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**QEM Limited**  
**ACN 167 966 770**

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**Interim Financial Report**  
**For the Half-Year Ended December 2019**

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**INTERIM FINANCIAL REPORT  
QEM LIMITED**

**For the Half-Year Ended 31 December 2019**

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## QEM LIMITED CORPORATE DIRECTORY

### NON-EXECUTIVE CHAIRMAN

John Foley

### MANAGING DIRECTOR

Gavin Loyden

### NON-EXECUTIVE DIRECTORS

David Fitch

Daniel Harris

### COMPANY SECRETARY

David Palumbo

### REGISTERED OFFICE

Level 11, 216 St Georges Terrace

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Email: [info@qldem.com.au](mailto:info@qldem.com.au)

Website: [www.qldem.com.au](http://www.qldem.com.au)

### PRINCIPAL PLACE OF BUSINESS

Suite 6A, Level 6

50 Appel Street

Surfers Paradise QLD 4217

### AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd

Level 3, 216 St Georges Terrace

PERTH WA 6000

### SHARE REGISTRAR

Automic Registry Services

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### STOCK EXCHANGE CODE

ASX: QEM

## QEM LIMITED DIRECTORS' REPORT

Your directors submit the financial report of QEM Limited (referred to hereafter as “QEM”, or the “Company”) for the half-year ended 31 December 2019.

### DIRECTORS

The names of Directors who held office during or since the end of the half-year are:

John Foley	Non-Executive Chairman
Gavin Loyden	Managing Director (appointed 27 February 2020)
David Fitch	Non-Executive Director (previously Executive Director until 27 February 2020)
Daniel Harris	Non-Executive Director

### PRINCIPAL ACTIVITY

The principal activity of the Company during the financial period was the exploration at the Julia Creek oil shale and vanadium project.

### RESULTS

The loss after tax for the half-year ended 31 December 2019 was \$689,901 (2018: \$1,470,027).

### REVIEW OF OPERATIONS

#### Resource Upgrade

On 14 October 2019, the Company announced a significant Resource Upgrade at the Company’s flagship Julia Creek vanadium / oil shale project (“Project”), covering 249.6km<sup>2</sup>, in the Julia Creek area of North Western Queensland, Australia. Following the Resource Upgrade, the Project now holds a 2,760Mt Vanadium JORC resource, with an average V2O5 content of 0.30%, making it one of the largest vanadium deposits in the world. It also contains a 3C Contingent Oil Resource of 783 MMbbls of Oil.

**Table 1: Summary of JORC Mineral Resource Estimate**

Total										
Resource Class	Strat. Unit	Mass (Mt)	Average Thickness (m)	Insitu Density (gm/cc)	V2O5 (wt%)	Cu (ppm)	Mo (ppm)	Ni (ppm)	Zn (ppm)	Al (ppm)
Indicated	CQLA	73	3.16	2.27	0.25	155	138	123	780	4752
	CQLB	67	2.97	2.24	0.28	182	168	142	890	5706
	OSU	40	1.94	2.08	0.33	223	153	191	1087	55317
	OSL	38	1.87	2.11	0.32	199	149	184	1015	55009
<b>Sub-total</b>		<b>220</b>								
Inferred	CQLA	687	2.57	2.28	0.23	154	139	121	819	2854
	CQLB	874	3.33	2.15	0.38	220	221	201	1184	5323
	OSU	504	2.01	2.11	0.30	232	147	188	1148	62477
	OSL	481	1.98	2.13	0.29	212	134	171	1058	60316
<b>Sub-total</b>		<b>2,540</b>								
<b>Total</b>		<b>2,760</b>		<b>2.18</b>	<b>0.30</b>	<b>201</b>	<b>166</b>	<b>170</b>	<b>1043</b>	<b>26100</b>

- Note:
1. The estimate uses a minimum cut-off of 0.2% V2O5 for the oil shale units, and minimum cut-off of 0.15% V2O5 for the Coquina units.
  2. The total resource tonnage reported is rounded to reflect the relative uncertainty in the estimate categories and component horizons may not sum correctly.

