

For personal use only



**QEM LIMITED**  
**ACN 167 966 770**

**ANNUAL FINANCIAL REPORT**  
**For the year ended 30 June 2020**

**QEM LIMITED**

**CONTENTS**

---

Corporate Directory	2
Chairman's Report	3
Directors' Report	4
Auditor's Independence Declaration	14
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Changes in Equity	17
Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	35
Independent Auditor's Report	36
ASX Additional Information	41
Schedule of Mineral Tenements	43

**QEM LIMITED**

**CORPORATE DIRECTORY**

---

**DIRECTORS**

John Foley  
Gavin Loyden  
David Fitch  
Daniel Harris

**SECRETARY**

David Palumbo

**REGISTERED OFFICE**

Level 11  
216 St Georges Terrace  
Perth WA 6000

Ph: +61 8 9481 0389  
Fax: +61 8 9463 6103

Email: [info@qldem.com.au](mailto:info@qldem.com.au)  
Website: [www.qldem.com.au](http://www.qldem.com.au)

**AUDITORS**

Bentleys Audit & Corporate  
Level 3, 216 St Georges Terrace  
PERTH WA 6000

**SHARE REGISTRY**

Automic Registry Services  
Level 2, 267 St Georges Terrace  
PERTH WA 6000  
Phone (within Australia): 1300 288 664  
Phone (outside Australia): +61 2 9698 5414

Dear Shareholders,

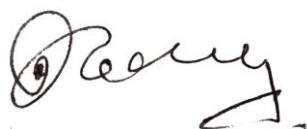
On behalf of the Board of QEM Limited (ASX: QEM), I am pleased to present the Company's Annual Report for the financial year ended 30 June 2020. Even amid a period significantly impacted by the COVID-19 pandemic, QEM was able to successfully navigate this uncertain environment and significantly progress its flagship Julia Creek vanadium and oil shale project in North Western Queensland. The pandemic has emphasised the importance of national resilience, with a robust domestic supply of critical minerals integral to this. The need for a bolstered domestic supply of critical minerals benefits QEM immensely as a potential domestic producer of vanadium pentoxide and transports fuels for the Australian market.

During the first half of the 2020 financial year we increased the size of the Vanadium JORC Resource at Julia Creek by 62%. Julia Creek 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.

We built on this positive resource upgrade with the appointment of Gavin Loyden as Managing Director. Gavin founded QEM, which was formerly known as Queensland Energy & Minerals Pty Ltd, and identified, acquired and commenced the initial development of our Julia Creek Project. Gavin has extensive resources industry expertise, and unparalleled knowledge of Julia Creek and the substantial potential this globally significant project possesses.

This substantial potential at the Julia Creek project was highlighted by the outstanding vanadium and oil extraction results from tests undertaken during the financial year, with the bulk of the results delivered post-FY20. The extraction results from the Julia Creek resource confirmed oil yields consistently over 175% of Modified Fischer Assay oil yields. We also received the results of the vanadium tests, which revealed impressive vanadium extraction efficiencies of up to 92% from shale ash at Julia Creek. We will continue to optimise our potential vanadium and oil shale extraction rates to further enhance the returns we can deliver from the project.

These results give QEM considerable positive momentum heading into the 2021 financial year and beyond, as we swiftly and methodically ramp towards the Pre-Feasibility Study stage at Julia Creek. I would like to conclude by thanking our shareholders for their support and loyalty, particularly in this current uncertain economic environment. QEM is well pivoted to reward shareholders with long-term value, as we continue to make significant strides towards achieving our objective of providing innovative energy solutions to both the Australian and international markets.



John Foley  
Chairman

## **QEM LIMITED**

### **DIRECTORS' REPORT**

---

Your Directors present their report on QEM Limited (referred hereafter as "the Company") for the financial year ended 30 June 2020.

#### **Directors**

The names of the Directors of the Company in office during the financial year and up to the date of this report 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)

Unless noted above, all directors have been in office since the start of the financial year to the date of this report.

#### **Company Secretary**

David Palumbo

Details of the company secretary's experience are set out below under 'Information on Directors'.

#### **Principal Activities**

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

#### **Operating Results**

Loss after income tax for the financial year was \$1,089,930 (2019: \$2,260,912).

#### **Financial Position**

The net assets of the Company at 30 June 2020 are \$2,509,919 (2019: net assets of \$3,599,849). The Company's working capital, being current assets less current liabilities is \$2,444,996 at 30 June 2020 (2019: net assets of \$3,599,849).

#### **Dividends Paid or Recommended**

No dividends were paid during the year and no recommendation is made as to dividends.

#### **Significant Changes in State of Affairs**

Other than those disclosed in this annual report, there were no significant changes in the state of affairs of the Company that occurred during the financial year.

**Review of Operations**

Extraction Testwork

Following the commencement of a review of processing routes at Julia creek in the March quarter, an independent laboratory company, HRL Technology Group Pty Ltd, was engaged to conduct oil shale extraction tests.

The bulk of the oil extraction testing was conducted in the June quarter and the results of the tests were finalised and announced to the ASX post-June quarter on 21 July 2020.

The results from the Julia Creek resource confirmed oil yields consistently over 175% of Modified Fischer Assay oil yields, over a range of varying test conditions.

