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QEM Limited
ACN 167 966 770

Interim Financial Report
For the Half-Period Ended December 2020

**INTERIM FINANCIAL REPORT
QEM LIMITED**

For the Period Ended 31 December 2020

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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

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Website: www.qldem.com.au

PRINCIPAL PLACE OF BUSINESS

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AUDITORS

Bentleys Audit & Corporate (WA) Pty Ltd

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PERTH WA 6000

SHARE REGISTRAR

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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 period ended 31 December 2020.

DIRECTORS

The names of Directors who held office during or since the end of the period are:

John Foley	Non-Executive Chairman
Gavin Loyden	Managing Director
David Fitch	Non-Executive Director
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 period ended 31 December 2020 was \$665,470 (2019: \$689,901).

REVIEW OF OPERATIONS

Following the commencement of a review of processing routes at Julia creek in the second half of the 2020 financial year, an independent laboratory company, HRL Technology Group Pty Ltd (HRL), was engaged to conduct a test program, focussed on the dual opportunity of producing both oil and vanadium from the Julia Creek resource.

The key outcomes from the testing performed are the high oil yields achievable through tetralin extraction tests compared to the Modified Fischer Assay testing and the high vanadium extraction efficiencies achieved through acid leaching.

Oil Shale Extraction Testwork

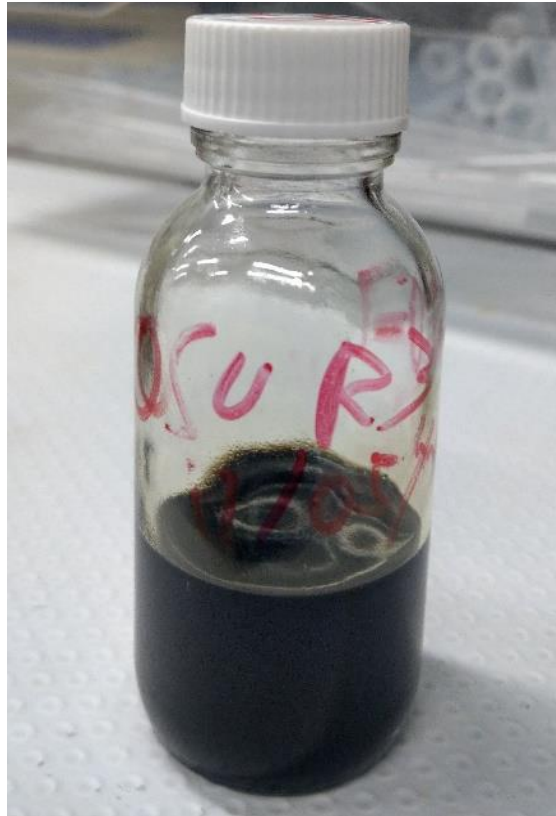
The results of the tests were finalised and announced to the ASX on 21 July 2020.

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 donor solvent (tetralin), which would be derived directly from the oil stream produced from the Julia Creek resource, making it an extremely effective method of oil production from oil shale.

Pyrolysis tests were also conducted in order to facilitate a comparison of the results between pyrolysis and tetralin extraction tests.

The pyrolysis test was performed to simulate the conditions of the Fischer Assay test which is typically performed to determine the pyrolysis oil yield for oil shales and proved the superior results of using a hydrogen donor solvent.



Photograph of Raw Oil Product produced from Julia Creek shale

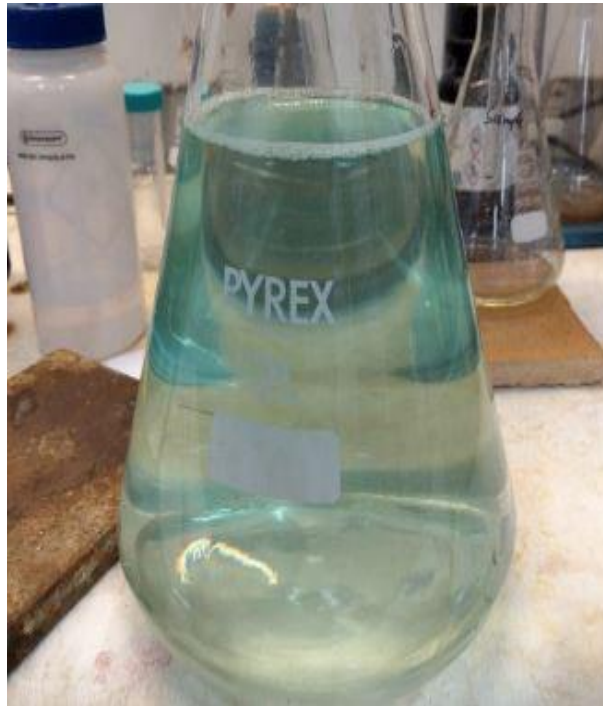
Prior to the HRL oil shale testwork, in the second half of the 2020 financial year QEM terminated its oil extraction optimisation testing and protocol development for the oil and vanadium concentration with Petroteq Energy Inc, as the testing undertaken by Petroteq was not completed pursuant to the timing set out in the agreed scope of works.

