

December 2021 Quarterly Report

Highlights

- ✓ Attendance of Australia-Korea Business Council meeting with His Excellency the Republic of Korea President Moon Jae-In and Minister for Trade, Investment and Energy Moon Sung-Wook to discuss QPM's potential to become a supplier of critical battery metals to Korea.
- ✓ Completion of Life Cycle Analysis by Minviro confirming that the TECH Project is carbon negative, which would make QPM a global leader in sustainable nickel and cobalt production.
- ✓ Strong progress made on debt funding with conditional finance support of \$250m received from Export Finance Australia, letters of interest from nine leading commercial banks and eligibility letters from three offshore Export Credit Agencies / Develop Finance Institutions.
- ✓ Advancing through Definitive Feasibility Study, with focus on value engineering, critical vendor engagement and process optimisation.
- ✓ Execution of Heads of Agreement for license on HPA technology with Lava Blue and first production of 4N HPA from New Caledonia ore.
- ✓ Excellent progress on project approvals and completion of cultural heritage clearance activities at Lansdown site.
- ✓ Completion of \$30m equity raising and receipt of R&D FY June 2021 tax return of \$2.2m. Cash balance at quarter end was \$47.1m

Queensland Pacific Metals Ltd (ASX:QPM) ("QPM" or "the Company") is pleased to present a summary of activities from the December 2021 quarter.

Korean Presidential Visit to Australia

In December 2021, His Excellency the Republic of Korea President Moon Jae-In, Minister for Trade, Investment and Energy Moon Sung-Wook and other delegates travelled to Australia to commemorate the 60th anniversary of diplomatic ties between Australia and Korea. As part of the visit, critical mineral supply was a key agenda item and a Memorandum of Understanding ("MOU") on Cooperation in Critical Mineral Supply Chains was executed between the two countries. This MOU recognised the opportunity where the Australian and Korean governments and investors can work together to deliver an integrated approach to critical mineral supply chain security.

As part of discussions on critical minerals, the Australia Korea Business Council ("AKBC") hosted a meeting with President Moon Jae-In and three Australian critical mineral companies, one of which was QPM. The AKBC meeting, chaired by the Hon Simon Crean (Chairman AKBC) was focussed on critical metals and the

Australian Government's commitment to developing and supporting its critical minerals sector. In particular, recognition of the geostrategic and economic significance of the sector with reference to decarbonisation efforts, defence and electronic industries and diversification.

The Australian Government intends to support Australian industry to move further into downstream processing and simultaneously diversify global supply chains for likeminded partners, including the Republic of Korea. Key Australian Government initiatives include:

- \$1.3 billion Modern Manufacturing Initiative; and
- \$2 billion Critical Minerals Facility, administered by Export Finance Australia.

QPM Managing Director Stephen Grocott was given the opportunity to present QPM and the TECH Project at the meeting. His speech highlighted QPM's partnerships with LG Energy Solution and POSCO, its global leading sustainability credentials and the importance of green nickel and cobalt supply for the electric vehicle sector.



Figure: President Moon Jae-In (front centre), AKBC Chair Simon Crean (front 2nd from right), Stephen Grocott (back centre) and other delegates

Life Cycle Assessment – Negative Carbon Footprint

The TECH Project will be a high consumer of energy and QPM's preferred source is waste mine gas. One of the key advantages of the Lansdown site is the largely unutilised North Queensland Gas Pipeline, which transports gas from the Northern Bowen Basin to Townsville and runs past QPM's eastern boundary.

The Bowen Basin is home to some of the world's highest quality hard coking coal ("HCC") mines. These HCC mines are extremely gassy and contribute significantly to Australia's greenhouse gas emissions, in particular methane which was a key focus of the UN Climate Change Conference (**COP26**) held in November 2021. Methane is 25x worse than CO₂ for global warming and at COP26, more than 100 countries signed up to the Global Methane Pledge to reduce methane emissions by 30% by 2030.

QPM's gas procurement strategy is to target waste gas from existing HCC mines. Under the ISO Life Cycle

Analysis standards, by using this waste gas in its processing, QPM receives an offset against its carbon emissions calculation. This offset is very significant when the gas (methane) would have otherwise been a fugitive emission directly into the atmosphere.

In accordance with ISO standards ISO-14040/14044:2006, Minviro estimated that the annual reduction in Australia's greenhouse gas emissions as a result of the TECH Project would be 238,000 tonnes CO₂-equivalent. This is approximately the same quantum of emissions as 52,000 typical passenger vehicles.