The increase in oil yields was made possible with the addition of a hydrocarbon solvent, which would be derived directly from the oil stream produced from the Julia Creek resource, making it an extremely cost-effective solvent.

During the June quarter, test work for vanadium extraction rates within the shale portions of the Julia Creek resource was also undertaken by HRL, with the results announced to the ASX on 11 August 2020. The results revealed impressive extraction efficiencies of up to 92% from shale ash at Julia Creek.

Building on from the highly encouraging results, will undertake further extraction and resource quality optimisation tests during the first half of FY21.

In addition, engineering and costing activities to develop and evaluate the extraction process, assessing economic viability, will be progressed by E2C Advisory Pty Ltd during FY21.

In the June quarter, QEM terminated its oil extraction optimisation testing and protocol development for the oil and vanadium concentration with Petroteq Energy Inc, as the testing undertaken by Petroteq was not completed pursuant to the timing set out in the agreed scope of works.

Resource Upgrade

On 14 October 2019, QEM announced to the ASX a significant Resource Upgrade at the Company's flagship Julia Creek vanadium / oil shale project, covering 249.6km<sup>2</sup>, in the Julia Creek area of North Western Queensland, Australia.

Following the Resource Upgrade, Julia Creek now holds a 2,760Mt Vanadium JORC resource, with an average V2O5 content of 0.30%, comprising 220Mt in the Indicated category and 2,540Mt in the Inferred category.

This means the Julia Creek hosts one of the largest vanadium deposits in the world. It also contains a 3C Contingent Oil Resource of 783 MMbbls of Oil.

Appointment of Managing Director

On 27 February 2020, Gavin Loyden was appointed as Managing Director enabling current Executive Director David Fitch to transition to a role of Non-Executive Director of QEM. Mr Loyden founded QEM (formerly known as Queensland Energy & Minerals Pty Ltd). He was responsible for the early capitalisation of QEM and oversaw the initial exploration program and scoping study, which resulted in a large JORC resource being identified.

## QEM LIMITED

### DIRECTORS' REPORT

---

#### R&D Tax Refund

In the June quarter, QEM received a research and development (R&D) cashback totaling approximately \$205,000 from Australian Taxation Office (ATO). The refund comes after the ATO recognised the innovation of the research and development (R&D) being undertaken by the Company in progressing its Julia Creek project. The funds will be used for ongoing working capital purposes.

#### COVID-19

QEM is pleased to report that it experienced no material COVID-19 impacts on its operations for the 2020 financial year.

The Company continues to work with the Queensland Resource Council (QRC), industry leaders and representatives, local and state government on how to mitigate the impact of the COVID-19 pandemic on the resource industry and stakeholders.

QEM has incorporated state and national protocols and further guidelines into its Health and Safety management system.

Staff have smoothly transitioned back to working from the office, and the Company continues to adhere to Government directives to ensure we do our part to mitigate the risk of an outbreak.

As part of the Australian Government's response to COVID-19, the Company received a \$50,000 cashflow boost rebate during the June 2020

#### **Information on Directors**

##### **John Joseph Foley – Non-Executive Chairman**

B.D., LL.B., B.L. (Dub), KHS., F.A.I.C.D. Barrister-at-Law

##### *Background*

Graduating in law from the University of Sydney in 1969, John was admitted to practice as a barrister in New South Wales in 1971. He was subsequently admitted to practice in the jurisdictions of Victoria, ACT, the High Court of Australia and Ireland. He graduated with the post graduate degree of Barrister-at-Law from Trinity College Dublin and was called to the Irish Bar and admitted as a Member of the Honourable Society of King's Inns in Dublin. John spent two years as a lecturer in law at Macquarie University Sydney and has practiced as a Barrister for 40 years.

He is also currently a director of two public companies listed on the ASX, namely Citigold Corporation Limited (ASX:CTO) and Hudson Investment Group Limited (ASX:HGL).

John was a founding director of the Australian Gold Council, the industry body. He is a long standing member and fellow of the Australian Institute of Company Directors and he is listed in Who's Who in Business in Australia.

John has wide-ranging experience in the resources, financial and investment related industries, with extensive business experience in Australia and overseas. His leadership roles have covered a broad scope of senior positions, and his commercial and legal background will provide further depth, knowledge and experience to any enterprise.

John has a large network of connections with people in government, industry and the Investment community. As a professional advocate he has represented industry bodies before various Commissions, Tribunals and Courts and has extensive experience in negotiations and representations with both State and Federal Governments.

## QEM LIMITED

### DIRECTORS' REPORT

---

#### *Interest in securities*

884,299 Ordinary Shares

#### *Directorships held in other listed entities in the past three years*

Citigold Corporation Limited (current)

Hudson Investment Group Limited (current)

#### **Gavin Loyden – Managing Director (appointed 27 February 2020)**

##### *Background*

Mr. Loyden founded QEM Limited after identifying and then leading the acquisition and then development of the Julia Creek Vanadium / Oil Shale Project. He was responsible for the early funding indicatives of the Company, and oversaw the initial exploration program and scoping study, which resulted in a significant JORC resource.

Through his previous private business, Mr Loyden has assisted a range of companies from early stage development through to international stock market listings and has extensive experience in the structuring of capital raising proposals for both private and public companies. Mr Loyden's advice also covered executive selection, and Corporate Governance advice. Mr Loyden is a member of the Australian Institute of Company Directors.

