

ASX RELEASE  
29 July 2021

## June 2021 Quarterly Report

### Highlights

- **US\$15m share placement to LG Energy Solutions and POSCO GEM 1<sup>st</sup> FUND undertaken at a 16.8% premium to the 1 month VWAP at the time of the transaction**
- **Binding 7 year offtake agreement for 10,000tpa contained nickel and 1,000tpa contained cobalt with LG Energy Solutions and POSCO**
- **Progress made on Definitive Feasibility Study – remains on schedule for completion February 2022**
- **Project approvals advancing well at all levels of Government**
- **Cultural Heritage Management Agreement executed with the Bindal People**
- **QPM Corporate and Owner’s team established with hiring of personnel almost complete**
- **Pro-Forma cash balance 30 June 2021 of \$37.7m (including funds to be received under the LGES/POSCO transaction)**
- **Ongoing engagement with debt and equity financiers**

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

### Investment and Offtake

In June, QPM finalised and executed commercial transactions regarding investment and offtake. The transactions were subsequently approved by QPM shareholders in July.

After an extensive period of due diligence and negotiation, QPM entered into an equity investment agreement with LG Energy Solution (“**LGES**”) and POSCO GEM 1<sup>st</sup> FUND:

- US\$10.5m investment by LGES
- US\$4.5m investment by POSCO GEM 1<sup>st</sup> FUND
- Shares issued at a \$0.1364 per share, representing a premium of 16.8% to the 1 month VWAP at the time of announcing the transaction (8 June 2021)
- LGES and POSCO GEM 1<sup>st</sup> FUND have respective ownership interests in QPM of 7.5% and 3.2%

In addition, QPM entered into offtake agreements for nickel and cobalt with LGES and POSCO (separate entity to the investment entity):

	LGES	POSCO
Quantity	7,000t contained nickel per annum 700t contained cobalt per annum	3,000t contained nickel per annum 300t contained cobalt per annum
Term	7 years with first right of refusal on the quantity for 3 years after the term	7 years with first right of refusal on the quantity for 3 years after the term
MHP Pricing	Linked to the nickel and cobalt price at the time of the sale and market payable levels for nickel and cobalt	Linked to the nickel and cobalt price at the time of the sale and market payable levels for nickel and cobalt
Nickel Sulfate Pricing	Linked to the nickel price at the time of the sale	Linked to the nickel price at the time of the sale
Cobalt Sulfate Pricing	Linked to the cobalt price at the time of the sale	Linked to the cobalt price at the time of the sale

Initially, nickel and cobalt will be delivered as part of a mixed hydroxide precipitate (“MHP”) concentrate. Once QPM achieves certification of its commercial nickel and cobalt sulfate production, it will then deliver only nickel and cobalt sulfate. The certification process is expected to take 9-12 months.

Extensive technical, financial and legal due diligence was undertaken by LGES, POSCO and its consultants. This included the engagement of RPM Global who undertook due diligence on the TECH Project including the DN<sub>i</sub> Process™ flowsheet, pilot plant activities, ore supply, approvals and Townsville infrastructure.

LG Chem, the parent company of LGES, is the world’s largest battery manufacturer and recently announced its plans to spend 6 trillion won through 2025 to accelerate sustainable growth in its battery materials operations. The investment in QPM is the most significant investment to date for LGES in its supply chain.

LGES Global SCM Center Leader Dongsoo Kim commented,

*“This is the most meaningful investment in our supply chain for LG Energy Solution since the company spun out from LG Chem. We believe the TECH Project will deliver sustainable nickel and cobalt production that is in line with LGES’ operating philosophy. And our proactive investments in the supply chain such as this will ultimately play a role in further satisfying our customers.”*

## Definitive Feasibility Study

QPM and lead engineer Hatch made good progress on the Definitive Feasibility Study (“DFS”) throughout the quarter and remain on track for completion February 2022.

The overall DFS strategy is to use proven processes and equipment for each area of the plant, working with known equipment vendors. This will assist in de-risking project ramp-up and plant operational availability. It will also help to reduce perceived commercial scale up risk by potential financiers.