**Table 2: Summary of SPE-PRMS Contingent Oil Resource**

Total					
Strat.Unit	Mass (Mt)	Average Thickness (m)	Oil Yield (L/tonne)	MMBarrels (insitu-PIIP)	MMBarrels 3C
<b>CQL</b>	1,701	5.93	44	446	401
<b>OSU</b>	544	2.01	72	231	208
<b>OSL</b>	518	1.97	63	193	174
<b>TOTAL</b>	<b>2,760</b>		<b>53</b>	<b>870</b>	<b>783</b>

- Note:
1. The total resource tonnage reported is rounded to reflect the relative uncertainty in the estimate and component horizons may not sum correctly.
  2. The estimated (unrisked) 3C Contingent Oil Resource of 783 MMbbls is derived from the PIIP using a 0.9 recovery factor and is contained within Oil shale in the 2,760Mt of the Mineral Resource estimate. There are no 1C or 2C resources as the points of observation (drill hole spacing and composite intervals) of oil shale grade are insufficient to place reliable confidence on both grade and thickness continuity required for 1C or 2C resources.

#### Petroteq Testing

The Company continued to work with Petroteq Energy Inc, following successful testwork completed in the prior quarter that demonstrated Petroteq's proprietary technology was able to recover up to 65% of the contained oil from Julia Creek project samples.

The Company and Petroteq agreed on a scope of works for oil extraction optimisation testing and protocol development for the oil and vanadium concentration. This work commenced late in the December quarter, with results expected to be received in the March 2020 quarter.

#### Other processing options

During the December 2019 half year, the Company assessed several processing technologies and methodologies for application on the Julia Creek Project with the aim to achieve optimum recovery of vanadium and oil. These investigations are ongoing to ensure the Company is using the most advanced techniques available.

#### **SUBSEQUENT EVENTS**

On 27 February 2020, Gavin Loyden was appointed as Managing Director, with David Fitch stepping down to Non-Executive Director. No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Company during the financial half-year.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the half-year ended 31 December 2019 is set out on page 16.

This report is signed in accordance with a resolution of the Board of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



Gavin Loyden  
Managing Director

Perth

Dated: 13 March 2020

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**QEM LIMITED**
**CONDENSED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**  
For the Half-Year Ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue		26,083	12,492
Corporate and compliance expenses		(138,726)	(195,211)
Director fees and employee benefits expense		(84,750)	(137,944)
Exploration expenditure		(354,409)	(133,802)
Share based payments expense		-	(916,667)
Other expenses		(138,099)	(98,895)
<b>Loss before income tax expense</b>		<b>(689,901)</b>	<b>(1,470,027)</b>
Income tax expense			
Loss after income tax expense for the half-year		(689,901)	(1,470,027)
Other comprehensive loss		-	-
<b>Total comprehensive loss for the half year</b>		<b>(689,901)</b>	<b>(1,470,027)</b>
Net loss for the half-year is attributable to:			
Members of the parent entity		(689,901)	(1,470,027)
Total comprehensive loss for the half year is attributable to:			
Members of the parent entity		(689,901)	(1,470,027)
Basic and diluted loss per share (cents per share)		(0.69)	(1.96)

The accompanying notes form part of this financial report

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**QEM LIMITED**
**CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,899,945	3,927,488
Trade and other receivables		23,353	55,239
Other assets		71,797	29,139
<b>TOTAL CURRENT ASSETS</b>		<b>2,995,095</b>	<b>4,011,866</b>
<b>NON-CURRENT ASSETS</b>			
Right-of-use asset		122,505	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>122,505</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>3,117,600</b>	<b>4,011,866</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		82,216	412,017
Lease liabilities		65,811	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>148,027</b>	<b>412,017</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		59,625	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>59,625</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>207,652</b>	<b>412,017</b>
<b>NET ASSETS</b>		<b>2,909,948</b>	<b>3,599,849</b>
<b>EQUITY</b>			
Issued capital	2	7,937,665	7,937,665
Accumulated losses		(5,027,717)	(4,337,816)
<b>TOTAL EQUITY</b>		<b>2,909,948</b>	<b>3,599,849</b>

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**QEM LIMITED**
**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
 For the Half-Year Ended 31 December 2019