#### *Interest in securities*

20,613,336 Ordinary Shares

#### *Directorships held in other listed entities in the past three years*

None

#### **David Fitch – Non-Executive Director (previously Executive Director until 27 February 2020)**

B.Com. B.Juris., GAICD

##### *Background*

Mr. Fitch was previously the Chief Operating Officer and joint major shareholder of the Fitch Group – a group of companies with assets in excess of \$250 million spread across the commercial, residential, manufacturing, retail and hotel industries.

He has extensive experience in strategic planning, commercial negotiations, business operations and asset management, with a particular focus on greenfield development sites for the commercial / retail sectors and residential development.

He is also actively involved as director of BioCentral Laboratories Ltd, a company producing advanced products for the firefighting industry, in addition to dust suppressants for mining and road construction. Mr. Fitch is also the largest shareholder of QEM.

#### *Interest in securities*

27,992,500 Ordinary Shares

#### *Directorships held in other listed entities in the past three years*

None



**DIRECTORS' REPORT**

---

**Daniel Clifford Harris – Non-Executive Director**

B.Sc (Chem Eng)

*Background*

Daniel is a seasoned and highly experienced mining executive and director. He has most recently held the role of interim CEO and managing director of ASX listed Atlas Iron, a mid-sized, independent Australian iron ore mining company with operations in the Northern Pilbara of Western Australia.

Daniel has been involved in all aspects of the vanadium industry for over 37 years and held both COO and CEO positions in Atlantic Ltd. The company's subsidiary, Midwest Vanadium, owned a +\$500 million-dollar production plant and vanadium mine in Western Australia. As COO, Daniel was tasked with the start-up of the newly constructed vanadium plant and brought it into commercial operation.

Daniel is also the former Vice President of EVRAZ Plc, Vanadium assets responsible for their global vanadium business. EVRAZ plc is a £4.2 billion publicly traded steel, mining and vanadium business with operations in the Russian Federation, Ukraine, Europe, USA, Canada and South Africa. EVRAZ consolidated vanadium business produced and marketed approximately one third of the world's vanadium supply, with annual turnover, in excess of \$600 million dollars.

Prior to EVRAZ, Daniel held numerous positions with Strategic Minerals Corporation. Throughout his 30 years with the company, he advanced his career from junior engineer, through to CFO and CEO roles within the group and was responsible for increasing the capacity of the Hot Springs Project by 50%.

Daniel is a non-executive director to Board of Australian Vanadium Ltd, a Perth based vanadium company now finalizing a DFS for their Gabanintha vanadium project. Additionally, Daniel is a vanadium consultant and Member of the Advisory Board of BlackRock Metals, a Canadian based mining and metals company currently developing a project to produce high quality pig iron, TiO<sub>2</sub> concentrate, and vanadium from their mine in Quebec.

Daniel also acts as a technical executive consultant to GSA Environmental in the UK, a process engineering company that is well credentialed in the vanadium and oil industries. GSA is the UK's leading technology company for extraction and recovery of metals from ashes, minerals, refinery residues, spent catalyst and industrial by-products.

Daniel brings a wealth of experience, in all aspects of mining and project development and will assist QEM in creating a world class project in Queensland, Australia.

*Interest in securities*

Nil

*Directorships held in other listed entities in the past three years*

Australian Vanadium Limited (current)

Atlas Iron Limited

Paladin Energy Ltd

**DIRECTORS' REPORT**

---

**COMPANY SECRETARY**

**David Palumbo**

Mr Palumbo is a Chartered Accountant and a graduate of the Australian Institute of Company Directors with over thirteen years' experience in company secretarial, accounting and financial reporting of ASX listed and unlisted companies, including five years as an external auditor. Mr Palumbo is an employee of Mining Corporate and provides corporate advisory, financial management and corporate compliance services. He has acted as Company Secretary for numerous ASX listed companies, assisted with multiple ASX IPO's and currently serves on the Board of Krakatoa Resources Limited and Kaiser Reef Limited.

**REMUNERATION REPORT (AUDITED)**

This report details the nature and amount of remuneration for each director of QEM Limited and for the executives receiving the highest remuneration.

**1. Employment Agreements**

On 27 April 2020, Gavin Loyden entered into an executive employment agreement with the Company. Under the terms of the agreement, Mr Loyden's annual salary was \$200,000 plus superannuation. Either party may terminate this Agreement by providing written notice to the other party by providing three (3) months' prior notice. Gavin Loyden was previously employed by the Company until his resignation on 16 July 2018. Mr Loyden's previous annual salary was \$186,000 plus superannuation with a (3) month termination notice.

On 17 July 2018, David Fitch entered into an executive employment agreement with the Company. Under the terms of the agreement, Mr Fitch's annual salary was \$100,000 plus superannuation. Mr Fitch transitioned to a non-executive director on 27 February 2020.

Appointments of non-executive directors are formalised in the form of service agreements between themselves and the Company at a rate of \$30,000 per annum. Their engagements have no fixed term but cease on their resignation or removal as a director in accordance with the Corporations Act.

