

QUEENSLAND ENERGY & MINERALS PTY LTD
ACN: 167 966 770

ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016

Queensland Energy & Minerals Pty Ltd
ACN: 167 966 770

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Queensland Energy & Minerals Pty Ltd
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Directors' Report

The Directors present this report on Queensland Energy & Minerals Pty Ltd (the "Company") for the financial year ended 30 June 2016 (the "financial year").

Information on Director

The names of each person who has been a director during the year and to the date of this report are:

Gavin Loyden
Barry Amor – resigned 5 March 2018
John Foley
David Fitch
Daniel Harris – appointed 19 March 2018

Each Director has been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The loss of the company after providing for income tax amounted to \$348,266 (2015: \$201,542).

Review of Operations

During the financial year, the Company commissioned HDR Ltd to undertake a Scoping Study for the Julia Creek Project. The scoping study, which focussed only on the vanadium resource, concluded there was potential for a highly profitable long life-of-mine operation. Additionally, the study concluded that there may be opportunity to gain additional value from the orebody through the conversion of oil shale into oil and oil products (kerogen conversion).

The Company focussed its attention on metallurgical and mineralogical test work designed to define the most effective integrated process for extraction of vanadium and oil shale, including investigations into the use of a supercritical water process.

QEM engaged with Griffith University in Queensland and their partners in China, Xian University, to conduct research on test samples from the companies Julia Creek project. Prof. Xiangdong Yao of Griffith and his associate, Prof. Guo Liejin, Former president of Energy and Power Engineering, the incumbent of Multiphase Flow in Power Engineering, State Key Laboratory Director, oversaw the testing in China.

The research was carried out to investigate the potential of using this technology to produce either hydrogen gas or liquid fuels from the oil shale. These initial tests proved the technical potential for such a process, although further investigation into the economic viability is still required.

Principal Activities

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

Significant Changes

There have been no other significant changes in the state of affairs of the Company during the year.

Queensland Energy & Minerals Pty Ltd
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Directors' Report

Events After the Reporting Date

On 16 March 2017, EPM 26429 covering an area of 35km² was granted, taking the total project area at Julia Creek to approximately 176km².

In September 2016 the Company raised \$90,000 through the issue of convertible notes and in February 2018 the Company raised an additional \$15,000 through the issue of convertible notes. In April 2018 the convertible note holders totalling \$105,000 agreed to rescind their debt and replace with a subscription agreement for a total of 489 ordinary shares.

In March 2018, a resource upgrade was conducted by Measured Group Pty Ltd. The Julia Creek Project is currently estimated to contain an Inferred Mineral Resource of 1,700 Mt @ 0.34% V2O5. In addition, within the same 1,700Mt, an Inferred Oil Shale resource is estimated at 654 million barrels in-situ (Petroleum Initially in Place) equivalent to a 3C estimate of 589 MMBbls with a 0.9 recovery factor.

On 20 June 2018, the Company obtained shareholder approval to change the Company type from a Proprietary Limited Company to a Limited Company and adopted a new constitution to reflect this change. The Company also obtained approval at this time to change the Company's name to QEM Limited.

On 20 June 2018 the Company obtained shareholder approval to convert 100 Class B shares to ordinary shares and do an approximately 1 for 2,141 share subdivision. The total number of shares on issue following the conversion and subdivision of capital is 55,000,000.

In June 2018, the Company raised \$1,000,000 through the issue of convertible notes with a conversion price of \$0.10 per share. Additionally, the Company issued a convertible note totalling \$440,000 with a conversion price of \$0.044 per share to lead manager Vested Equities for services to be performed in relation to the Company's initial public offering (IPO). The convertible notes will be converted on the day shares are issued to applicants under the IPO Prospectus, which is expected to be lodged in July 2018 to raise \$5,000,000 at \$0.20 per share before costs.

No other matters or circumstances have arisen since the end of the financial year 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.

Environmental Issues

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

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Directors' Report


Indemnification and Insurance of Officers

The Company paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company.

Auditor's Independence Declaration

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, has been received and is included within the financial statements.

Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'Gavin Loyden', with a long horizontal flourish extending to the right.

Gavin Loyden
Director

Dated: 13 July 2018

Queensland Energy & Minerals Pty Ltd
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Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

	Note	Audited 30 June 2016 \$	Unaudited Period from 10 February 2014 to 30 June 2015 \$
Revenue	2	146,597	7,638
Corporate expenses		(13,204)	(11,816)
Exploration expenditure		(464,124)	(187,678)
Other expenses		(17,535)	(9,686)
Loss before income tax expense		(348,266)	(201,542)
Income tax expense	3	-	-
Loss for the year		(348,266)	(201,542)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss attributable to the owners of Queensland Energy & Minerals Pty Ltd		(348,266)	(201,542)

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Statement of Financial Position
As at 30 June 2016

	Note	Audited 2016 \$	Unaudited 2015 \$
Current Assets			
Cash and cash equivalents	4	104,741	356,569
Trade and other receivables	5	148,070	5,990
Total Current Assets		252,811	362,559
Total Assets		252,811	362,559
Current Liabilities			
Trade and other payables	6	47,300	3,500
Total Current Liabilities		47,300	3,500
Total Liabilities		47,300	3,500
Net Assets		205,511	359,059
Equity			
Issued capital	7	755,319	560,601
Accumulated losses		(549,808)	(201,542)
Equity		205,511	359,059

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Statement of Changes in Equity
For the year ended 30 June 2016

