

December 2022 Quarterly Report

Highlights

- ✓ Watershed investment and offtake agreement signed with General Motors.
- ✓ Strong political support from key ministers and departments.
- ✓ Release of Feasibility Study results for the TECH Project demonstrating attractive project financial metrics.
- ✓ Receipt of all major Federal and State regulatory approvals for construction of the TECH Project.
- ✓ Launch of QPM Energy, a wholly owned subsidiary, to vertically integrate the gas supply chain with the TECH Project and facilitate reduction of carbon emissions from waste coal mine gas.
- ✓ Completion of updated Life Cycle Assessment, which has re-estimated the TECH Project to have NET-NEGATIVE carbon emissions of 989,213 tonnes per annum
- ✓ \$10.2m received from R&D Tax incentive refund, leaving QPM in a strong cash position with \$45.1m in cash and cash equivalents as at the end of the December quarter.

Queensland Pacific Metals Ltd (ASX:QPM) ("QPM" or "the Company") is pleased to present a summary of activities from the December 2022 quarter.

Investment and Offtake Agreement with General Motors

On 12 October 2022, QPM announced a major investment and offtake agreement with General Motors (the "Transaction"). Under the Transaction and subject to certain conditions being met:

- General Motors will invest up to US\$69m (A\$108m) by way of equity subscription for ordinary shares in QPM, which includes an initial investment of US\$20.1m which has already been settled; and
- General Motors has an option to purchase all uncommitted nickel and cobalt production for Stage 1 of the TECH Project and 100% of nickel and cobalt production under a Stage 2 expansion.

The Transaction with General Motors represents the start of a long term strategic collaboration between the two companies. As part of undertaking the Transaction, General Motors undertook extensive due diligence on all aspects of QPM, engaging external technical and financial consultants as part of the process.

The initial investment of US\$20.1m was undertaken at a share price of \$0.18 per share, which is significantly higher than the current share price of QPM (\$0.12 at the time of publishing this Quarterly Report). General

Motors' ownership level in QPM is just under 10%.

QPM is focussed on becoming a significant part of General Motors' battery metal supply chain. The sustainability credentials of the TECH Project and the values of QPM align well with that of General Motors'. QPM is excited to form this partnership and believes that the relationship between the two companies will be mutually beneficial. The US Inflation Reduction Act, which requires supply of raw materials from countries with a Free Trade Agreement with the United States in order to qualify for tax credits, adds further support for the supply of nickel and cobalt from QPM.



(L-R) **Tom Cooney** – Vice President of Global Public Policy, General Motors; **Tony Davis** – Australia's Trade and Investment Senior Executive Leader of North and Latin America; **Chris Elstoft** – Consul General, Australian Consulate; **Jeff Morrison** – Vice President of Global Purchasing and Supply Chain, General Motors; **Dr. Stephen Grocott** – Managing Director and CEO, QPM; **Josh Riley** – Consul General & Senior Trade and Investment Commissioner; **Jennifer Loffredo** – US international trade specialist.

Political Engagement

QPM's TECH Project meets many of the objectives of both Federal and State governments:

- Advanced manufacturing;
- Supply of battery metals for the electric vehicle supply chain;
- Regional Australia development;
- Job creation and economic growth; and
- World class sustainability.

There is significant government funding available in the form of debt, grants and other mechanisms which QPM is targeting.

The Transaction undertaken with General Motors has greatly assisted QPM in building its profile with and support from key Federal and State government ministers and regulatory bodies. QPM believes that there are no battery metals companies in Australia that can boast strategic shareholders / offtakers of the likes of General Motors, LG Energy Solution and POSCO. QPM will remain focussed on building its relationships

with these key political stakeholders as it progresses towards a Final Investment Decision for the TECH Project.

Feasibility Study

During the quarter, QPM released the results of an Advanced Feasibility Study for 1.6mtpa Stage 1 TECH Project. In conjunction with this, the results of a Scoping Study, which considered a Stage 2 expansion of equivalent size was also released.