Traditionally, a DFS is undertaken with detailed engineering commencing after completion of the DFS. With the funding from LGES and POSCO GEM 1<sup>st</sup> FUND, QPM will be able to bring forward detailed engineering of critical components. During the quarter, QPM and Hatch identified key



engineering packages and commenced engagement with target vendors. QPM is seeking to engage these vendors to carry out detailed engineering now, which maximises the opportunity for them to provide lump sum pricing proposals. This provides greater certainty over capex and also allows QPM to better understand lead times to develop a critical path timeline.

Key packages identified include process control system hardware, leaching vessels, sulfate crystallisers, acid recovery and solid-liquid separation equipment.

QPM has also completed an Australian Industry Participation plan to maximise the involvement of Australian suppliers and contractors. This document will also assist as part of any Australian government financing opportunities such as NAIF and EFA.

## Testwork

As part of the DFS and planning for operation, QPM continues to undertake testwork across several areas.

### Sulfate Production

Utilising MHP produced from its pilot plant, QPM undertook bench scale testwork to refine the MHP into nickel sulfate using a conventional flowsheet. The nickel sulfate specification was in line with industry requirements known to QPM from its discussions with various offtakers and general industry knowledge. More importantly, the specification meets the requirements of QPM's offtake agreements with LGES and POSCO.



*Figure: Nickel sulfate produced from New Caledonia representative laterite ore*

### HPA Testwork

QPM has engaged The Simulus Group ("**Simulus**") to undertake testwork on producing High Purity Alumina ("**HPA**") from aluminium hydroxide produced from QPM's pilot plant operations. Testwork commenced late in the quarter and QPM expects to report results in the September quarter.



### Thermal Decomposition

Thermal decomposition is the last section of the DNi Process™ flowsheet. Once the iron, aluminium hydroxide and MHP have been produced, magnesium nitrate is leftover. The magnesium nitrate solution is then heated up, creating nitrogen oxide gases which are then converted to nitric acid for recycling to the ore leaching step. This leaves magnesia (MgO) as the remaining saleable product.

The Pre-Feasibility Study (“PFS”) contemplated the use of multiple Thermoflite units to undertake this process. However, these are only available in relatively small units. QPM’s testwork involves assessing the use of more conventional and larger scale fluid bed roasters, spray roasters or kilns to heat the magnesium nitrate. Commercial scale equipment of this kind is already widely used worldwide in the production of magnesia from magnesium chloride. The ability for QPM to deploy this equipment at the TECH Project will improve capital efficiency.

### Iron Precipitate

After successful production of the iron (hematite) precipitate in the pilot plant operation, work commenced on the agglomeration of the hematite fines into a saleable, high grade iron ore feed. Hematite produced from the pilot plant was sent to Drytech International Holdings (“Drytech”) in South Africa.

Drytech tested various binders and from trials undertaken to date, benitoite appears to be the best binder based on green strength comparisons.

The next stage is to create more agglomerated material. The agglomeration unit will be modified to generate consistent sized pellets ready for feeding to the kiln for baking (a process known as induration).

The work is expected to be completed in the next quarter with a final report to include green and dried strength, benitoite addition, heat balance and a proposed flowsheet.



*Figure: Agglomerated hematite from QPM’s pilot plant*



## Leach Residue

QPM engaged James Cook University (“JCU”) in Townsville to undertake testwork on the leach residue produced from the DNi Process™. Phase 1 of the testwork was for JCU to undertake characterisation analysis of the residue to assess geotechnical properties. This work is underway.

Phase 2 of the testwork will commence in the next quarter. It will involve assessing a selection of binding agents and quantities, to allow the residue to be used as a cement additive or engineered landfill.

Success in this area for QPM offers a number of benefits for the TECH Project. Firstly, QPM’s already leading sustainability credentials will be further enhanced by confirmation of the TECH Project having zero solids waste generation with complete utilisation of all laterite ore imported (this compares with high pressure acid leach which generates 1.2 – 1.4 t active tailings per tonne of ore). Secondly, the PFS contemplated storing of residue (0.2t per tonne ore) at the Lansdown site by way of a dry stack. If the residue was instead used in commercial application, there will be additional land to facilitate greater expansion opportunities in the future.