**2. Remuneration policy**

The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board;
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and are entitled to the issue of share options. The remuneration committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can

**DIRECTORS' REPORT**

recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

Any executive director, who is an Australian resident for tax purposes, receives a superannuation guarantee contribution required by the government, which was 9.5%. No other retirement benefits are paid.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed, or capitalised to exploration expenditure if appropriate. Options, if given to directors and executives in lieu of remuneration, are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

**3. Options issued as part of remuneration for the year ended 30 June 2020**

Nil

**4. Details of remuneration for the year ended 30 June 2020:**

The remuneration for each key management personnel of the Company during the period was as follows:

2020	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payments		Total	Performance Related	% of Options as Remuneration
Key Management Person	Cash, salary & commissions	Super-annuation	Other	Equity	Options		%	%
	\$	\$	\$	\$	\$	\$		
<b>Directors</b>								
John Foley	30,000	-	-	-	-	30,000	-	-
David Fitch	76,083	7,228	-	-	-	83,311	-	-
Daniel Harris	30,000	-	-	-	-	30,000	-	-
Gavin Loyden	68,333	6,492	-	-	-	74,825	-	-
	204,416	13,720	-	-	-	218,136	-	-

# QEM LIMITED

## DIRECTORS' REPORT

2019	Short-term Benefits	Post-employment Benefits	Other Long-term Benefits	Share based Payments		Total	Performance Related	% of Options as Remuneration
Key Management Person	Cash, salary & commissions	Super-annuation	Other	Equity	Options			
	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
John Foley	30,000	-	-	-	-	30,000	-	-
David Fitch	96,989	9,214	-	-	-	106,203	-	-
Daniel Harris	30,000	-	-	-	-	30,000	-	-
Gavin Loyden	7,500	712	46,500	-	-	54,712	-	-
Benjamin Cooper	-	-	-	-	-	-	-	-
	<u>164,489</u>	<u>9,926</u>	<u>46,500</u>	<u>-</u>	<u>-</u>	<u>220,915</u>	<u>-</u>	<u>-</u>

### 5. Equity holdings of key management personnel

#### Ordinary Shares

Number of ordinary shares held by key management personnel during the financial year ended 30 June 2020 was as follows:

30 June 2020	Balance at beginning of year/ appointment	Net change other	Balance at end of year
<b>Directors</b>			
John Foley	884,299	-	884,299
David Fitch	25,624,624	1,268,417	26,893,041
Daniel Harris	-	-	-
Gavin Loyden	20,613,336	-	20,613,336
	<u>47,122,259</u>	<u>1,268,417</u>	<u>48,390,676</u>

### 6. Other Key Management Personnel Transactions

During the year ended 30 June 2020, the Company paid consulting fees to Daniel Harris totalling \$50,000.

The Company incurred no other transactions with related parties.

**“End of Remuneration Report (Audited)”**

## **QEM LIMITED**

### **DIRECTORS' REPORT**

---

#### **After Balance Date Events**

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 years.

#### **Future Developments**

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

#### **Meetings of Directors**

During the financial year, 4 meetings of directors were held. Attendances by each director during the period were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
John Foley	4	4
David Fitch	4	4
Daniel Harris	4	4
Gavin Loyden	4	4

#### **Environmental Issues**

The Company is not aware of any breaches in relation to environmental matters.

#### **Options**

At the date of this report, there were no unissued ordinary shares of the Company under option.

#### **Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

#### **Indemnifying of Officers**

During the year the Company paid premiums in respect of a contract insuring all the directors and officers of the Company against liabilities, past, present and future.

In accordance with normal commercial practice, the disclosure of the total amount of premiums under and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

**Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support, and adhere to, good corporate governance practices. Refer to the Company's Corporate Governance Statement at [www.qldem.com.au](http://www.qldem.com.au).

**Non-Audit Services**

There were no fees paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2020.

**Auditor's Declaration of Independence**

The auditor's independence declaration for the year ended 30 June 2020 has been received and is included within the financial statements.

Signed in accordance with a resolution of directors.



Gavin Loyden  
Managing Director  
29 September 2020

For personal use only

For personal use only



**Bentleys Audit & Corporate  
(WA) Pty Ltd**

London House  
Level 3,  
216 St Georges Terrace  
Perth WA 6000

PO Box 7775  
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

[bentleys.com.au](http://bentleys.com.au)

To The Board of Directors

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

As lead audit partner for the audit of the financial statements of QEM Limited for the financial year ended 30 June 2020, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

**BENTLEYS**  
**Chartered Accountants**

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

Dated at Perth this 29<sup>th</sup> day of September 2020



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.

- Advisors
- Accountants
- Auditors

**QEM LIMITED****STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	Note	\$	\$
Revenue	2	291,734	130,340
Corporate and compliance expenses		(285,149)	(334,134)
Employee benefits expense		(425,436)	(222,694)
Exploration expenditure		(451,432)	(721,402)
Share based payments expense	11	-	(916,667)
Other expenses		(219,647)	(196,355)
<b>Loss from continuing operations before income tax benefit</b>		<b>(1,089,930)</b>	<b>(2,260,912)</b>
Income tax expense	3	-	-
<b>Loss from continuing operations after income tax benefit</b>		<b>(1,089,930)</b>	<b>(2,260,912)</b>
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>
Total comprehensive loss attributable to Members of the parent entity		<u><b>(1,089,930)</b></u>	<u><b>(2,260,912)</b></u>
Basic and diluted loss per share (cents)	4	(1.09)	(2.62)

The accompanying notes form part of these financial statements.