Vanadium Extraction Testwork

On 11 August 2020, the Company announced the results of its vanadium extraction test results at Julia Creek to the ASX.

The vanadium extraction tests were also undertaken by HRL Technologies Group Laboratories in Melbourne, Australia.

The extraction tests were conducted via acid leach and revealed impressive vanadium extraction efficiencies of up to 92% on shale ash samples, post hydrocarbon extraction.



Photograph of Final Filtrate after Leach Run L2 with 900°C OSU containing vanadium

The Company was able to achieve very high extraction efficiencies of around 90% on shale ash samples produced at 900°C for both the Oil Shale Lower (OSL) and Oil Shale Upper (OSU) samples.

Extraction efficiencies for the shale ash samples produced at 700°C and 1000°C were lower, at around 60 per cent to 70 per cent for the OSL and OSU, respectively.

The results for the as-received shale samples identified extraction efficiencies up to around 74% at 900°C, compared to between approximately 47% and 55% for the as-received shale samples produced at 700°C and 1000°C.

These tests suggested that at a production temperature of approximately 900°C, QEM can achieve very high vanadium extraction efficiencies, using this method.

A range of other trace metals were also extracted through acid leaching. The results will be used to assess the merit of extraction of different trace elements based on consideration of the yields achievable in combination with the expected market and price for given elements.

Processing Route Testwork

QEM also directed HRL to conduct tests to develop the optimal processing route for Julia Creek, with results initially scheduled to be finalised by the end of the first half of the 2021 financial year.

The focus of this work will be on finding the optimal acid concentrations and investigate options for the beneficiation of the ashed shale, prior to leaching and metals extraction

The timeline for this phase of testing was extended to facilitate the inclusion of additional scenarios that emerged as potentially viable options during the course of the testing program.

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This phase of testing is now expected to be complete during the second half of the 2021 financial year.

Following the completion of these tests, engineering and costing activities to develop and evaluate the extraction process, including assessing economic viability, will be progressed by E2C Advisory Pty Ltd.

COVID-19

QEM is pleased to report that it experienced no material COVID-19 impacts on its operations during the first half of the 2021 financial year.

The Company is maintaining adherence to Government directives to ensure it does its part to mitigate the risk of an outbreak.

GSA Environmental Limited (GSAe)

Following the conclusion of the first half of the 2021 financial year, QEM engaged UK-based engineering consultancy GSA Environmental Limited (GSAe), to conduct vanadium extraction test work on the Julia Creek shale.

GSAe operates a state-of-the-art R&D laboratory, staffed with industrially experienced, PhD qualified scientists based at the University of Lincoln in the UK and possesses intellectual property and patented technology related to the efficient extraction of vanadium from various feedstocks including petrochemicals and heavy crudes, which is extremely beneficial to QEM as a prospective vanadium and oil shale producer.

GSAe also has unique insight into the economic recovery of other metals that are inherent to crude oil and are also present in the Julia Creek shale.

This testing phase builds on the initial successful vanadium extraction tests undertaken by HRL, but will focus on the use of GSAe's proprietary methods and reagents in an effort to find the optimal solution for metals extraction.

The test work will also narrow in on the optimal temperature profile and run time for vanadium extraction at Julia Creek, and is expected to be finalised during the second half of the 2021 financial year.

It will be complementary to the processing route test work currently being carried out by HRL, as the Company methodically progresses Julia Creek towards the pre-feasibility study (PFS) stage of the projects development.

SUBSEQUENT EVENTS

There were no matters or circumstances that 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

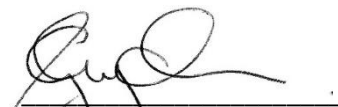
There were no significant changes in the state of affairs of the Company during the financial period.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2020 is set out on page 17.

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

Dated: 9 March 2021

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QEM LIMITED
**CONDENSED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
For the Period Ended 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
Revenue		56,199	26,083
Corporate and compliance expenses		(163,990)	(138,726)
Director fees and employee benefits expense		(313,977)	(188,400)
Exploration expenditure		(160,229)	(250,759)
Depreciation		(33,411)	-
Other expenses		(50,062)	(138,099)
Loss before income tax expense		(665,470)	(689,901)
Income tax expense		-	-
Loss after income tax expense for the period		(665,470)	(689,901)
Other comprehensive loss, net of tax		-	-
Total comprehensive loss for the period		(665,470)	(689,901)
Net loss for the period is attributable to:			
Members of the parent entity		(665,470)	(689,901)
Total comprehensive loss for the period is attributable to:			
Members of the parent entity		(665,470)	(689,901)
Basic and diluted loss per share (cents per share)		(0.67)	(0.69)