When combined with no tailings dam requirement and zero liquids discharge, QPM believes the TECH Project will be a global leader in sustainability for battery metals. The importance of this to western lithium-ion battery and electric vehicle investors should not be underestimated.

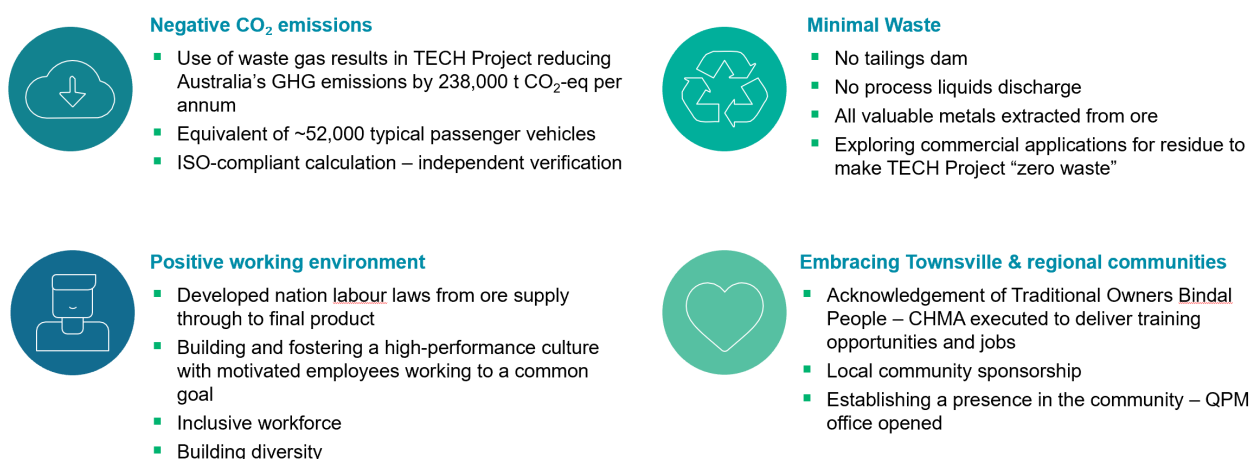


Figure: TECH Project Sustainability credentials

Debt Funding Update

QPM and its debt advisors KPMG made strong progress during the quarter on the procurement of debt for the TECH Project. With QPM advancing to the Strategic Assessment Phase of the North Australia Infrastructure Facility ("NAIF") process, QPM commenced a process to identify debt financiers who could form a syndicate.

An Information Memorandum was prepared and distributed to commercial banks, resource financiers and export credit agencies ("ECA") / development financial institutions ("DFI"). Following this process, QPM received 9 letters of interest from commercial lenders and 4 letters of eligibility from ECAs/DFIs.

In a similar vein to the NAIF process, QPM has also been advancing with Export Finance Australia (Australia's ECA). After completion of preliminary due diligence, EFA provided QPM with a letter of conditional funding support for up to \$250m of debt funding. This letter of support highlights that the TECH Project is broadly aligned with the objectives of the Australian Government's Critical Minerals Strategy – to diversify global critical mineral supply and capture more value from the critical minerals value chain.

The indicative support received from NAIF and EFA is intended to cornerstone the debt syndicate and will significantly improve QPM's ability to fund the TECH Project on attractive terms.

Definitive Feasibility Study Update

QPM is completing the Definitive Feasibility Study ("DFS") for the TECH Project which is aimed at

demonstrating robust financial returns and reducing technical risk associated with commercial scale up of the DN_i Process™. During the quarter, QPM announced that completion of the DFS is now scheduled for mid 2022.

The DFS focussed on value engineering, critical vendor engagement and process optimisation. The updated timetable for completion of the DFS has allowed QPM to focus on these workstreams to meet its goals.

For vendor engagement, QPM has identified a number of key areas of the plant which would benefit from a sole-source vendor strategy. This includes:

- KBR Plinke – nitric acid recovery from iron hydrolysis;
- Hatch – thermal decomposition of magnesium nitrate to produce saleable magnesia product and recover nitric acid;
- Siemens – electrical systems and plant process control
- JORD – crystallisers in the sulfate refinery.

The sole-source vendor strategy allows these companies to undertake testwork and detailed engineering earlier than normal and incorporate those results into the DFS. This will increase the accuracy of the cost estimate and reduce technical risk. In addition, with detailed engineering being completed, QPM will be better positioned to execute a contracting strategy to negotiate fixed lump sum pricing for these work packages. These areas of the plant make up a significant proportion of the capital costs and achieving this will provide greater comfort to financiers.