## Environmental Approvals

QPM’s TECH Project approvals are progressing well at all levels of Government.

### Commonwealth – Department of Agriculture, Water and the Environment (“DAWE”)

QPM has had two pre-lodgement meetings with DAWE which have been very positive. As previously expected by QPM, DAWE has advised that QPM probably will not be required to undertake an Environmental Impact Statement (“EIS”) for the TECH Project.

To complete its application, QPM is undertaking some minor seasonal fieldwork. Positive results are expected from these activities. Formal lodgement of Commonwealth approval documents is planned for August, with a decision expected in the December 2021 quarter.

### State – State Assessment and Referral Agency (“SARA”)

Pre-lodgement meetings with SARA have taken place and discussions with the Department of Environment and Science have commenced. Assuming no material issues are raised, QPM plans to lodge its formal approvals in August. To date, the Queensland State Government has been very supportive of QPM and the TECH Project.

### Local – Townsville City Council (“TCC”)

QPM must lodge a Development Application with the TCC. QPM is working closely with the TCC to ensure that any specific requirements are addressed in the approval documents to be lodged with SARA.

## Cultural Heritage

The Bindal People are the Traditional Owners and Custodians of the Lansdown site, where the TECH



Project will be constructed. QPM has entered into a Cultural Heritage Management Agreement (“CHMA”) with the Bindal People to ensure that Aboriginal Cultural Heritage is identified and managed as part of the TECH Project. As part of the CHMA, QPM has also committed to entering into a Heads of Agreement regarding indigenous employment policy, training, apprenticeships and other opportunities.

## Corporate

QPM has established a strong project Owner’s team lead by highly experienced and industry recognised Project Director, Barry Sanders. Key members of the Owner’s team includes:

- Engineering manager;
- 3 process engineers, 2 metallurgists; and
- Specialist consultants.

The Owner’s team is working closely with Hatch to deliver the DFS.

A finance and admin team has also been established with deep project finance and equity capital market experience.

## Funding

As at 30 June 2021, QPM has \$17.7m cash at bank. Approximately \$20.0m will be received from the settlement of the LGES/POSCO investment. At the time of this quarterly report, funds from LGES have been received and the transaction will settle once POSCO funds are received.

In light of strong project progress and the LGES/POSCO transactions, QPM has started to receive an increase in inbound enquiry from potential debt and equity financiers. QPM is currently conducting a tender process to appoint a debt advisor and expects to do so imminently.

## Additional ASX Information

### ASX Listing Rule 5.3.1

Exploration and Evaluation during the quarter was \$2.55m. 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 30 June 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	\$192,659	Periodical Director Fees in accordance with Director Agreement

*This announcement has been authorised for release by the Board.*

**For more information, please contact:**

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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")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(2,552)	(7,242)
(b) development	-	-
(c) production	-	-
(d) staff costs	(443)	(617)
(e) administration and corporate costs	(742)	(2,154)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(32)	(41)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	242	1,040
1.8 Other (provide details if material)	-	683
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,527)</b>	<b>(8,329)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(62)	(62)
(d) exploration & evaluation	(13)	(45)
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(75)</b>	<b>(107)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	24,400
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	567	882
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(39)	(1,193)
3.5	Proceeds from borrowings	-	1,220
3.6	Repayment of borrowings	-	(637)
3.7	Transaction costs related to loans and borrowings	-	(48)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>5,528</b>	<b>24,624</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	15,819	1,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,527)	(8,329)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(75)	(107)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,528	24,624

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>17,745</b>	<b>17,745</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	17,745	15,819
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>17,745</b>	<b>15,819</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(193)
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	\$192,659

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

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 <b>Total financing facilities</b>	1,000	1,000
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		
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 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.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,527)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(13)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,540)
8.4 Cash and cash equivalents at quarter end (item 4.6)	17,745
8.5 Unused finance facilities available at quarter end (item 7.5)	0
8.6 Total available funding (item 8.4 + item 8.5)	17,745
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	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: 29 July 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.