Key highlights of the studies included:

- Strong financial metrics:

	Base Case		Spot Case	
	Stage 1	Combined Stage 1 and 2	Stage 1	Combined Stage 1 and 2
Steady State annual EBITDA	\$546m	\$1,042m	\$577m	\$1,098m
Pre-tax NPV₈	\$2,665m	\$4,919m	\$2,944m	\$5,393
Pre-tax IRR	18.4%	19.7%	19.3%	20.7%

- Nameplate production of:

Metal	Stage 1	Combined Stage 1 and 2
Nickel sulfate expressed as Ni metal	16 kt	32.8 kt
Cobalt sulfate expressed as Co metal	1.75 kt	3.58 kt
Hematite	610 kt	1,245 kt
4N HPA	4 kt	4 kt

- Lowest quartile operating cost (after co-product credits) on nickel cost curve;
- Stage 1 development capex estimate of A\$1.9b + contingency allowance compares well with the 2020 Pre-Feasibility Study estimate of A\$650m, considering a 2.7x plant scale increase and global equipment cost inflation over the past two years; and
- Capital estimate prepared by recognised engineering firm Hatch with support from other key vendors and consultants.

The completion of the Advanced Feasibility Study facilitates the commencement of due diligence by RPM Global, who is acting as Independent Technical Expert for potential debt financiers. As this due diligence work commences, QPM will carry out further project development / feasibility activities in parallel, which includes:

- Further engineering with KBR on packages which include iron hydrolysis and nitric acid recycle to improve accuracy of capital estimate;
- Value engineering and procurement work, targeting capital reductions and schedule reductions; and
- Additional testwork to support equipment choice and provide additional comfort to financiers and to prepare for operations planning.

Project Approvals and Lansdown Progress

QPM has now received all major approvals required to construct the TECH Project including:

- Queensland approvals: Environmental Authority granted under the *Environmental Protection Act 1994* and Development Permit granted under the *Planning Act 2016*; and
- Written approval from Department of Climate Change, Energy, the Environment and Water to construct and operate the TECH Project in accordance with Part 9 of the *Environment Protection and Biodiversity Conservation Act 1999*.

This is a significant milestone for QPM and the TECH Project and represents a significant de-risking of the project.

Towards the end of the quarter, Townsville City Council (“TCC”) commenced construction of an access road which connects the existing Jones Rd to the northern boundary of QPM’s Lansdown site (see figure below). Construction of the access road is targeted to be completed by the end of Q1 2023.

Completion of this access road will facilitate QPM’s ability to commence preliminary site establishment works, of which planning is underway.



Figure: Map of QPM site



Figure: QPM site at Lansdown



Figure: View looking north towards Jones Rd from QPM northern boundary – access road construction

QPM Energy and the Carbon Abatement Hub

Over the past 18 months, QPM has been developing its strategy to secure its gas supply chain for the TECH Project. QPM is targeting waste gas from Bowen Basin metallurgical coal mines which would otherwise be flared or vented into the atmosphere, resulting in carbon emissions. This waste gas will then be transported via the North Queensland Gas Pipeline, which connects the Bowen Basin to Townsville and runs adjacent to the TECH Project in Lansdown.

This work has culminated into QPM formally launching QPM Energy and the Carbon Abatement Hub, which will be Australia's first multi-user, waste gas collection and processing facility. It will be located approximately 40km north of Moranbah.

Northern Bowen Basin ("**NBB**") coals typically contain very high volumes of gas which is emitted during the coal extraction process through:

- Direct methane release into the atmosphere from open pit coal mines; and
- Flaring and venting of gas pre-drained from underground coal mines ahead of coal extraction.

Once operational, the Carbon Abatement Hub will create centralised infrastructure that will allow the capture and beneficial use of this large gas resource, abating significant quantities of greenhouse gas emissions.

