

QPM Energy and Incitec Pivot Execute Funding and Gas Sales Agreements

Highlights

Queensland Pacific Metals Ltd (“QPM”) and Incitec Pivot Ltd (“IPL”) have finalised commercial agreements (“Agreements”) to support the completion of the Moranbah Project acquisition (“Transaction”) and to fast track gas production growth.

- ✓ Dyno Nobel, a wholly owned subsidiary of IPL, will provide an initial development funding facility of up to \$80m, with an ability to increase this to \$120m, if required. This facility will be used to accelerate development of the Moranbah Project by funding the capital costs of new infill production wells.
- ✓ QPM Energy (“QPME”) and Dyno Nobel have entered into a new Gas Supply Agreement (“GSA”), commencing in April 2026 upon the expiry of the existing GSA.
- ✓ IPL to provide Corporate Guarantees to cover fixed charge obligations under key Moranbah Project agreements.
- ✓ Completion of the Agreements is subject to a number of customary conditions for a transaction of this nature.

As foreshadowed in its announcement of 5 April 2023, Queensland Pacific Metals Limited (**ASX:QPM**) has now finalised negotiations with IPL regarding a package of financing support in connection with the Moranbah Project and entry into a new long term gas supply agreement, details of which are set out below.

Background

IPL’s wholly owned subsidiary Dyno Nobel, owns the Dyno Nobel Ammonium Nitrate plant located in Moranbah. Dyno Nobel currently purchases 7PJ gas per annum from the Project, under an existing gas supply agreement (GSA) expiring in March 2026. This GSA will be novated to QPME on completion of the Transaction.

Long term gas supply from the Project is a critical element of both QPM’s TECH Project and Dyno Nobel’s Moranbah operations. The two parties have now formalised strategic arrangements that secure this economical and long term gas supply following the execution of several commercial agreements:

- A Development Funding Facility under which Dyno Nobel will provide funding to QPME for the drilling of new infill wells to underpin and expand gas production from the Project;
- A new GSA between QPME and Dyno Nobel; and
- A Corporate Guarantee under which IPL will issue guarantees to enable consent for the novation of key commercial contracts for the Moranbah Project to QPME;

Development Funding Facility (“DFF”)

Current gas production at the Moranbah Project is approximately 10PJ per annum. Following completion of the Transaction, QPM is targeting an increase in gas production to 12-13PJ per annum within six months. This would allow higher quantities of gas to be sent to Townsville Power Station (“TPS”), resulting in increased revenue from electricity generation.

In order to fund the capital costs associated with increasing gas production, Dyno Nobel will provide a facility with an initial aggregate limit of \$80m with an ability to increase this to \$120m, if required. This facility will be repaid by the delivery of gas over the term of the new GSA (summarised below).

Summary of key terms of the DFF	
QPM counterparty	QPM Energy (MGP Upstream) Pty Ltd, a subsidiary of QPME (QPMEUS)
Commencement Date	Funds available to draw down from completion of the Transaction
Facility Limit	\$80 million (ability to resize to \$120 million at discretion of lender)
Interest and Fees	Interest at a margin (6%) above BBSY; customary establishment fee (\$280k), repayable as part of gas delivery
Term	From completion of the Transaction until the earlier of: (a) March 2033; and (b) termination of the new GSA (summarised below)
Termination	Customary events of default (e.g. non-payment, change of control, misrepresentations, insolvency etc.) with cure periods
Repayment	In full by end of term; repayment obligations aligned with the new GSA

The DFF will fund the drilling of 16 new wells over a 2 year period. QPME intends to commence development works as soon as possible following completion of the Transaction.

Gas Sales Agreement (“GSA”)

QPME and Dyno Nobel will enter into a new GSA for the sale of 7.1 PJ gas per annum. Key terms are detailed below:

Summary of key terms of the new GSA	
QOM counterparty	QPMEUS
Commencement Date	April 2026
Annual Contract Quantity	7.1 PJ gas per annum
Term	7 years (to April 2033) Option for Dyno Nobel to extend term by 4 years (to April 2037)
Termination	Customary events of default (e.g. non-payment, change of control, misrepresentations, insolvency etc.) with cure periods
Pricing	Commercial in Confidence Same basis as gas to be sold to the TECH Project Pricing linked to underlying cost of producing and delivering gas, including (stay in business) capital costs and operating costs.

Corporate Guarantees

IPL will provide Corporate Guarantees to cover fixed charge obligations of the Moranbah Project relating to:

- Gas Transportation Agreement (“**GTA**”) for the North Queensland Gas Pipeline (“**NQGP**”); and
- Power Purchase Agreement (“**PPA**”) with Ratch Australia in relation to the TPS.

The GTA provides QPME with firm haulage rights via the NQGP (of up to 60TJ / day), to transport gas from Moranbah to Townsville. The NQGP also offers storage capacity, which will allow QPME to carry out its strategy of operating TPS as a peaking power station.

The PPA provides QPME with the sole and exclusive right to 100% of the capacity and electrical energy produced at TPS. Furthermore, QPME has complete control and revenue rights regarding sales of electricity produced at TPS and sold into the National Electricity Market (“**NEM**”).

Both the GTA and PPA expire in February 2025. QPME will have fixed cost obligations under the two agreements from Transaction completion through to February 2025. IPL has agreed to provide corporate guarantees to NQGP Pty Ltd and Ratch Australia over these fixed costs, thereby assisting those parties' consent to the novation of the GTA and PPA on completion of the Transaction.

QPME's obligations to IPL and Dyno Nobel under the DFF, GSA and Corporate Guarantees described above are secured under a security trust whereby a trustee holds security over the assets of QPME and various of its subsidiaries. The security package also includes contractual step in rights in respect of the existing and new gas supply agreements. The security arrangements and step in rights are subject to customary cure periods. The security package has been designed to ring-fence the Project assets (to be held and operated by QPME and various subsidiaries) from the TECH Project.

Transaction Update

QPME's Chief Executive Officer David Wrench commented,

“These agreements with IPL will go a significant way to reaching completion of the Transaction by mid year. Furthermore, the financial support provided by IPL highlights their endorsement of QPM Energy as operator of the Moranbah Project and greatly assists in the acceleration of production growth.”

Further information regarding the Project, including key Transaction terms, strategic rationale for the Transaction, Project overview, field development and revenue opportunities, is set out in the announcements to ASX, regarding the acquisition of the Moranbah Project, dated 5 April 2023.

This announcement has been authorised for release by the Board.



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