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QEM Limited
ACN 167 966 770

Interim Financial Report
For the Half-Period Ended December 2022

**INTERIM FINANCIAL REPORT
QEM LIMITED**

For the Period Ended 31 December 2022

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QEM LIMITED CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Tim Wall

MANAGING DIRECTOR

Gavin Loyden

NON-EXECUTIVE DIRECTORS

David Fitch

Daniel Harris

COMPANY SECRETARY

David Palumbo

REGISTERED OFFICE

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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 2022.

DIRECTORS

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

Timothy Wall	Non-Executive Chairman (appointed 15 February 2023)
Gavin Loyden	Managing Director
David Fitch	Non-Executive Director
Daniel Harris	Non-Executive Director
John Henderson	Non-Executive Director (resigned 9 November 2022)

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 2022 was \$2,415,399 (2021: \$1,353,713).

REVIEW OF OPERATIONS

Oil & Vanadium Pilot Plant

In the first half of financial year 2023, QEM conducted a total of 5 oil extraction trials (T1-T5) through the company's pilot plant, located at HRL Technology's facility in Mulgrave Victoria.

T1- the first test encountered some issues regarding blockages caused by a build-up of solid deposits (naphthalene) in the oil product, collection equipment, and related pipework.

For subsequent tests, modifications were implemented to the pilot plant operation to enable the collection of the oil product at a higher temperature in a liquid form and to prevent future build-up of solid material in the system. These alterations, among others, resulted in improved pilot plant performance, including the elimination of a build-up of solid deposits (naphthalene) in the oil product collection equipment, and related pipework.

Even though there were some teething issues in T1, the results were highly encouraging and released to the market via announcement on August 9th, 2022, including vanadium extraction efficiencies of 71.5% on shale ash leached by acid for four hours. Additionally, impressive oil shale extraction results indicated oil yields were 142% of that reported under a Modified Fischer Assay (MFA*). The increase in oil yield was made possible with the use of an innovative hydrogen donor solvent.

NB*. MFA is the industry standard used to measure the oil yield in litres per tonne of kerogen (oil equivalent) in the oil shale at zero moisture.

QEM LIMITED DIRECTORS' REPORT

T2 Results from the T2 trial were a significant improvement on T1, with oil extraction now reaching 170% of yields, relative to an MFA or 1.7 times greater. A marked improvement on the 142% oil yield from T1.

Vanadium yields improved from 71.5% extraction in T1, to >90% extraction from T2 samples, based on the feed to the leach test, for two samples roasted at 700°C and 900°C with a 24-hour leach time. These results were announced on September 27, 2022.

T3-T5 The bench-scale pilot plant continued to operate effectively following the optimisation, with key run targets for autoclave temperature and pressure achieved again and an oil yield of 180% of MFA achieved on each occasion.

Further improvements have been made for the third test (T3), including installation of additional gas meters to capture and measure all gas units.

GSAe Collaboration

On November 10, 2022, QEM announced the collaboration with GSA Environmental (GSAe) to progress the vanadium extraction work that had begun back in 2020, prior to the COVID-19 general shutdown in the UK. The original program was delayed by almost 2 years but is now back on track.

Post reporting period, on February 22, 2023, GSAe, in its first interim report, delivered excellent initial results from its test work program and this was announced to the market on February 28, 2023.

GSAe is testing both acid leaching variations, as well as alkali leaching routes, producing the best extraction rates so far achieved, with acid leaching achieving up to 98% yield and alkaline leaching up to 92% yield. Further optimisation work is now underway to see if these results can be improved upon and these results will help inform our flow sheet development for the wider project.

University of Queensland (UQ) Sustainable Minerals Institute (UQ SMI)

On December 14, 2022, QEM announced its partnership with UQ's Sustainable Minerals Institute UQ SMI.

UQ SMI is conducting beneficiation and mineral characterisation work on the solid material, post oil extraction, to further improve outcomes for metals recovery and further reduce reagent consumption. The collaboration is focussed on optimising vanadium pentoxide through fine particle beneficiation.