QPM recognises that the NBB could be a major east coast supplier of gas, however significant baseload demand is required to underpin infrastructure development. The TECH Project's Stage 1 gas demand is estimated at 13PJ per annum. QPM believes that this baseload demand could be key to unlocking the NBB's potential as a significant gas source.

QPM has incorporated QPM Energy, a wholly own subsidiary, but independently managed Group Company, that is tasked with developing and securing the gas supply chain for the TECH Project and other customers.

QPM Energy has been actively working with regional mine operators to understand gas reserves and resources and to establish waste gas collection projects including:

- Short term opportunities relating to the collection of gas already being produced and flared; and
- Medium to longer term opportunities relating to pre-drainage programs in line with future mine development.

This is a "win-win" situation where the greenhouse gas emissions associated with metallurgical coal mining are significantly reduced and where QPM Energy secures gas supply.

Based on work undertaken, QPM Energy is confident that there are sufficient gas resources available to meet the needs of the TECH Project with capacity to supply other gas users. In particular, there is significant concerns regarding power generation in the North Queensland region. New gas supply would provide an opportunity to provide peaking power supply and to firm-up growing renewable energy supply.

Establishment of the CAH Project will secure QPM's gas supply chain and allow it to meet its objective of producing negative carbon nickel and cobalt. Furthermore it will facilitate a significant reduction in GHG emissions, assisting the Queensland Government's emissions reduction targets as outlined in its Energy and Jobs Policy.

The Carbon Abatement Hub will be located in the Denham Park area of the NBB adjacent to existing and approved underground and open-cut mines. The region is characterised by very high quality metallurgical coking coal essential to steel-making in the Asian region.

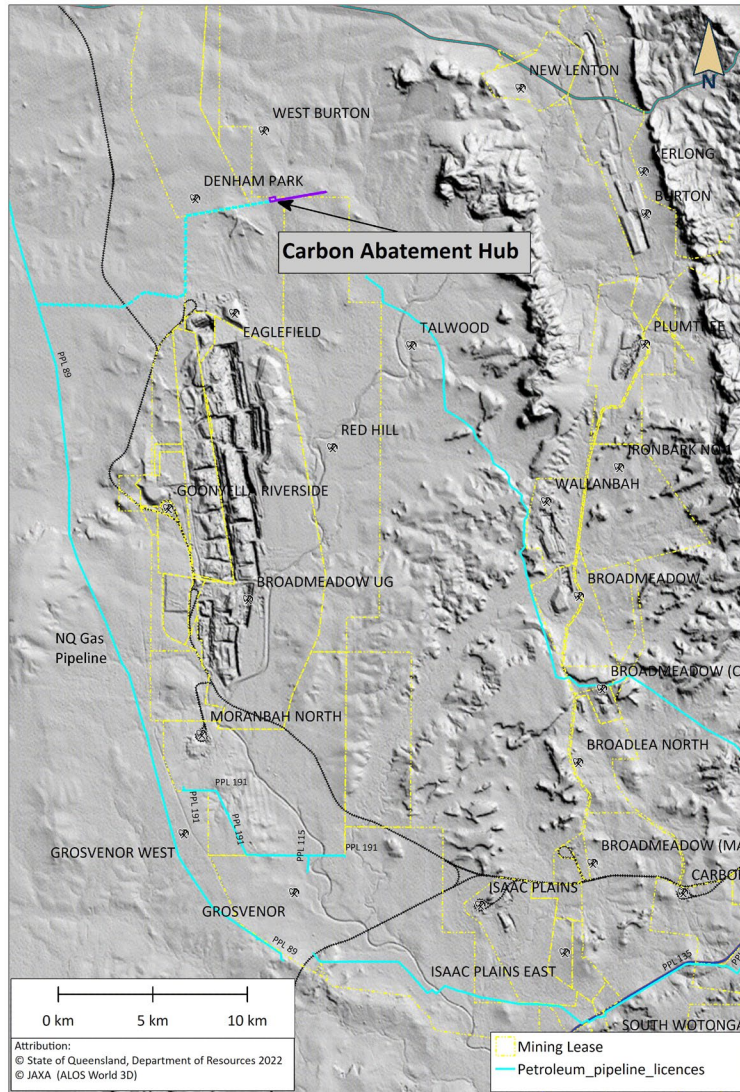


Figure: Carbon Abatement Hub Location

Geological formation of these deposits resulted in high methane gas content. Pre-mine drainage, capture and beneficial use by industry and to generate energy reduces fugitive emissions of methane, significantly lowering the greenhouse gas intensity of coal mining in the region.

