

ASX ANNOUNCEMENT



29 July 2020

Quarterly update for the period ending 30 June 2020

QEM Limited (ASX: QEM) (“**QEM**” or “**Company**”) is pleased to provide an update on its activities for the quarter ending 30 June 2020.

QEM Managing Director, Mr Gavin Loyden, said the Company was able to successfully navigate the COVID-19 environment and progress its flagship Julia Creek vanadium and oil shale project in North Queensland during the quarter.

“In the June quarter we laid the groundwork for a substantial improvement to the processing and extraction methods for the oil shale and vanadium ore body,” Mr Loyden said.

“We plan to build on this positive momentum by undertaking further optimisation and engineering design work during the September quarter, as we efficiently ramp up to the pre-feasibility stage.

“Looking to the longer-term, it is also pleasing to see the Australian Government has recognised that the impacts of COVID-19 have heightened the importance of diversified critical minerals supply chains, which significantly benefits QEM as a potential domestic producer of energy commodities for Australia. Part of this recognition is an extension of the Northern Australian Infrastructure Fund for a further five years, until 2026, which we very much welcome.”

Extraction Testwork

Following the commencement of a review of processing routes at Julia creek in the March quarter, an independent laboratory company, HRL Technology Group Pty Ltd, was engaged to conduct oil shale extraction tests.

The bulk of the oil extraction testing was conducted in the June quarter and the results of the tests were finalised and announced post-June quarter (refer to ASX announcement dated 21 July 2020).

The results from the Julia Creek resource confirmed oil yields consistently over 175% of Modified Fischer Assay oil yields, over a range of varying test conditions.

The increase in oil yields was made possible with the addition of a hydrocarbon solvent, which would be derived directly from the oil stream produced from the Julia Creek resource, making it an extremely cost-effective solvent.

During the June quarter, test work for vanadium extraction rates within the shale portions of the Julia Creek resource was also undertaken by HRL, with the results anticipated to be finalised this quarter.

Building on from the highly encouraging results, this quarter QEM will undertake further extraction and resource quality optimisation tests.

In addition, engineering and costing activities to develop and evaluate the extraction process, including assessing economic viability, will be progressed by E2C Advisory Pty Ltd.

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COVID-19 Impacts

QEM is pleased to report that it continues to experience no material COVID-19 impacts on its operations.

QEM has been working with the Queensland Resource Council (QRC), industry leaders and representatives, local and state government on how to mitigate the impact of the COVID-19 pandemic on the resource industry and stakeholders. QEM has incorporated state and national protocols and further guidelines into its Health and Safety management system.

Our staff have smoothly transitioned back to working from the office, and the Company continues to adhere to Government directives to ensure we do our part to mitigate the risk of an outbreak.

As stated in our March quarterly (refer to ASX announcement dated 14 April 2020), QEM believes the COVID-19 pandemic has demonstrated the fragility of many key economic supply chains in times of disruption, such as Australia's energy supply or overseas sourced key materials.

This belief was reinforced on 16 April 2020, as the COAG Resources Ministers endorsed a National Critical Minerals Development Roadmap, which aims in part to diversify and enhance Australia's domestic critical minerals supply chains.

This development may significantly benefit QEM post COVID-19, as domestic sources of production are given more weight in the future.

As part of the Australian Government's response to COVID-19, the Company received a \$50,000 cashflow boost rebate during the June 2020 quarter.

R&D Tax Refund

QEM received a research and development (R&D) cashback totalling approximately \$205,000 from Australian Taxation Office (ATO) during the quarter.

The refund comes after the ATO recognised the innovation of the research and development (R&D) being undertaken by the Company in progressing its Julia Creek project.

The funds will be used for ongoing working capital purposes.

QEM Limited

Level 11, 216 St Georges Terrace
Perth WA 6000 Australia

John Foley **Chairman**
Gavin Loyden **Managing Director**
Daniel Harris **Non-Executive Director**
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Use of Funds

In line with obligations under ASX Listing Rule 5.3.4, QEM Limited provides the following information with respect to its Use of Funds Statement set out in its Replacement Prospectus dated 20 August 2018 and its actual expenditure since ASX admission on 17 October 2018:

Expenditure Item	Use of Funds (20.8.18) '000	Actual Expenditure (17.10.18 – 30.06.20) '000	Variance '000	Note
Opening cash	480	40	(440)	1
Proceeds from the Offer	5,000	5,000	-	
Total	5,480	5,040	(440)	
Estimated expenses of the Offer	510	340	170	2
Director fees, consulting fees and staff wages	1,070	931	139	3
Administration expenses and working capital	1,140	799	341	4
Exploration and development expenditure on the Julia Creek Project	2,760	753	2,007	5
Interest income	-	(86)	86	
R&D/Grant income	-	(335)	335	
Total	5,480	2,402	3,078	
Remaining Cash	-	2,638	2,638	

