

ASX RELEASE
28 April 2021

March 2021 Quarterly Report

Highlights

- **Successful pilot plant campaign confirms DNi Process™ flowsheet, generates MHP samples for off-takers and leads towards commencement of DFS for the TECH Project**
- **Completion of capital raising ensuring QPM is fully funded to complete the DFS**
- **Appointed of Hatch as Lead Engineer for the DFS, with a formal instruction to design the TECH Project at a scale of 1.5m wmt ore per annum**
- **Confirmation of the TECH Project’s sustainability credentials with estimated CO₂ emissions calculated significantly below the global industry average**

Queensland Pacific Metals Ltd (ASX:QPM) (“**QPM**” or “the **Company**”) is pleased to publish a summary of its activities for the March 2021 quarter.

Pilot Plant Campaign / Other Testwork

Building on the pilot plant operation in the December 2020 quarter, QPM successfully completed its piloting of the DNi Process™, which was undertaken by ALS Global at its Centre of Hydrometallurgy Excellence.

During the quarter, QPM operated the pilot plant for 15 continuous days, processing representative ore from QPM’s ore supply partners Societe des Mines de la Tontouta (“**SMT**”) and Societe Miniere Georges Montagnat S.A.R.L (“**SMGM**”).

Highlights of the pilot plant campaign include:

- No fatal flaws identified in the process providing QPM with the confidence to commence a Definitive Feasibility Study (“**DFS**”) for the TECH Project;
- 14.2 dry tonnes of ore processed;
- Production of nickel-cobalt mixed hydroxide precipitate (“**MHP**”), which assayed in line with leading MHP products currently sold in the market;
- Production of co-products hematite and aluminium hydroxide;
- Leach extraction of primary metals exceeding expectations;

Metal	Leach extraction
Nickel	98.7%
Cobalt	96.0%
Iron	95.3%

- Production of inert leach residue, which has been sent for characterisation and assessment



for potential use in commercial applications; and

- Successful recovery of nitric acid from iron hydrolysis circuit.

The technical work program for the next quarter includes:

- MHP refining to nickel and cobalt sulfate testwork (in April, battery specification nickel sulfate was produced at a bench scale from MHP produced by the pilot plant);
- Aluminium hydroxide refining to high purity alumina (“HPA”) testwork;
- Leach residue characterisation and identification/assessment of commercial opportunities;
- Thermal decomposition equipment testing with respect to nitric acid recovery from magnesium nitrate; and
- Evaluation of process flowsheet improvements including:
 - Precipitation of aluminium, nickel and cobalt;
 - MHP purification;
 - HPA flowsheet; and
 - Agglomeration of iron precipitate product;
- Review of Renewable energy options in particular Solar Thermal for process steam, hydrogen solar power and cogeneration

Definitive Feasibility Study

During the quarter, the DFS commenced with Hatch being appointed as Lead Engineer. To complement Hatch, QPM has made key hires as part of its Owner’s team including a Project Director (Barry Sanders) and Engineering Manager.

As part of early DFS activities, the process design base case definition is now complete. **As part of the base case, QPM has formally instructed Hatch to design the TECH Project at a capacity of 1.5m wet metric tonnes (wmt) of ore per annum.** This represents the upper end of guidance previously communicated to the ASX on 22 February 2021.

With the base case defined, QPM has also commenced engagement with key equipment suppliers for identification of suitable plant and equipment and vendor testwork. This is a key strategy with regards to QPM’s approach for the DFS. The early engagement with vendors will allow for a faster schedule, a more rigorous capital estimate and the testwork will help reduce scale up risk, ensuring that selected plant and equipment is fit for purpose.

For supporting Townsville infrastructure, QPM continued engagement with key groups. QPM has engaged with Townsville City Council (“TCC”) to define QPM’s needs under the 1.5m wmt base case, which will allow TCC to update its master plan for the precinct. QPM is also engaging with Port of Townsville, in accordance with its Memorandum of Understanding (“MOU”), to outline QPM’s import and export needs, as well as stockpiling requirements in the port precinct.