Sustainability Update

As part of the Advanced Feasibility Study, QPM engaged industry leading consultants Minviro to re-estimate carbon emissions of the TECH Project as part of a Life Cycle Assessment. Minviro now estimates that Stage 1 of the TECH Project will have NET-NEGATIVE emissions of 989,213 tonnes of CO₂ per annum.

There are few resource projects around the world that can boast zero carbon credentials, let alone negative emissions. The operation of the TECH Project will significantly reduce GHG emissions, whilst simultaneously producing critical battery metals that enable electrification of the automobile industry.

QPM also continued to work on obtaining End of Waste code approval for its residue. QPM is currently 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. The approval of an EOW Code allows for a waste stream to be characterised as a “resource” because it has demonstrated an

acceptable environmental risk, market demand and appropriate physico-chemical properties. QPM, in collaboration with James Cook University (“JCU”) and EMM Consulting have identified an end use of the residue is for engineered fill. Engagement with a number of industrial proponents in the Townsville region have demonstrated there is sufficient demand for this product. Following completion of test work by JCU, an application for an EOW Code will be lodged with the Department of Environment and Science.

High Purity Alumina Update

During the quarter, work continued on the construction of the HPA demonstration plant by Lava Blue, located at its Centre for Predictive Research into Speciality Materials. Unfortunately there has been some delays in finalisation of this plant and commissioning and operation is now targeted for late Q1 and into Q2 of the 2023 calendar year.



Figure: Lava Blue Centre for Predictive Research into Speciality Materials (location of demonstration plant)



Figure: Control and safety systems being installed and commissioned

Cash and Corporate

QPM received \$10.2m cash under the R&D Tax incentive.

Cash at the end of the quarter was \$45.1m.

Additional ASX Information

ASX Listing Rule 5.3.1: Exploration and Evaluation during the quarter was \$10.8m. 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 2022 are detailed in the table below. During the quarter, QPM relinquished EPM27035 Serpentine Ridge,

TENEMENT ID	STATUS	APPLIC DATE	GRANTED DATE	EXPIRY DATE	HOLDING	NAME	REGISTERED CO.
EPM27035	Relinquished	28 Aug 2018	12 Feb 2021	12-Feb-23	100%	Serpentine Ridge	QPM Tech Project Pty Ltd
EL 1761	Renewal application submitted and pending approval	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	\$212,950	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 2022

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	-	-
1.2 Payments for		
(a) exploration & evaluation	(10,735)	(23,607)
(b) development	-	-
(c) production	-	-
(d) staff costs	(1,458)	(3,165)
(e) administration and corporate costs	(1,066)	(2,553)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	126	147
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	10,187	10,187
1.8 Other (provide details if material)	629	1,783
1.9 Net cash from / (used in) operating activities	(2,317)	(17,208)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(15)	(28)
(d) exploration & evaluation	(7)	(49)
(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	(22)	(77)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	32,085	32,085
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	243
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(583)	(585)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(36)	(72)
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	31,466	31,671

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,734	31,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,317)	(17,209)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(77)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	31,466	31,672

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	(744)	(652)
4.6	Cash and cash equivalents at end of period	45,117	45,117

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	45,117	16,734
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)	45,117	16,734

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	213
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	\$212,950

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	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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,317)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(7)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(2,324)
8.4	Cash and cash equivalents at quarter end (item 4.6)	45,117
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	45,117
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	19.4
	<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	
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	
	<i>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.</i>	

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: 31 January 2023

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.