Notes:

1. Cash balance on 20.8.18 varies to cash balance on 17.10.18 due to payments towards expenses of the Offer, director fees, consulting fees, staff wages and administration expenses over this period.
2. Expenses of the Offer paid for the period 17.10.18 – 30.06.20 totalled \$340k. Expenses of the Offer paid prior to 17.10.18 were \$165k giving a grand total of \$505k. Actual expenses of the Offer are materially consistent with the use of funds budget, with variances related to timing not quantum.
3. Actual director fees, consulting fees and staff wages are materially consistent with use of funds budget after applying a pro-rata (QEM admitted for approx. 11 quarters). Note, for cashflow purposes the Company classifies its Managing Director and Exploration Manager wages as directly attributable to exploration and development expenditure on the Julia Creek Project.
4. Actual Administration expenses and working capital of \$799k are materially consistent with use of funds budget after applying a pro-rata (QEM admitted for approx. 11 quarters).
5. Actual Exploration and development expenditure on the Julia Creek Project is currently under the use of funds budget by \$2,007k. A further detailed breakdown of exploration and development expenditure is set out below:

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Expenditure Item	Use Funds (20.8.18) '000	of Actual Expenditure (17.10.18 - 30.06.20) '000	Variance '000
Drilling programme	480	83	397
Engineering and feasibility studies	1,240	279	961
Environmental	708	-	708
Geology and geophysical surveys	228	336	(108)
Statutory compliance	104	55	49
Total	2,760	753	2,007

The major variance in exploration and development expenditure relates to engineering and feasibility studies and environmental costs. These costs largely relate to the preparation of environmental impact statements, pre-feasibility studies and mining application costs which are deferred until such time as the Company settled upon the most suitable processing technology for its vanadium / oil shale project. With the Company's Julia Creek Project containing an existing defined global resource of 2,760Mt Vanadium JORC resource with an average V2O5 content of 0.30%, and a 3C Contingent Oil Resource of 783 MMbbls of Oil, focus has predominately been on process development rather than exploration. As outlined elsewhere in this report, development progress has been slower than anticipated due to factors outside of the Company's control with external providers, however the Company currently has a very promising technology which it is reviewing for application, using both internal resources and external consultants.

Related Party Payments

ASX Listing Rule 5.3.5: Payments to related parties of the Company and their associates during the Quarter totalled \$78k. The Company advises that this relates to non-executive director's fees, executive directors' salaries and a technical consulting fee to Energy Source LLC (an entity associated with Mr Daniel Harris).

Other ASX requirements

ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$175,000. Exploration during the quarter focused on oil and vanadium extraction testwork - full details of activity during the Quarter are set out above.

ASX Listing Rule 5.3.2, there were no mining production and development activities during the Quarter.

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Tenement Schedule

In line with obligations under ASX Listing Rule 5.3.3, QEM Limited provides the following information with respect to its Mining Tenement holdings as at 30 June 2020.

Project	Country	Tenement	Status	% Held	Change During Quarter
Julia Creek	Australia	EPM25662	Granted	100%	-
Julia Creek	Australia	EPM25681	Granted	100%	-
Julia Creek	Australia	EPM26429	Granted	100%	-
Julia Creek	Australia	EPM27057	Granted	100%	-

- END -

This announcement was authorised for release on the ASX by the Board of QEM Limited.

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") and the subsequent resource upgrade announcement ("Resource Upgrade") dated 14 October 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in the Prospectus and Resource Upgrade, 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 and Resource Upgrade continue to apply and have not materially changed.

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ABOUT QEM

QEM Limited (ASX: QEM) is a publicly listed company which is focussed on the exploration and development of its flagship Julia Creek Project, covering 250km² in the Julia Creek area of North Western Queensland.

The Julia Creek vanadium / oil shale project is a unique world class resource with the potential to deliver innovative energy solutions, through the production of energy fuels and vanadium pentoxide. QEM strives to become a leading producer of liquid fuels and in response to a global vanadium deficit, also aims to become a global supplier of high-quality vanadium pentoxide, to both the nascent energy storage sector and the Australian steel industry.

This globally significant JORC (2012) Mineral Resource of 2,760 Mt @ 0.30% V₂O₅ is one of the single largest ASX listed vanadium resources and represents a significant opportunity for development.

The tenements form part of the vast Toolebuc Formation, which is recognised as one of the largest deposits of vanadium and oil shale in the world and located less than 16km east of the township of Julia Creek. In close proximity to all major infrastructure and services, the project is intersected by the main infrastructure corridor of the Flinders Highway and Great Northern Railway, connecting Mt Isa to Townsville.

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