QEM LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		2,014,919	2,637,597
Trade and other receivables		19,858	26,168
Other assets		40,026	32,324
TOTAL CURRENT ASSETS		2,074,803	2,696,089
NON-CURRENT ASSETS			
Right-of-use asset	3	55,684	89,095
TOTAL NON-CURRENT ASSETS		55,684	89,095
TOTAL ASSETS		2,130,487	2,785,184
CURRENT LIABILITIES			
Trade and other payables		226,413	182,059
Lease liabilities	3	59,625	69,034
TOTAL CURRENT LIABILITIES		286,038	251,093
NON-CURRENT LIABILITIES			
Lease Liability		-	24,172
TOTAL NON-CURRENT LIABILITIES		-	24,172
TOTAL LIABILITIES		286,038	275,265
NET ASSETS		1,844,449	2,509,919
EQUITY			
Issued capital	2	7,937,665	7,937,665
Accumulated losses		(6,093,216)	(5,427,746)
TOTAL EQUITY		1,844,449	2,509,919

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QEM LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY

For the Period Ended 31 December 2020

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2019	7,937,665	-	(4,337,816)	3,599,849
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	-	-	-	-
Balance at 31 December 2019	7,937,665	-	(5,027,717)	2,909,948
Balance at 1 July 2020	7,937,665	-	(5,427,746)	2,509,919
Loss for the period	-	-	(665,470)	(665,470)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(665,470)	(665,470)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	-	-	-	-
Less: Transaction costs arising from issue of shares	-	-	-	-
Balance at 31 December 2020	7,937,665	-	(6,093,216)	1,844,449

QEM LIMITED
CONDENSED STATEMENT OF CASH FLOWS

For the Period Ended 31 December 2020

	31 December 2020 \$	31 December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(484,047)	(386,343)
Exploration expenditure and project evaluation costs	(160,229)	(668,506)
Interest received	5,179	27,306
Grants Received	50,000	-
	<hr/>	<hr/>
Net cash used in operating activities	(589,097)	(1,027,543)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for term deposits	-	-
	<hr/>	<hr/>
Net cash used in investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	-
Payments for lease liability	(33,581)	-
Payments for capital raising costs	-	-
	<hr/>	<hr/>
Net cash provided by/(used in) financing activities	(33,581)	-
Net decrease in cash held	(622,678)	(1,027,543)
Cash and cash equivalents at beginning of period	2,637,597	3,927,488
	<hr/>	<hr/>
Cash and cash equivalents at end of reporting period	2,014,919	2,899,945
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The accompanying notes form part of this financial report

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QEM LIMITED**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**For the Period Ended 31 December 2020

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

These general purpose interim financial statements for the period reporting period ended 31 December 2020 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 2020 and any public announcements made by QEM Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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.

New or amended Accounting Standards and Interpretations adopted

There were no new accounting standards or interpretations that applied to the company or that required adoption in the interim reporting period.

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.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2020

2. ISSUED CAPITAL

	31 December 2020	30 June 2020
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	7,937,665	7,937,665
	Number	\$
(b) Movement in ordinary shares on issue		
Balance at 1 July 2019	100,000,000	7,937,665
Balance at 31 December 2020	100,000,000	7,937,665

3. Leases

	31 December 2020	30 June 2020
	\$	\$
a) Right-of-use asset		
Balance at the beginning of the year	89,095	-
Additions	-	155,915
Depreciation	(33,411)	(66,820)
Balance at the end of the year	55,684	89,095
b) Lease liabilities		
Office lease	59,625	93,206
Current	59,625	69,034
Non-Current	-	24,172
Total	59,625	93,206

QEM LIMITED**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**For the Period Ended 31 December 2020

4. DIVIDENDS

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

5. 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 period ended 31 December 2020, 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.

6. EVENTS SUBSEQUENT TO REPORTING PERIOD

There were no matters or circumstances that 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.

7. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

8. FINANCIAL INSTRUMENTS

The directors consider that the carrying amounts of trade receivables and trade payables approximate their fair values.

QEM LIMITED

DIRECTORS' DECLARATION

For the Period Ended 31 December 2020

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 2020 and its performance for the period 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

Dated: 9 March 2021

Independent Auditor's Review Report

To the Members of QEM Limited

Conclusion

We have reviewed the accompanying half-year financial report of QEM Limited ("the Company") which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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 does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of QEM Limited's financial position as at 31 December 2020 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Independent Auditor's Review Report

To the Members of QEM Limited (Continued)



Responsibility of the Directors for the Financial Report

The directors of QEM Limited 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 for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year 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 2020 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*.

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.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 9th day of March 2021

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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 half year ended 31 December 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 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 9th day of March 2021