UQ SMI employs multi-disciplinary approach to mineral processing to potentially reduce energy use and the environmental footprint of mining operations.

The collaboration complements QEM's concurrent program with UK based GSA Environmental (GSAe) to optimise vanadium recovery via lower carbon-intensive processes.

QEM is delighted that Professor Mohsen Yahyaei, Director of the Julius Kruttschnitt Mineral Research Centre (JKMRC) at UQ SMI, will oversee the collaboration. Professor Yahyaei has led world-class collaborative research programs in mineral processing, such as the Advanced Process Prediction and Control and Future Autonomous Systems and Technologies program, and delivered significant results for industry partners across the mineral processing value chain.

QEM LIMITED DIRECTORS' REPORT

Townsville Vanadium Multi-user Facility

The common-user facility is designed to support smaller mining companies to cost effectively test their processing technologies without having to fund their own standalone facility.

QEM is a founding member of the Queensland Vanadium Consortium, which worked with State Government leading up to its November 2021 announcement of the provision of over \$10 million in funding to build a Townsville based facility. Queensland Treasury has now committed to provide this funding.

Post reporting period, the Queensland Government announced on January 25th 2023 that it is increasing the funding for the newly named Queensland Resources- Common User Facility (QR-CUF) from the original \$10 to now \$75m showing a great commitment from Government to advance this project. The location for the QR-CUF will be Cleveland Bay Industrial Park in Townsville and the project has been given a Coordinated Project Status from the Department of State Development in order to streamline approvals and fast track the projects development, due for completion in early 2025.

Renewable Power Generation Studies

During the September to December 2022 period, QEM started conversations with renewable power project developers to assess the interest in developing a wind and solar power project in conjunction with QEM. This project would be capable of providing the necessary power demands for the Julia Creek Project as well as having export potential to the grid, via the CopperString 2.0 network.

CopperString 2.0 is a proposed \$1.7 billion, 1,500km high voltage transmission project, between Townsville and the North West Minerals Province (NWMP) and will run through the western portion of QEM's Julia Creek vanadium and oil shale project, ideal conditions for efficient access to the National electricity grid (NEM), as a consumer and/or an exporter of surplus QEM project power.

Environmental Studies and Permits

On 15 November 2022, Epic Environmental (Epic) issued the Julia Creek Project Ecological Assessment Report (EAR). The scope of the EAR includes a baseline assessment of the ecological values within QEM's tenement. The EAR was developed with information from desktop assessments, and extensive a post wet season flora and fauna field survey and a dry season flora field survey.

The EAR is likely to support a future Environmental Impact Assessment under the State Development and Public works Organisation Act 1971 or similar process to support a future Environmental Authority. The EAR may also inform a future significant impact assessment to support a referral under the Environment Protection and Biodiversity Conservation Act 1999.

QEM LIMITED DIRECTORS' REPORT

2022 Drilling Program

In August 2022, QEM Limited successfully completed an extended drilling campaign as part of QEM's Julia Creek Vanadium Project. The campaign targeted 17 locations across the QEM tenement and lasted 23 days. This was a multipurpose drilling campaign that focused on resource exploration, groundwater bore installation and geotechnical analysis. The drilling was conducted over four Exploration Permit for Minerals (EPM) 27057, 25662, 26429 and 25681 that QEM holds.

QEM engaged Measured Group as the lead resource geologist/ program manager and All State Drilling as the drilling contractor. Epic Environmental and GHD were also present during the campaign to oversee the construction of the groundwater monitoring bores and to conduct series of geotechnical tests respectively.

The 2022 drilling campaign consisted of 5 exploration holes (4C), 9 groundwater bores and 5 geotechnical test holes. In total 17 holes were drill as 2 were dual purpose, used for both exploration and groundwater bore installation.