**QEM LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	2,637,597	3,927,488
Trade and other receivables	6	26,168	55,239
Other assets	7	32,324	29,139
<b>Total Current Assets</b>		<b>2,696,089</b>	<b>4,011,866</b>
<b>Non Current Asset</b>			
Right of Use Asset	9	89,095	-
<b>Total Non Current Asset</b>		<b>89,095</b>	<b>-</b>
<b>Total Assets</b>		<b>2,785,184</b>	<b>4,011,866</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	182,059	412,017
Lease Liabilities	9	69,034	-
<b>Total Current Liabilities</b>		<b>251,093</b>	<b>412,017</b>
<b>Non Current Liabilities</b>			
Lease Liabilities	9	24,172	-
<b>Total Liabilities</b>		<b>275,265</b>	<b>412,017</b>
<b>Net Assets</b>		<b>2,509,919</b>	<b>3,599,849</b>
<b>EQUITY</b>			
Issued capital	10	7,937,665	7,937,665
Reserves	11	-	-
Accumulated losses		(5,427,746)	(4,337,816)
<b>Total Equity</b>		<b>2,509,919</b>	<b>3,599,849</b>

The accompanying notes form part of these financial statements.

**QEM LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Issued Capital</b>	<b>Reserves</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<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>
Issue of shares (net)	6,870,244	(2,000,000)	-	4,870,244
Issue of convertible notes	-	-	-	-
Loss after income tax expense for the year	-	-	(2,260,912)	(2,260,912)
Other comprehensive income for the year, net of tax	-	-	-	-
<b>Balance at 30 June 2019</b>	<b>7,937,665</b>	<b>-</b>	<b>(4,337,816)</b>	<b>3,599,849</b>
Issue of shares (net)	-	-	-	-
Loss after income tax expense for the year	-	-	(1,089,930)	(1,089,930)
Other comprehensive income for the year, net of tax	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>7,937,665</b>	<b>-</b>	<b>(5,427,746)</b>	<b>2,509,919</b>

The accompanying notes form part of these financial statements.

**QEM LIMITED****STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

		2020	2019
		\$	\$
<b>Cash Flows from Operating Activities</b>	<b>Note</b>		
Payments to suppliers and employees		(1,514,343)	(1,302,408)
Interest received		39,178	47,338
Grants received		254,882	79,741
<b>Net Cash (Outflow) from Operating Activities</b>	14	<u>(1,220,283)</u>	<u>(1,175,329)</u>
<b>Cash Flows from Financing Activities</b>			
Lease Repayments		(69,608)	-
Payments for capital raising costs		-	(504,755)
Proceeds from issued capital		-	5,000,000
<b>Net Cash Inflow from Financing Activities</b>		<u>(69,608)</u>	<u>4,495,245</u>
Net Increase/(decrease) in cash held		(1,289,891)	3,319,916
Cash and cash equivalents at the beginning of the year		3,927,488	607,572
Cash and cash equivalents at the end of the year	5	<u><u>2,637,597</u></u>	<u><u>3,927,488</u></u>

The accompanying notes form part of these financial statements.

**1. Statement of Significant Accounting Policies**

These financial statements and notes represent those of QEM Limited (the "Company"). QEM Limited is a listed public Company, incorporated and domiciled in Australia. The financial statements were authorised for issue on 28 September 2020 by the directors of the Company.

**Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected financial assets for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars unless otherwise stated.

**Accounting Policies**

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

**a) Income Tax**

The income tax expense (revenue) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses. Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**b) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**c) Exploration and evaluation expenditure**

Exploration and evaluation expenditure, including the costs of acquiring tenements, are expensed as incurred.

Expensing exploration and evaluation expenditure as incurred is irrespective of whether or not the Board believes expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

d) **Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

*Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

*Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

*Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

**e) Impairment of Assets**

At the end of each reporting date, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associate or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed. Impairment testing is performed annually for intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**f) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within a 12 month period have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**Equity-settled compensation**

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black –Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**g) Provisions**

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**h) Cash and Cash Equivalents**

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the balance sheet.

**i) Borrowing Costs**

All borrowing costs are recognised as expense in the period in which they are incurred.

**j) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**k) Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

*Valuation techniques*

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

*Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**l) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

**m) Revenue**

Interest revenue is recognised using the effective interest method.

**n) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

**Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

o) **Adoption of new or amended Accounting Standards and Interpretations**

*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 (AASB) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

*Accounting Standards issued but not yet effective and not been adopted early by the Company*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below:

*AASB 16 Leases*

The Group 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 upon the Group entering into a leasing arrangement during the financial year, as a result there was no impact on the opening retained earnings.