Process optimisation activities have focussed around:

- Reducing unit gas consumption from PFS levels by undertaking iron hydrolysis at slight pressure;
- Simpler and lower cost nickel/cobalt precipitation;
- Reducing unit acid requirements from PFS levels by implementing counter current leaching;
- Increasing nitric acid recovery; and
- Increasing metal recoveries into final products.
- Finalising materials of construction for the main facilities

With domestic and international borders opening, QPM expects COVID related inefficiencies to reduce. In person meetings with key international vendors are also now possible, which will be of significant benefit to the project.

High Purity Alumina Update

During the quarter, QPM executed a License Heads of Agreement with Lava Blue relating to the use of their proprietary technology for high purity alumina (“HPA”) processing. Lava Blue’s technology is based around the conventional hydrochloric acid leach, which was the base case for QPM. Lava Blue’s technology centres around the ability to deal with trace impurities, process control and demonstration plant confirmation of designs.

The first phase of the partnership involved QPM supplying Lava Blue with aluminium chloride, the precursor to HPA which was produced from aluminium hydroxide yielded from QPM’s pilot plant. Lava Blue was successful in producing 4N HPA at a lab scale, with the product assaying at 99.996% purity.

Given this success, QPM will appoint Stantec (formerly Engenium) to undertake the HPA section of the TECH Project DFS in conjunction with Hatch and Lava Blue. Lava Blue is also nearing construction completion of a HPA demonstration plant in Brisbane.

The partnership with Lava Blue allows QPM to focus on nickel and cobalt activities, whilst still advancing HPA, allowing the schedule to be maintained for all key products.

Project Approvals

During the quarter, QPM made strong progress on its approvals with at both State and Federal levels of government. The assessment of the EPBC Referral with Department of Agriculture, Water and the Environment (Federal) is continuing in line with statutory time frames.

The Material Change of Use Development Application (“MCU DA”) with Queensland State Government / Townsville City Council was submitted in December and the assessment phase has commenced.

Approvals are expected to be received prior to completion of the DFS.

Cultural Heritage

Cultural Heritage investigation works were carried out at the Lansdown site in the quarter. Archaeologist Michelle Bird and representatives of the Bindal People walked the ground of the Lansdown site and identified no areas of cultural significance. This meets one of the key workstreams of the Cultural Heritage Agreement with the Bindal People and will allow QPM to begin civil works when permitted.





Figure: Cultural Heritage activities being undertaken at Lansdown

Nickel Outlook

In January 2022, the spot LME nickel price surged to 10 year highs reaching U\$24,000/t. At the same time, nickel inventories continued to dramatically decline. The electric vehicle market continued to grow – in China, EV sales reached a record level in November, surpassing 450,000 vehicle sales for the first time.

Industry analysts Benchmark Mineral Intelligence is forecasting a continued growth story of high nickel cathodes in lithium ion batteries, in particular the dominant NCM chemistry.