Geotechnical Studies

On 11 November 2022, GHD Pty Ltd (GHD) issued a Geotechnical Factual Report outlining the Geotechnical field investigation program conducted in August 2022. The report details site observations made, investigations undertaken, ground conditions encountered, and the results of laboratory testing from material collected from 5 boreholes. GHD also issued a Preliminary Geotechnical Foundation Assessment Memorandum post the December quarter.

Wind and Solar Monitoring

During the September quarter, QEM completed the installation and commissioning of a 163-metre meteorological mast (met mast) at the Julia Creek project. The met mast, which was developed by Fulcrum 3D, has been fitted with anemometers and other instruments to measure wind speed and other weather conditions. This tower is now providing real-time data, needed to better understand the potential for renewable power generation for the Julia Creek Project and will run for 12-18 months. The SoDAR and solar monitoring equipment, as well as the met mast, will play a key part in the optimisation studies into renewable energy generation to potentially power the Company's critical minerals project.

QEM LIMITED DIRECTORS' REPORT



QEM's met mast was commissioned in July 2022.

Water Quality Monitoring

In October 2022, QEM issued a work order to ATC Williams to conduct the monthly groundwater and surface water quality monitoring program. ATC Williams is an international consulting engineering company that specialises in design and management of tailing storage facilities and their associated tailings dewatering and water distribution infrastructure. The first groundwater and surface water monitoring event took place in November 2022; the monitoring program will continue for a minimum of 12 months to characterise environmental baseline conditions and inform the engineering design for tailings storage facilities.



ATC Williams hydrogeologist collecting groundwater and surface water samples.

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QEM LIMITED DIRECTORS' REPORT

Flood Model

In September 2022, QEM engaged WRM Water and Environment (WRM) to undertake a Flood Study Assessment. The aim of the study is to provide a better understanding of flooding constraints across the tenement to assist with the mine planning and preliminary infrastructure design.

WRM estimated Design Flood Discharge Hydrographs for a range of storm durations up to 168 hours for Annual Exceedance Probabilities (AEPs) ranging from 0.1% to 10% AEP along with modelling two historical flood events.

Capital Raisings

On October 3, 2022, QEM announced the successful completion of a \$2.2 million placement to professional and sophisticated investors at \$0.22 per share. The funds raised are being applied to QEM's world class Julia Creek Vanadium and Oil Project, including updating the mining scoping study, ongoing work with UQ and additional vanadium processing work with GSAe in the UK and petrology studies with Southern Oil Pty Ltd. Continued support from existing shareholders including non-executive director and major shareholder David Fitch who subscribed for \$600,000 to maintain his ~29% shareholding. The placement was taken up mostly by existing shareholders.

R&D Tax Incentive Refund

On December 23rd QEM received the R&D tax incentive rebate for a total of \$440,477.48 for financial year 2021/2022. These funds will be reinvested into the on-going project development.

Community Relations

QEM now has a permanent presence in the town of Julia Creek, nearby its vanadium and oil shale project. QEM has leased the property which was formerly the Suncorp Bank, for office space and executive accommodation.

Throughout 2022, QEM contributed to the region with eleven work packages being assigned to local contractors in Julia Creek and the North West Minerals Province. This work includes fabrication, plant hire, civil site works, and building renovations.

QEM seeks to support the communities in which we operate, with a particular focus on youth and women's development, education and sport.

QEM proudly sponsors the Julia Creek Saints junior girls and boys and senior rugby league teams. QEM was a major sponsor of the 2022 Julia Creek Dirt N Dust Festival in April, with naming rights for the QEM Mount Isa Convoy to the Creek. The convoy focused on the theme of inviting people to "Have a "Yack in the Outback", acknowledging the impact that events such as COVID, flood and drought have had on the community. A "Yack Shack" was erected inside the Dirt N Dust area at the Creek to provide a chance for a Yack with the Royal Flying Doctors' Service throughout the weekend festival.

QEM sponsored the 2022 "Investing in Women in Resources Networking Breakfast", organised by the Women in Mining and Resources Queensland (WIMARQ) Gold Coast Chapter and supported by the Queensland Resources Council.