**QEM LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

<b>2. Revenue</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Interest received	36,851	50,599
Research and development grant	204,883	79,741
Other grants	50,000	-
	<u>291,734</u>	<u>130,340</u>
<b>3. Income tax benefit</b>		
Net loss before tax	(1,089,930)	(2,260,912)
Income tax benefit on above at 30%	(326,979)	(678,274)
Increase/(decrease) in income tax due to the tax effect of:		
Non-deductible expenses/timing differences	-	5,906
Research and development incentive	(61,465)	(23,922)
Tax losses not recognised/(utilised)	388,444	696,290
	<u>-</u>	<u>-</u>
Income tax reported in the statement of comprehensive income	<u>-</u>	<u>-</u>

**Availability of Tax Losses**

The availability of the tax losses for future years is uncertain and will be dependent on the Company satisfying strict requirements with respect to continuity of ownership and the same business test imposed by income tax legislation. The recoupment of available tax losses as at 30 June 2020 is contingent upon the following:

- the Company deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by income tax legislation continuing to be complied with; and there being no changes in income tax legislation which would adversely affect the Company from realising the benefit from the losses.

Given the Company is currently in a loss making position, a deferred tax asset has not been recognised with regard to unused tax losses, as it has not been determined that the Company will generate sufficient taxable profit against which the unused tax losses can be utilised at this stage. As at 30 June 2020, the potential tax benefit of unused tax losses is \$1,331,891 (2019: \$943,447).

**QEM LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

<b>4. Earnings per share</b>	<b>2020 Cents per Share</b>	<b>2019 Cents per Share</b>
Basic/diluted loss per share	(1.09)	(2.62)

The loss and weighted average number of ordinary shares used in this calculation of basic/diluted loss per share are as follows:

	<b>2020 \$</b>	<b>2019 \$</b>
Loss from continuing operations	(1,089,930)	(2,260,912)

	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for the purposes of basic/ diluted loss per share	100,000,000	86,430,283

<b>5. Cash and cash equivalents</b>	<b>2020 \$</b>	<b>2019 \$</b>
Cash at bank	<u>2,637,597</u>	<u>3,927,488</u>

<b>6. Trade and other receivables</b>		
<i>Current</i>		
GST receivable	25,233	51,977
Interest receivable	935	3,262
	<u>26,168</u>	<u>55,239</u>

As at 30 June 2020, current trade and other receivables do not contain amounts which are past due and not impaired. It is expected that these amounts will be received when due.

<b>7. Other assets</b>		
<i>Current</i>		
Prepayments	<u>32,324</u>	<u>29,139</u>
	<u>32,324</u>	<u>29,139</u>

<b>8. Trade and other payables</b>		
<i>Current</i>		
Trade payables and accruals	<u>182,059</u>	<u>412,017</u>

**QEM LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

9. Leases	2020 \$	2019 \$
<b>a) Right-of-use asset</b>		
Balance at the beginning of the year	-	-
Additions	155,915	-
Depreciation	(66,820)	-
Balance at the end of the year	<u>89,095</u>	<u>-</u>
<b>b) Lease liabilities</b>		
Office lease	<u>93,206</u>	<u>-</u>
Current	69,034	-
Non-Current	24,172	-
Total	<u>93,206</u>	<u>-</u>

10. Issued capital	2020 \$	2019 \$		
<b>(a) Issued and paid up capital</b>				
100,000,000 (2019: 100,000,000) Ordinary Shares	<u>7,937,665</u>	<u>7,937,665</u>		
<b>(b) Movement in ordinary shares on issue</b>				
	<b>2020 Number</b>	<b>2020 \$</b>	<b>2019 Number</b>	<b>2019 \$</b>
Balance at beginning of period	100,000,000	7,937,665	55,000,000	1,067,421
Shares issued during the year:				
- 11 October 2018 <sup>1</sup>	-	-	10,000,000	1,000,000
- 11 October 2018 <sup>2</sup>	-	-	10,000,000	2,000,000
- 11 October 2018 <sup>3</sup>	-	-	25,000,000	5,000,000
Capital raising costs	-	-	-	(1,129,756)
<b>Balance at end of period</b>	<u><b>100,000,000</b></u>	<u><b>7,937,665</b></u>	<u><b>100,000,000</b></u>	<u><b>7,937,665</b></u>

<sup>1</sup> On 11 October 2018, the Company issued 10,000,000 shares to convert the \$1,000,000 previously raised in convertible notes (balance under borrowings as at 30 June 2018) at a conversion price of \$0.10 per share.

<sup>2</sup> On 11 October 2018, the Company issued 10,000,000 shares to convert the convertible note with a face value of \$440,000 with a conversion price of \$0.044 per share to lead manager Vested Equities for services performed in relation to the Company's initial public offering (IPO). The fair value of this instrument was deemed to be the IPO price being \$0.20 per share and total fair value of \$2,000,000, which was captured under reserves as at 30 June 2018.

<sup>3</sup> On 11 October 2018, the Company issued 25,000,000 shares pursuant to the Replacement Prospectus dated 20 August 2018 and Supplementary Prospectuses dated 12 September 2018 and 24 September 2018 to raise \$5,000,000.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

**(c) Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**(d) Capital Management**

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2020 was a surplus of \$2,444,996 (2019: \$3,599,849) and the net increase in cash held during the year was \$1,289,891 (2019: increase of \$3,319,916).