QPM also continues to have discussions with multiple parties with regards to the potential supply of gas to the TECH Project. Gas is the largest operating cost for the TECH Project. QPM has also been undertaking optimisation work to reduce gas consumption.



Environmental Approvals

Environmental approvals are being undertaken for a plant capacity of 1.5m wmt per annum, in line with QPM's DFS.

During the quarter, the fieldwork activities were undertaken by EMM Consulting in relation to QPM's environmental approvals, which is being undertaken under a Development Approval process. This work included:

- Ecology;
- Acoustics;
- Air quality;
- Groundwater; and
- Traffic studies.

The results from the fieldwork have allowed QPM to commence preparation of the relevant submissions it requires as part of the approvals process. A pre-lodgement meeting was also held with Department of Agriculture, Water and the Environment ("DAWE") in April. DAWE is the Federal regulatory body who assesses Development Applications at the Commonwealth level.

Greenhouse Gas Emissions ("GHG") Report

QPM commissioned Minviro, an international company specialising in life cycle assessment of mining and mineral processing projects, to prepare an interim report on the GHG emissions for the TECH Project. Minviro's approach to calculation of GHG emissions is a 'cradle to gate' approach which encompassed:

- Mining of ore in New Caledonia through to processing of ore to final products;
- Transportation of final products (nominally to north Asia); and
- Inputs relating to reagents required for the TECH Project.

The inputs for Minviro's emissions calculation were based on QPM's Pre-Feasibility Study for the TECH Project, scaled up in for the 1.5m wmt capacity.

Minviro calculated the TECH Project's CO₂ emission level to be 3.4kg CO₂ per kg nickel sulfate. The TECH Project is 36% lower than the industry average calculated by the Nickel Institute which stands at 5.4kg CO₂ per kg nickel sulfate¹.

It is important to note that the Nickel Institute calculations do not consider any production from China. If China production was included, the industry average would likely be higher.

In QPM's ongoing discussions with potential offtakers, GHG emissions associated with nickel production forms part of the consideration of offtakers. QPM's low GHG intensity will position it well with offtakers whose ultimate EV market is the western world.

1 – Sourced from Life Cycle Data June 2020 <https://nickelinstitute.org/media/4901/lifecycledata-summary-update2020.pdf>



Ore Supply

MOU with SLN

QPM executed a MOU with Societe Le Nickel – SLN (“SLN”), a subsidiary of Eramet group, regarding ore supply. SLN is the world’s number one producer of ferronickel and has multiple mine sites in New Caledonia with operations dating back to 1880. SLN’s mining techniques have been devised to protect the environment, which aligns with the sustainability principals of QPM, the TECH Project and the Townsville City Council’s Lansdown Eco-industrial Precinct. SLN’s parent company Eramet is listed on the Euronext Paris exchange.

Currently, the majority of global nickel ore trade is for saprolite ore, which sits in the lower section of a nickel laterite ore body. Saprolite ore is relatively low in iron and high in magnesium, making it suitable for ferronickel plants that produce nickel pig iron for the stainless steel industry but unsuitable for high pressure acid leach.

QPM is targeting high grade limonite and transition zone ore, which sits above the saprolite zone and must be mined to access to saprolite. As there is a limited market for limonite ore, it is often stockpiled or returned to the ground as waste, both of which are costly exercises.

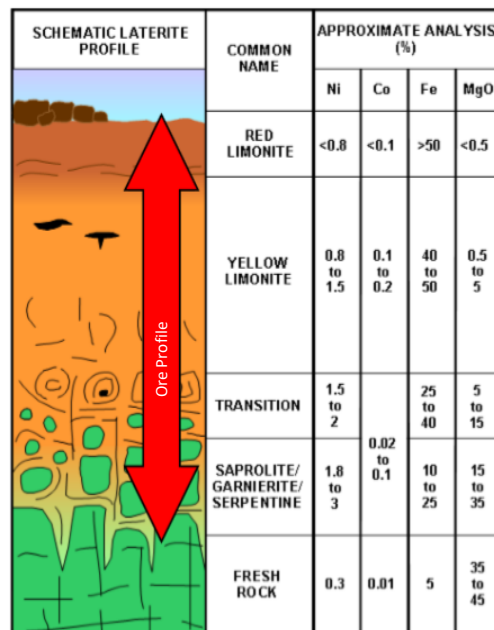


Figure: Typical nickel laterite ore profile

SLN is interested in selling limonite and transition zone ore to QPM. The key terms of the MOU are:

- SLN will seek to obtain the necessary regulatory approvals it requires to make the sales;
- QPM and SLN agree to negotiate in good faith a binding ore supply agreement for approximately 800,000 wet metric tonnes of ore from New Caledonia per annum;
- Supply to start in 2023; and
- QPM and SLN will work together to evaluate a nickel ore specification that is beneficial to both parties, but indicatively will be in the range of 1.45 – 1.7% Ni and 0.15 – 0.25% Co.



Sewa Bay Project

After delays due to COVID-19, formal transfer of Exploration License EL 1761 (“**Sewa Bay**”) from Highlands Pacific Resources (“**Highlands**”) Ltd to QPM was finalised by the PNG mines department.

In 2015, a US\$460,000 exploration program was completed by Highlands and its previous project partner, Sojitz Group. QPM engaged ResEval, a geology consultant, to undertake a review of historical data and outline a plan and drilling program to delineate a JORC resource for the project.

Sewa Bay represents a future ore supply opportunity for the TECH Project. Given the current global environment restricting travel, QPM does not have any near term plans for significant exploration activities at the project.

Corporate

During the quarter, QPM completed a \$15m (before fees) Placement to institutional and sophisticated investors. A further \$5m was raised under a Share Purchase Plan (“**SPP**”) subsequent the quarter end.

The Placement was well supported with QPM receiving bookbuild bids well in excess of the targeted \$15m. Both existing and new institutional investors participated in the Placement.

The net proceeds from the Placement and SPP ensure that QPM is fully funded to complete its DFS and regulatory approvals for the TECH Project.

In February, QPM also implemented and drew down a R&D Loan Facility of \$1m with Metamor Capital Partners. QPM has undertaken an initial assessment (unaudited) of R&D Tax Incentive eligible expenditure through to the end of the March quarter. Based on expenditure incurred to date, QPM’s forecast tax return currently exceeds the Metamor loan. Further budgeted expenditure in the June quarter will likely result in QPM receiving a net positive tax refund, after extinguishing the loan facility.

Additional ASX Information

ASX Listing Rule 5.3.1

Exploration and Evaluation during the quarter was \$2.8m. 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 March 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	\$133,331	Periodical Director Fees in accordance with Director Agreement

This announcement has been authorised for release by the Board.

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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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(2,767)	(4,689)
(b) development	-	-
(c) production	-	-
(d) staff costs	(60)	(174)
(e) administration and corporate costs	(571)	(1,412)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(10)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	266	798
1.8 Other (provide details if material)	-	683
1.9 Net cash from / (used in) operating activities	(3,142)	(4,802)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(29)	(32)
(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 (9 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	(29)	(32)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	15,000	19,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	315	315
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(883)	(1,154)
3.5	Proceeds from borrowings	1,000	1,220
3.6	Repayment of borrowings	-	(637)
3.7	Transaction costs related to loans and borrowings	(25)	(48)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	15,407	19,096

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,583	1,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,142)	(4,802)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29)	(32)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,407	19,096

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	15,819	15,819

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	15,819	3,583
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)	15,819	3,583

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	(133)
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	\$133,331

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	1,000	1,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	1,000	1,000
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.	<p>Queensland Pacific Metals entered into a facility variation agreement with Metamor Capital Partners, for an advance of \$1,000,000. The interest rate is set at 13.5%. Queensland Pacific Metals is guarantor under the facility agreement and the loan is secured against the assets of Queensland Pacific Metals.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,142)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(29)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,171)
8.4 Cash and cash equivalents at quarter end (item 4.6)	15,819
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	15,819
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	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: 28 April 2021

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.