QEM LIMITED DIRECTORS' REPORT

In June 2022, Managing Director Gavin Loyden participated in his second Vinnies CEO Sleepout on the Gold Coast, raising \$7,636 to support the homeless.

In September 2022, QEM was delighted to have the opportunity to be a race sponsor on Pink Ribbon Cup Race Day on the Gold Coast, supporting the National Breast Cancer Foundation.

QEM sponsored the 'The Big Weekend' at Julia Creek from September 30 to October 2, including the annual Town vs Country Women's Netball as well as Juniors and Seniors' Rugby League Matches and the 2022 playing kits with Front of Jersey Major Sponsorship.

On the weekend of 12-13 November, QEM sponsored the annual Julia Creek Beach Races. The QEM team was joined at the community event by the Hon Scott Stewart MP Minister for Resources who also visited the QEM project, 6km from the town of Julia Creek.

The Company will continue to review its level of contribution, commensurate with its activities.

Positive awareness of QEM's activities and commitment to the Julia Creek community continued to grow during the 2022 financial year across various local and state government bodies, as well as the broader resources sector.



QEM continued to increase the positive impact it has in its local communities during FY2023.

Board Changes

On 12 October 2022, Tim Wall joined the QEM Board of Directors as a Non-executive Director (NED).

Mr Wall is a highly experienced company director and executive across the energy, infrastructure, transport & resources sectors, with a strong leadership track record at multiple ASX100 companies.

QEM LIMITED DIRECTORS' REPORT

His impressive list of recent achievements includes driving a strategic shift in manufacturing while President of Global Manufacturing & Corporate HSE for Incitec Pivot, which generated an EBIT uplift of at least \$40 million for the business. Mr Wall also delivered highly successful operational outcomes while occupying senior managerial positions at Caltex Australia and BP Australia. Tim currently serves as a Senior Advisor - Oil and Gas at management consultant dss+ and as a Director for energy consultant TJW Energy, with specific expertise in hydrogen and ammonia manufacturing, storage & transportation and energy storage technologies.

In his executive career spanning over 30 years, Tim has held many senior positions, with global accountability in operations, strategy, asset management, supply and trading, safety and risk management, major project development and engineering.

Tim was moved to the Deputy Chair role on November 23 2022.

On 9 November 2022, NED John Henderson resigned from the Board of QEM to pursue other interests. The Board thanked John for his valuable contribution to the company during his tenure.

On 15 February 2023, Tim was appointed Chair of QEM upon the retirement of John Foley from the role. Mr Foley has been a highly regarded member of the Board since the company's inception in 2014 and was instrumental in QEM's listing on the ASX in 2018.

As QEM continues to execute its succession plan, the company will look to introduce the right skills mix to assist the management team as we prepare to enter the next phase of project development and unlock the value potential of the Julia Creek Project.

Government Relations

Throughout FY2022, QEM continued its engagement with the relevant Queensland State Government Departments who will be key stakeholders in the successful development of the Julia Creek project. QEM issued the Office of the Coordinator General (OCG) a draft of the Initial Advice Statement (IAS) in the December 2021 quarter. The IAS is the initial step towards obtaining a Coordinated Project Declaration.

During the June 2022 quarter, QEM attended a follow up meeting with the OCG. QEM was informed that the OCG issued the Initial Advice Statement to other Queensland Government Departments to obtain feedback.

The feedback received has helped QEM to refine the studies and work to be performed to obtain a Coordinated Project Declaration. Additionally, during the June 2022 quarter QEM issued an Expression of Interest to the Department of Regional Development, Manufacturing and Water for an allocation of four gigalitres of water from the Flinders.

ESG

At the end of the March quarter 2022, QEM engaged Socialsuite to assist in streamlining, monitoring, and disclosing the Company's ESG progress and initiatives. QEM's first baseline ESG report was subsequently released to the market (see ASX announcement dated 31 March 2022).