**11. Reserves**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Share based payment reserve	-	-
<b>Share based payment reserve</b>		
Reserve at the beginning of the year	-	2,000,000
Transfer to issued capital	-	(2,000,000)
Reserve at end of year	-	-

The value of services totalling \$2,000,000 was allocated between capital raising costs and corporate advisory services of \$625,000 and \$1,375,000, expensed over the six-month period from the date of the convertible note to successful ASX listing. For the year ending, 30 June 2020, a total share based payment expense of \$nil (2019: \$916,667) has been recognised in the statement of profit or loss and other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

**12. Auditors' remuneration**

	2020 \$	2019 \$
Amounts, received or due and receivable by auditors for:		
- audit or review services	15,000	15,000

**13. Key Management Personnel (KMP) and Related Party Transactions**

**(a) Key Management Personnel**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Company's KMP for the financial year ended 30 June 2020. The totals of remuneration paid to KMP of the Company during the year are as follows:

	2020 \$	2019 \$
Short term	204,416	164,489
Post-employment	13,720	56,426
	<u>218,136</u>	<u>220,915</u>

**(b) Other transactions**

During the year ended 30 June 2020, the Company paid consulting fees to Daniel Harris totalling \$50,000 (2019: \$50,000).

The Company incurred no other transactions with related parties.

**14. Cash Flow Information**

**(a) Reconciliation of Cash Flow from Operations  
with Loss after Income Tax**

Loss after income tax	(1,089,930)	(2,260,912)
Non cash flows:	-	-
Finance cost on right of use asset	4,111	-
Depreciation on right of use asset	66,820	-
Share based payments	-	916,667
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	29,070	(34,444)
- (increase)/decrease in other assets	(22,671)	(2,889)
- increase/(decrease) in trade and other payables	(207,683)	206,253
	<u>(1,220,283)</u>	<u>(1,175,329)</u>

**(b) Non Cash Investing & Financing Activities**

There were no non-cash investing or financing activities during the year.



**15. Contingent liabilities and contingent assets**

In the opinion of the Directors, the Company has no contingent liabilities or assets as at 30 June 2020.

**16. Financial reporting by segments**

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. For management purposes, the Company has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets; and
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

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

During the year ended 30 June 2020, the Group had no development assets. The Board considers that it has only operated in one segment, being mineral exploration.

The Group is domiciled in Australia. All revenue from external customers are only generated from Australia. No revenues were derived from a single external customer.

**17. Financial risk management**

**Overview**

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

*Trade and other receivables*

As the Company has just started operations, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

*Exposure to credit risk*

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was:

<b>Financial assets</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents – AAA rated counterparties	2,637,597	3,927,488
Receivables – other	26,168	55,239
	<u>2,663,766</u>	<u>3,982,727</u>

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is not currently exposed to any material interest rate risk.

**Interest rate risk sensitivity analysis**

The Company does not have any material exposure to interest rate risk as there were no external borrowings at 30 June 2020 (2019: nil). Any borrowings were intercompany related and unsecured and interest free and therefore there is no exposure to interest rate risk associated with these amounts. Interest bearing assets are all short term liquid assets and the only interest rate risk is the effect on interest income by movements in the interest rate. There is no other material interest rate risk.

**Fair value of financial instruments**

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value. There are no financial assets or liabilities which are required to be measured at fair value on a recurring basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020**

---

**18. Commitments***Exploration commitments*

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration requirements specified by the Queensland Governments Department of Natural Resource and Mines. These obligations are not provided for in the financial report.

Minimum Work Requirements	2020	2019
	\$	\$
No later than 12 months	362,000	460,000
Between 1 and 5 years	1,134,000	818,000
	<u>1,496,000</u>	<u>1,278,000</u>

**19. Events Subsequent to Period End**

No 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 years.

**QEM LIMITED**

**DIRECTORS' DECLARATION  
FOR THE YEAR ENDED 30 JUNE 2020**

---

The directors of the Company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the Company's financial position as at 30 June 2020 and its performance for the year ended on that date; and
  - c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. the Executive Director and Company Secretary have each declared that:
  - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view;
3. 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 signed in accordance with a resolution of the Board of Directors.



Gavin Loyden  
Managing Director  
29 September 2020

For personal use only

## Independent Auditor's Report

### To the Members of QEM Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of QEM Limited ("the Company"), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Bentleys Audit & Corporate  
(WA) Pty Ltd

London House

Level 3,

216 St Georges Terrace

Perth WA 6000

PO Box 7775

Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

# Independent Auditor's Report

To the Members of QEM Limited (Continued)



## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Exploration Expenditure</b></p> <p>During the year, the Company incurred exploration expenses of \$451,432. Exploration expenditure is a key audit matter due to the significance to the Company's statement of profit or loss and other comprehensive income.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>▶ Testing exploration expenditure for the year by evaluating a sample of recorded expenditure for consistency to underlying records, the requirements of the Company's accounting policy and the requirements of <i>AASB 6 Exploration for and Evaluation of Mineral Resources</i>; and</li><li>▶ We assessed the Company's rights to tenure by corroborating to government registries.</li></ul>
<p><b>Recognition of Research &amp; Development Tax Incentive</b></p> <p>(Refer to note 2)</p> <p>Under the Research and Development ("R&amp;D") tax incentive scheme, the Company receives a 43.5% refund of eligible expenditure. An R&amp;D submission was filed with AusIndustry and received in full during the year.</p> <p>This area is a key audit matter due to the inherent subjectivity that is involved in the Company making judgements in relation to estimation and recognition of the R&amp;D tax incentive income.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"><li>▶ obtaining an understanding of the objectives and activities in the R&amp;D program;</li><li>▶ reviewing the lodgement documents and related working papers utilised by the expert engaged by the Company;</li><li>▶ assessing the capabilities of the expert engaged by the Company; and</li><li>▶ comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger.</li></ul>