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2018</b>	<b>1,067,421</b>	<b>2,000,000</b>	<b>(2,076,904)</b>	<b>990,517</b>
Loss for the period	-	-	(1,470,027)	(1,470,027)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,470,027)	(1,470,027)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	8,000,000	(2,000,000)	-	6,000,000
Less: Transaction costs arising from issue of shares	(1,111,291)	-	-	(1,111,291)
<b>Balance at 31 December 2018</b>	<b>7,956,130</b>	<b>-</b>	<b>(3,546,931)</b>	<b>4,409,199</b>
<b>Balance at 1 July 2019</b>	<b>7,937,665</b>	<b>-</b>	<b>(4,337,816)</b>	<b>3,599,849</b>
Loss for the period	-	-	(689,901)	(689,901)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(689,901)	(689,901)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	-	-	-	-
Less: Transaction costs arising from issue of shares	-	-	-	-
<b>Balance at 31 December 2019</b>	<b>7,937,665</b>	<b>-</b>	<b>(5,027,717)</b>	<b>2,909,948</b>

The accompanying notes form part of this financial report

**QEM LIMITED**
**CONDENSED STATEMENT OF CASH FLOWS**  
 For the Half-Year Ended 31 December 2019

	<b>31 December 2019</b>	<b>31 December 2018</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(386,343)	(587,049)
Exploration expenditure and project evaluation costs	(668,506)	(131,735)
Interest received	27,306	409
<b>Net cash used in operating activities</b>	<b>(1,027,543)</b>	<b>(718,375)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for term deposits	-	(3,500,000)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(3,500,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	-	5,000,000
Payments for capital raising costs	-	(487,677)
<b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>4,512,323</b>
<b>Net decrease in cash held</b>	<b>(1,027,543)</b>	<b>293,948</b>
Cash and cash equivalents at beginning of period	3,927,488	607,572
<b>Cash and cash equivalents at end of reporting period</b>	<b>2,899,945</b>	<b>901,520</b>

The accompanying notes form part of this financial report

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**QEM LIMITED****NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the Half-Year Ended 31 December 2019

**Note 1: Summary of Significant Accounting Policies****Basis of Preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by QEM Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year, except in relation to the matters disclosed below.

**New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The impact on the financial performance and position of the Company from the adoption of the new or amended Accounting Standards and Interpretations was not material. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, with the addition of the following:

**AASB 16 Leases**

The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Impact of adoption**

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The Company elected to measure the right of use asset at an amount equal to the lease liability. The impact of adoption as at 1 July 2019 was to recognise a lease liability and right of use asset of \$155,915.

**QEM LIMITED**
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the Half-Year Ended 31 December 2019

**2. ISSUED CAPITAL**

	31 December 2019	30 June 2019
	\$	\$
<b>(a) Issued and paid up capital</b>		
Ordinary shares fully paid	7,937,665	7,937,665
	<b>Number</b>	<b>\$</b>
<b>(b) Movement in ordinary shares on issue</b>		
Balance at 1 July 2019	100,000,000	7,937,665
Balance at 31 December 2019	100,000,000	7,937,665

**3. DIVIDENDS**

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

**4. SEGMENT INFORMATION**

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. During the half-year ended 31 December 2019, the Board considers that it has only operated in one segment, being mineral exploration.

The Board as a whole will regularly review the identified segment in order to allocate resources to the segment and to assess its performance.

No revenues were derived from a single external customer.

**5. EVENTS SUBSEQUENT TO REPORTING PERIOD**

On 27 February 2020, Gavin Loyden was appointed as Managing Director, with David Fitch stepping down to Non-Executive Director. No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

**6. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

**QEM LIMITED**

**DIRECTORS' DECLARATION**

For the Half-Year Ended 31 December 2019

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In the opinion of the Directors of QEM Limited (the Company):

1. The financial statements and notes thereto of the Company, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (b) giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to Section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

  
Gavin Loyden  
Managing Director

Perth  
Dated: 13 March 2020

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## Independent Auditor's Review Report

### To the Members of QEM Limited

We have reviewed the accompanying half-year financial report of QEM Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Company ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

# Independent Auditor's Review Report

To the Members of QEM Limited (Continued)



## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of QEM Limited is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Partner

Dated at Perth this 13<sup>th</sup> day of March 2020

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To The Board of Directors

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

As lead audit partner for the review of the financial statements of QEM Limited for the period ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

**BENTLEYS**  
**Chartered Accountants**

**DOUG BELL CA**  
**Partner**

Dated at Perth this 13<sup>th</sup> day of March 2020