QEM LIMITED DIRECTORS' REPORT

On 26 July 2022 and 27 October 2022, the Company released its next two quarterly ESG reports, with disclosures on the 21-core metrics set by the World Economic Forum (WEF) in its standardised and globally recognised Stakeholder Capitalism Metrics ESG framework.

Via quarterly ESG reporting, QEM aims to increase the transparency of its overall reporting to keep its ESG goals on track, and to be able to communicate the Company's progress to internal and external stakeholders, including potential investors.

QEM understands the importance of maintaining transparency in the way it operates so stakeholders and investors understand the Company goals and the progress it is making on them.

ESG highlights for the quarter ending Dec 2022 include:

PROSPERITY - INNOVATION - R&D

- Test work in the December Quarter on QEM's vanadium and oil shale bench scale pilot plant delivered the best oil extraction rates to date. The pilot plant results will complement petrology analysis, mineral characterisation and beneficiation work being undertaken on Julia Creek shale by new technical partners, The University of Queensland's Sustainable Minerals Institute (UQ SMI) and UK-based GSA Environmental (GSAe).
- UQ SMI employs a multi-disciplinary approach to mineral processing in order to potentially reduce energy use and the environmental footprint of mining operations. GSAe techniques have potential to result in lower carbon emissions and reduced waste.
- QEM's R&D investment is a vital step in bringing Australian vanadium to market.

COVID-19

QEM is pleased to report that it experienced no material COVID-19 impacts on its operations during the first half of 2023 financial year. The Company is maintaining adherence to Government directives to ensure it does its part to mitigate the risk of an outbreak.

QEM LIMITED
DIRECTORS' REPORT

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 2022 is set out on page 27.

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: 15 March 2023

QEM LIMITED
CONDENSED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Period Ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue		445,785	118
Corporate and compliance expenses		(145,180)	(207,419)
Director fees and employee benefits expense		(170,023)	(274,396)
Exploration expenditure		(1,461,630)	(755,492)
Share based payments		(684,842)	-
Depreciation – right of use asset	4	(45,914)	(29,612)
Depreciation – plant and equipment		(81,856)	-
Other expenses		(271,739)	(86,912)
Loss before income tax expense		(2,415,399)	(1,353,713)
Income tax expense			
Loss after income tax expense for the period		(2,415,399)	(1,353,713)
Other comprehensive loss, net of tax		-	-
Total comprehensive loss for the period		(2,415,399)	(1,353,713)
Net loss for the period is attributable to:			
Members of the parent entity		(2,415,399)	(1,353,713)
Total comprehensive loss for the period is attributable to:			
Members of the parent entity		(2,415,399)	(1,353,713)
Basic and diluted loss per share (cents per share)		(2.02)	(1.24)

QEM LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalents		2,318,521	1,425,475
Trade and other receivables		73,910	184,925
Other assets		75,239	77,530
TOTAL CURRENT ASSETS		2,467,670	1,687,930
NON-CURRENT ASSETS			
Other Assets		19,450	19,450
Right of Use Asset	4a	168,351	214,265
Plant and Equipment	5	1,106,551	716,877
TOTAL NON-CURRENT ASSETS		1,294,352	950,592
TOTAL ASSETS		3,762,022	2,638,522
CURRENT LIABILITIES			
Trade and other payables		521,135	518,648
Lease liabilities	4b	99,333	94,651
Provisions		69,138	64,035
TOTAL CURRENT LIABILITIES		689,606	677,334
NON-CURRENT LIABILITIES			
Lease Liability	4b	89,996	140,682
TOTAL NON-CURRENT LIABILITIES		89,996	140,682
TOTAL LIABILITIES		779,602	818,016
NET ASSETS		2,982,420	1,820,506
EQUITY			
Issued capital	2	14,341,192	11,448,721
Reserves		701,926	17,084
Accumulated losses		(12,060,698)	(9,645,299)
TOTAL EQUITY		2,982,420	1,820,506

