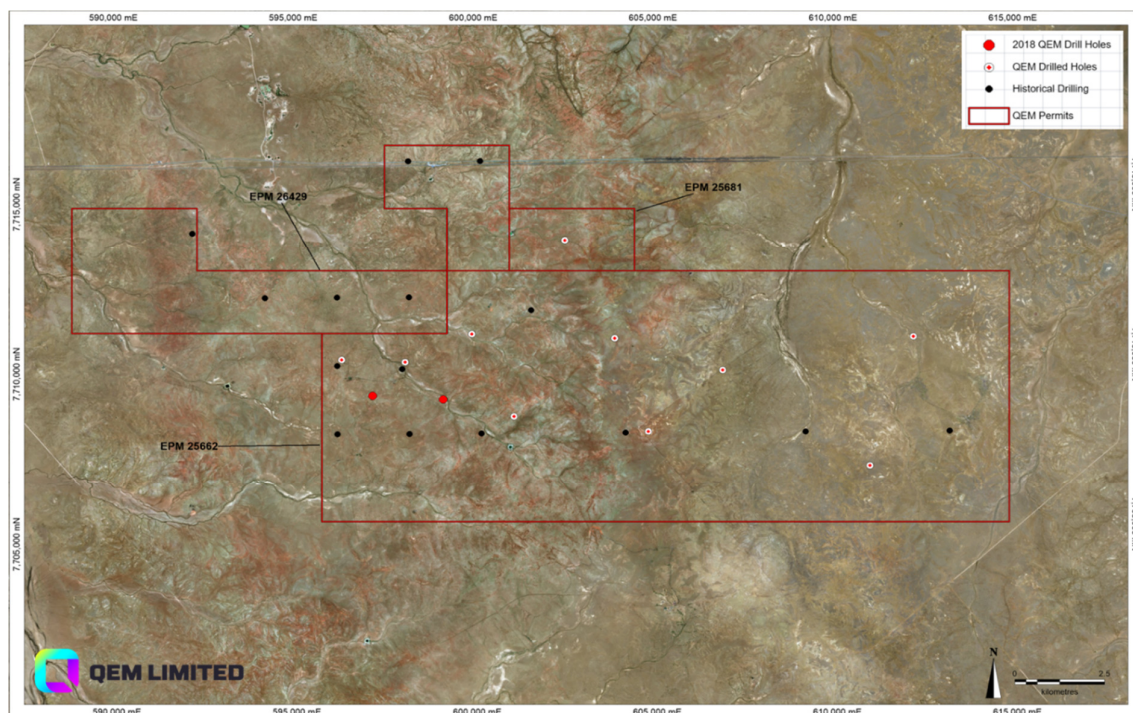


Figure 1: Drill Hole Location Map

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Julia Creek Project Overview

The Julia Creek Project consists of tenements EPM 25662, EPM 25681 and EPM26429 which form part of the vast Toolebuc Formation. This formation is recognized as one of the largest deposits of vanadium and oil shale in the world. QEM seeks to further explore and exploit these important resources.

The Julia Creek project currently has an Inferred JORC resource of 1.7Bt with an average V_2O_5 content of 0.34% and SPE-PRMS petroleum resource of 589MMbarrels in the 3C contingent category. Further information about the Project is contained in the Company's IPO prospectus.

ABOUT PETROTEQ

Petroteq Energy Inc. is a Canadian-registered holding company, publicly trading on the TSX Venture Exchange (Symbol: PQE) and the OTC trading platform (Symbol: PQEFF). Its offices are located in Toronto, Ontario, Canada, and Los Angeles, California; its initial plant location is in Vernal, Utah.

Petroteq is focused on value creation through the development and implementation of proprietary technologies for the environmentally safe extraction of heavy oils from oil sands, oil shale deposits and shallow oil deposits.

ABOUT CHEMTREAT

Headquartered in Richmond, Virginia, ChemTreat is one of the largest and fastest-growing industrial water treatment companies in the world. Continued expansion has allowed it to evolve into one of the world's largest providers of water treatment products and services.

Its proprietary solutions allow customers to reduce water, chemical, and energy costs, extend asset life, improve process operations, and reduce downtime. They have expertise in a variety of industries, including automotive, food and beverage, chemical, fuel processing, metals, mining, power, pulp and paper, and textiles.

About QEM

Based in Queensland Australia, QEM Ltd (ASX: QEM) is an ASX-listed company which controls exploration tenements in the Julia Creek area of North Western Queensland, Australia. These tenements form part of the vast Toolebuc Formation, recognised as one of the largest deposits of vanadium and oil shale in the world. QEM seeks to further explore and exploit these important resources, to create value for its shareholders and assist in addressing the growing energy security and liquid fuel shortages in Australia.

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Competent Person and Qualified Evaluator Statements

The information in this announcement that relates to the mineral resource and contingent resource estimates for the Company's Julia Creek Project was first reported by the Company in its IPO prospectus dated 20 August 2018 and supplementary prospectus dated 12 September 2018 (together, the "Prospectus"). The Company confirms that it is not aware of any new information or data that materially affects the information included in the Prospectus, and in the case of estimates of Mineral Resources and Contingent Resources, that all material assumptions and technical parameters underpinning the estimates in the Prospectus continue to apply and have not materially changed.

For further information:

David Fitch

Managing Director

P: +61 7 3303 0161

E: david@qldem.com.au

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