For personal use only

# Independent Auditor's Report

To the Members of QEM Limited (Continued)



## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

For personal use only

## Independent Auditor's Report

To the Members of QEM Limited (Continued)



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For personal use only



## Independent Auditor's Report

To the Members of QEM Limited *(Continued)*



### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

**BENTLEYS**  
Chartered Accountants

**DOUG BELL CA**  
Partner

Dated at Perth this 29<sup>th</sup> day of September 2020

For personal use only

**ASX INFORMATION**

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 20 September 2020.

**1. Shareholder and Option holder information**

a. Number of Shareholders and Option Holders

*Shares*

As at 20 September 2020, there were 369 shareholders holding a total of 100,000,000 fully paid ordinary shares.

*Options*

As at 20 September 2020, there were options on issue.

b. Distribution of Equity Securities

Fully paid ordinary shares Category (size of holding)	Number (as at 20 September 2020)	
	Shareholders	Ordinary Shares
1 - 1,000	10	1,244
1,001 - 5,000	24	94,214
5,001 - 10,000	72	655,251
10,001 - 100,000	201	9,405,253
100,001 - and over	62	89,844,038
	<u>369</u>	<u>100,000,000</u>

The number of shareholdings held in less than marketable parcels is 36 shareholders amounting to 106,058 shares.

c. The names of substantial shareholders listed in the company's register as at 20 September 2020 are:

Shareholder	Ordinary Shares	%Held of Total Ordinary Shares
David Fitch	27,992,500	27.99%
Gavin & Tracey Loyden	20,613,336	20.61%

d. Voting Rights

The voting rights attached to the ordinary shares are as follows:

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

For personal use only

## QEM LIMITED

### ASX INFORMATION

---

e. 20 Largest Shareholders as at 20 September 2020— Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. David Fitch Group	27,992,500	27.99%
2. Gavin Loyden Group	20,613,336	20.61%
3. SKIPTRAK PTY LTD	4,496,438	4.50%
4. BENJAMIN H COOPER <COOPER FAMILY A/C>	4,000,000	4.00%
5. DULYNE PTY LTD <THE ATLANTIS SUPER FUND A/C>	3,693,781	3.69%
6. STONE GROUP PTY LTD <THE STONE GROUP DISC A/C>	3,250,822	3.25%
7. EVOLUTION HUB PTY LTD	2,554,999	2.56%
8. IGS CAPITAL PTY LTD <IGS CAPITAL A/C>	2,250,000	2.25%
9. EXECUTIVE OUTCOMES PTY LTD	1,850,000	1.85%
10. ML FITCH NOMINEES PTY LTD <MATHEW FITCH FAMILY A/C>	1,688,816	1.69%
11. CG DAVIES INVESTMENTS PTY LTD <COL DAVIES FAMILY A/C>	1,473,118	1.47%
12. DAVGOE INVESTMENTS PTY LTD <DAVGOE FAMILY A/C>	1,473,118	1.47%
13. MT DAVIES INVESTMENTS PTY LTD <MG & TJ DAVIES FAMILY A/C>	1,473,118	1.47%
14. AUSTRALIAN STRATEGIC RESOURCES PTY LTD <DBAH A/C>	1,064,157	1.06%
15. MR BIN LIU	1,000,000	1.00%
16. RAYAN INVESTMENTS PTY LTD <RAYAN INVESTMENT A/C>	900,000	0.90%
17. VALFAST PTY LTD	884,299	0.88%
18. MRS ANDREA STONE <THE WOODBURN A/C>	739,270	0.74%
19. MFSF SUPER PTY LTD <SUPER MF SUPERANNUATION A/C>	715,000	0.72%
20. SWICH QLD PTY LTD	500,000	0.50%
	<b><u>83,606,662</u></b>	<b><u>83.61%</u></b>

2. The name of the company secretary is David Palumbo.

3. The address of the principal registered office in Australia is:  
Level 11, 216 St Georges Terrace Perth WA 6000

4. Registers of securities are held at the following address:  
Automic Registry Services, Level 2, 267 St Georges Terrace, PERTH WA 6000

5. Stock Exchange Listing:  
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX Limited.

6. Use of Funds:  
Between the date of listing on ASX and the date of this report the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in the pursuant to the Replacement Prospectus dated 20 August 2018.

7. Restricted Securities:  
The Company currently has 60,243,678 fully paid ordinary shares classified by ASX as restricted securities and to be held in escrow until 19 October 2020, being 24 months from the date of commencement of Official Quotation.

**QEM LIMITED**

**SCHEDULE OF MINERAL TENEMENTS**

---

<i>Project</i>	<i>Tenement</i>	<i>Interest held by QEM Limited</i>
Julia Creek	EPM 25662	100%
Julia Creek	EPM 25681	100%
Julia Creek	EPM 26429	100%
Julia Creek	EPM 27057	100%

For personal use only