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QEM LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the Period Ended 31 December 2022

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021	7,937,665	17,084	(6,818,157)	1,136,592
Loss for the period	-	-	(1,353,713)	(1,353,713)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,353,713)	(1,353,713)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	2,013,500	-	-	2,013,500
Less: Transaction costs arising from issue of shares	(131,216)	-	-	(131,216)
Balance at 31 December 2021	9,819,949	17,084	(8,171,870)	1,665,163
Balance at 1 July 2022	11,448,721	17,084	(9,645,299)	1,820,506
Loss for the period	-	-	(2,415,399)	(2,415,399)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(2,415,399)	(2,415,399)
<i>Transactions with owner directly recorded in equity:</i>				
Shares issued during the period	2,920,998	-	-	2,920,998
Options issued during the period	-	684,842	-	684,842
Less: Transaction costs arising from issue of shares	(28,527)	-	-	(28,527)
Balance at 31 December 2022	14,341,192	701,926	(12,060,698)	2,982,420

QEM LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the Period Ended 31 December 2022

	31 December 2022	31 December 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(467,587)	(644,413)
Exploration expenditure and project evaluation costs	(1,505,374)	(639,955)
Interest received	5,308	1,508
Grants Received	440,477	-
Net cash used in operating activities	(1,527,176)	(1,282,860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Property, Plant and Equipment	(416,790)	(115,033)
Net cash used in investing activities	(416,790)	(115,033)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	2,920,998	2,013,500
Payments for lease liability	(45,914)	(31,511)
Payments for capital raising costs	(38,072)	(131,216)
Net cash provided by/(used in) financing activities	2,837,012	1,850,773
Net decrease in cash held	893,046	452,880
Cash and cash equivalents at beginning of period	1,425,475	1,326,474
Cash and cash equivalents at end of reporting period	2,318,521	1,779,354

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 2022

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

These general purpose interim financial statements for the period reporting period ended 31 December 2022 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 2022 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 aside from the adoption of the accounting policy identified below.

Going Concern

The half year financial report has been prepared on the going concern basis which contemplates the continuity of normal business activity, the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2022 the Company incurred a loss of \$2,415,399 (2021: \$1,353,713) and net cash outflows from operating activities of \$1,527,176 (2021: \$1,282,860).

The ability of the Company to continue as a going concern is principally dependent on the Company raising capital. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this financial report.

Based on the cash flow forecasts and other factors referred to above, the Directors are satisfied that the going concern basis of preparation is appropriate. In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2022

Accounting Policies adopted in the Half-year period

Property, Plant and Equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

New or amended Accounting Standards and Interpretations adopted

There were no new accounting standards or interpretations that applied to the company aside from the adoption of Property, Plant and Equipment given the relevance to half-year operations ended 31 December 2022.

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 2022

2. ISSUED CAPITAL

	31 December 2022	30 June 2022
	\$	\$
(a) Issued and paid up capital		
Ordinary shares fully paid	14,341,192	11,448,721
	<u>Number</u>	<u>\$</u>
(b) Movement in ordinary shares on issue		
Balance at 1 July 2022	121,630,162	11,448,721
Issue of Ordinary Shares – 12 August 2022 (i)	3,463,415	710,000
Issue of Ordinary Shares – 11 October 2022 (ii)	7,322,720	1,610,998
Issue of Ordinary Shares – 21 November 2022 (iii)	2,727,272	600,000
Transaction Costs	-	(28,527)
Balance at 31 December 2022	<u>135,143,569</u>	<u>14,341,192</u>

- (i) On 12 August 2022, the Company issued 3,463,415 shares at \$0.205 to raise \$710,000 before costs.
(ii) On 11 October 2022, the Company issued 7,322,720 shares at \$0.22 to raise \$1,610,998 before costs.
(iii) On 21 November 2022, the Company issued 2,727,272 shares at \$0.22 to raise \$600,000 before costs.