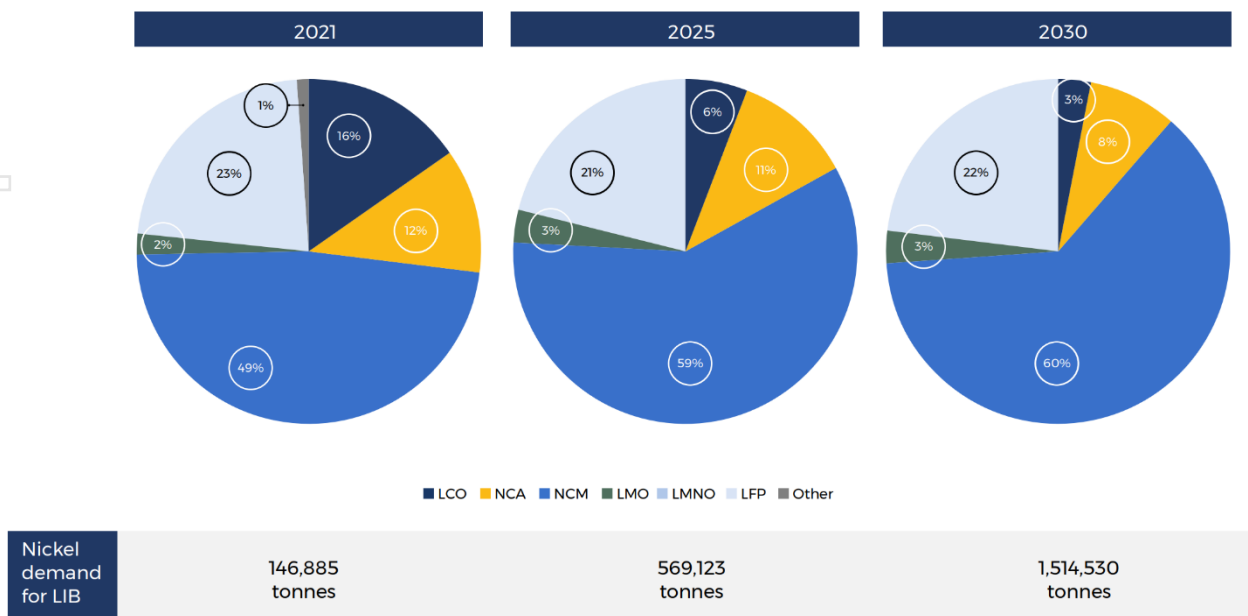


Figure: Benchmark forecast for battery chemistry and LIB nickel demand

Cash and Corporate

In December, QPM completed a capital raising of \$30m (before costs) by way of a share placement to institutional and sophisticated investors at \$0.16 per share. The placement was strongly supported and allowed QPM to introduce new investors to the share register, including those with an ESG focus.

QPM also received \$2.2m from its FY 30 June 2021 tax return as part of the R&D Tax Incentive scheme. Simultaneous to this, the Metamor loan of \$1m was repaid, leaving QPM debt free.

Cash at the end of the quarter was \$47.1m

Additional ASX Information

ASX Listing Rule 5.3.1: Exploration and Evaluation during the quarter was \$10.6m. The majority of this was spent on the Company's TECH Project.

ASX Listing Rule 5.3.2: There were no substantive mining production and development activities during the quarter.

Tenement Table: ASX Listing Rule 5.3.3: Tenements currently held by QPM as at 31 December 2021 are detailed in the table below.

TENEMENT ID	STATUS	APPLIC DATE	GRANTED DATE	EXPIRY DATE	HOLDING	NAME	REGISTERED CO.
EPM27035	GRANTED	28 Aug 2018	12 Feb 2021	12-Feb-23	100%	Serpentine Ridge	QPM Tech Project Pty Ltd
EL 1761	GRANTED	11 Mar 2020	18 Sep 2020	12-Mar-22	100%	Sewa Bay	Queensland Pacific Metals Ltd

ASX Listing Rule 5.3.5:

RELATED PARTY	AMOUNT	DESCRIPTION
Directors and CEO	\$227,379	Director and consulting fees paid to Directors and/or Director related entities

This announcement has been authorised for release by the Board.



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FORWARD LOOKING STATEMENT Statements & material contained in this ASX Release, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of QPM, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events & expectations and, as such, involve known and unknown risks & uncertainties. Although reasonable care has been taken to ensure facts stated in this Release are accurate and/or that the opinions expressed are fair & reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results & developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this Release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Queensland Pacific Metals Limited

ABN

61 125 368 658

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	23	
1.2 Payments for			
(a) exploration & evaluation	(10,549)	(17,090)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(1,210)	(2,147)	
(e) administration and corporate costs	(840)	(1,100)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	-	-	
1.5 Interest and other costs of finance paid	(30)	(62)	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	2,200	2,423	
1.8 Other (provide details if material)	-	-	
1.9 Net cash from / (used in) operating activities	(10,429)	(17,953)	

2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities	-	-	
(b) tenements	-	-	
(c) property, plant and equipment	(137)	(170)	
(d) exploration & evaluation	(68)	(81)	
(e) investments	-	-	
(f) other non-current assets	-	-	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(205)	(251)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	30,000	50,173
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	360
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,650)	(2,465)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(1,000)	(1,000)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	27,350	47,068

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	30,408	17,745
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,429)	(17,953)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(205)	(251)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	27,350	47,068

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	10	525
4.6	Cash and cash equivalents at end of period	47,134	47,134

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	47,134	30,408
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	47,134	30,408

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(227)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$227,379

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>In February 2021, Queensland Pacific Metals entered into a facility variation agreement with Metamor Capital Partners, for an advance of \$1,000,000. The interest rate was set at 13.5%. Queensland Pacific Metals was guarantor under the facility agreement and the loan was secured against the assets of Queensland Pacific Metals. In November 2021, the loan was fully repaid.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(10,429)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(68)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(10,497)
8.4	Cash and cash equivalents at quarter end (item 4.6)	47,134
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	47,134
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.5
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2022

Authorised by: The Board of Queensland Pacific Metals Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.