3. RESERVES

	31 December 2022	30 June 2022
	\$	\$
Share based payment reserve	701,926	17,084
Share based payment reserve		
Reserve at the beginning of the year	17,084	17,084
Options issued – 12 August 2022 ¹	615,501	-
Options issued – 12 October 2022 ²	69,341	-
Balance at 31 December 2022	<u>701,926</u>	<u>17,084</u>

Options

The Company issued 5,600,000 options to directors and management during the period as follows:

¹ 5,000,000 unquoted options were issued to directors and management on 12 August 2022 exercisable at \$0.345 on or before 12 August 2025. The options were not tied to any performance or service conditions and vested immediately.

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2022

²600,000 unquoted options were issued to director Tim Wall on 12 October 2022 exercisable at \$0.345 on or before 12 August 2025. The options were not tied to any performance or service conditions and vested immediately.

Grant Date/entitlement	Number of Instruments	Grant Date	Expiry Date	Exercise Price	Fair value per instrument \$	Value \$
Directors and Mangement Director	5,000,000	12/08/2022	12/08/2025	\$0.345	0.123	615,501
Director	600,000	12/10/2025	12/08/2025	\$0.345	0.115	69,341

4. LEASES

	31 December 2022	30 June 2022
	\$	\$
a) Right-of-use asset		
Balance at the beginning of the year	214,265	22,274
Additions	-	267,517
Depreciation	(45,914)	(75,526)
Balance at the end of the year	<u>168,351</u>	<u>214,265</u>
Non-Current	<u>168,351</u>	<u>214,265</u>
	<u>168,351</u>	<u>214,265</u>
b) Lease liabilities		
Office lease	<u>189,329</u>	<u>235,333</u>
Current	99,333	94,651
Non-Current	89,996	140,682
	<u>189,329</u>	<u>235,333</u>

QEM LIMITED
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the Period Ended 31 December 2022

5. PLANT AND EQUIPMENT

	31 December 2022	30 June 2022
	\$	\$
Equipment at cost	41,309	28,200
Equipment – accumulated depreciation	(6,029)	(1,679)
Plant and Equipment at cost	1,153,568	695,147
Plant and Equipment – accumulated depreciation	(82,297)	(4,791)
	1,106,551	716,877
 PLANT AND EQUIPMENT		
Opening balance	716,877	-
Additions	471,530	723,347
Disposals	-	-
Depreciation	(81,856)	(6,470)
	1,106,551	716,877

6. DIVIDENDS

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

7. 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 2022, 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.

8. EVENTS SUBSEQUENT TO REPORTING PERIOD

On 15 February 2023, Non-Executive Chairman John Foley resigned from the Board of Directors, with Tim Wall being elevated from Deputy Chair to Chair.

There were no other 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.

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QEM LIMITED
DIRECTORS' DECLARATION
For the Period Ended 31 December 2022

9. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

10. 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 commitments have not changed materially since the release of the 30 June 2022 financial statements.

QEM LIMITED
DIRECTORS' DECLARATION
For the Period Ended 31 December 2022

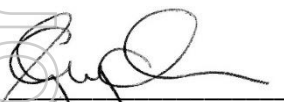
In the opinion of the Directors of QEM Limited (the Company):

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 2022 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

Perth
Dated: 15 March 2023

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 condensed statement of financial position as at 31 December 2022, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a 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 the financial position of the Company as at 31 December 2022 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half year financial report, which indicates that the Company incurred a net loss of \$2,415,399 during the half year ended 31 December 2022. As stated in Note 1 these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility 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 2022 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.



HALL CHADWICK WA AUDIT PTY LTD



D M BELL CA
Director

Perth, Western Australia this 15th day of March 2023

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To the Board of Directors

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

As lead audit director for the review of the financial statements of QEM Limited for the half year ended 31 December 2022, 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,



HALL CHADWICK WA AUDIT PTY LTD



D M BELL CA
Director

Dated this 15th day of March 2023
Perth, Western Australia

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