	Issued Capital \$	Accumulated losses \$	Total \$
Balance at incorporation	100	-	100
Issue of shares	560,501	-	560,501
Loss after income tax expense for the year	-	(201,542)	(201,542)
Other comprehensive income for the year, net of tax	-	-	-
Balance at 30 June 2015	560,601	(201,542)	359,059
Issue of shares	194,718	-	194,718
Loss after income tax expense for the year	-	(348,266)	(348,266)
Other comprehensive income for the year, net of tax	-	-	-
Balance at 30 June 2016	755,319	(549,808)	205,511

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Statement of Cash Flows
For the year ended 30 June 2016

	Audited 2016 \$	Unaudited Period from 10 February 2014 to 30 June 2015 \$
Cash Flows from Operating Activities		
Payments to suppliers	(448,032)	(211,670)
Interest received	1,486	7,638
Net Cash Outflow from Operating Activities	<u>(446,546)</u>	<u>(204,032)</u>
Cash Flows from Financing Activities		
Proceeds from issue of shares	194,718	560,601
Net Cash Inflow from Financing Activities	<u>194,718</u>	<u>560,601</u>
Net (decrease) / increase in cash held	(251,828)	356,569
Cash and cash equivalents at the beginning of the year	356,569	-
Cash and cash equivalents at the end of the year	<u>104,741</u>	<u>356,569</u>

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Notes to the Financial Statements
For the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated. Such accounting policies are consistent with the previous period unless stated otherwise.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. As disclosed in the financial statements, the Company had net cash outflows from operations of \$446,546 for the year ended 30 June 2016.

The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cashflow in line with available funds. 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.

- During the year ended 30 June 2017, the Company raised \$90,000 through convertible loans. A further \$15,000 was raised through convertible notes in February 2018. In April 2018 the convertible note holders totalling \$105,000 agreed to rescind their debt and replace with a subscription agreement for a total of 489 ordinary shares, therefore not resulting in any cash outlay on conversion;
- In June 2018, the Company raised \$1,000,000 through the issue of convertible notes with a conversion price of \$0.10 per share. The convertible notes will be converted on the date the Company issues the shares to applicants under the IPO Prospectus, therefore not resulting in a cash outlay on conversion;
- The Company is in the process of preparing and lodging a prospectus for an Initial Public Offering on the ASX to raise \$5,000,000 through the issue of 25,000,000 shares.

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Notes to the Financial Statements
For the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (Cont.)

Based on the factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

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.

(c) Exploration and Evaluation Assets

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 believe expenditure could be recouped from either a successful development and commercial exploitation or sale of the respective assets.

(d) 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.

(e) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(f) Trade and Other Payable

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Revenue and Other Income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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Notes to the Financial Statements
For the year ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (Cont.)

(h) Interest Revenue

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax.

(i) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustments recognised for prior periods, where applicable.

(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 Taxation Office ("ATO").

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

(k) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

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Notes to the Financial Statements
For the year ended 30 June 2016

		Audited	Unaudited
		2016	Period from 10
		\$	February 2014 to
			30 June 2015
			\$
2	Revenue		
	Interest received	1,486	7,638
	Research and development grant	145,111	-
		<u>146,597</u>	<u>7,638</u>
3	Income Tax Expense		
	Loss from ordinary activities before income tax expense	(348,266)	(201,542)
	Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2015: 30%)	(104,480)	(60,463)
	Increase/(decrease) in income tax due to:		
	Non-deductible expenses	13,332	1,590
	Research and development expenses	53,208	-
	Tax losses not recognised/(utilised)	37,940	58,873
	Income tax attributable to the company	<u>-</u>	<u>-</u>
		Audited	Unaudited
		2016	2015
		\$	\$
4	Cash and Cash Equivalents		
	Cash at bank	<u>104,741</u>	<u>356,569</u>
5	Trade and Other Receivables		
	GST receivable	2,244	2,651
	Research and development grant receivable	145,111	-
	Other receivables	715	3,339
		<u>148,070</u>	<u>5,990</u>
6	Trade and Other Payables		
	Trade Creditors and Accruals	<u>47,300</u>	<u>3,500</u>

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Notes to the Financial Statements
For the year ended 30 June 2016

		Audited	Unaudited
		2016	2015
		\$	\$
7	Issued Capital		
	22,369 (2015: 20,337) Ordinary Shares	755,318	560,600
	100 (2015: 100) B Class Shares	<u>1</u>	<u>1</u>
		<u>755,319</u>	<u>560,601</u>

8 Auditors Remuneration

Bentleys Audit and Corporate Pty Ltd were the auditors of Queensland Energy & Minerals Pty Ltd for the year ended 30 June 2015 and 2016.

- Audit of financial statements	<u>3,300</u>	<u>-</u>
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9 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.

	Audited	Unaudited
	2016	2015
	\$	\$
Minimum Work Requirements:		
Not later than 12 months:	114,000	67,970
Between 1 and 5 years:	<u>720,000</u>	<u>834,000</u>
	<u>834,000</u>	<u>901,970</u>

10 Contingent Liabilities

There are no contingent liabilities as at the date of this report.

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Notes to the Financial Statements
For the year ended 30 June 2016

11 Subsequent Events

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No other matters or circumstances have arisen since the end of the financial year 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.

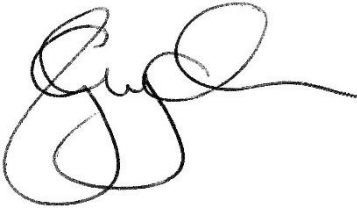
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Directors' Declaration
For the year ended 30 June 2016

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 to the extent as stated in Note 1; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1.
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 directors.

A handwritten signature in black ink, appearing to read 'Gavin Loyden', with a long horizontal flourish extending to the right.

Gavin Loyden
Director

Dated: 13 July 2018

Independent Auditor's Report

To the Members of Queensland Energy & Minerals Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of Queensland Energy & Minerals Pty Ltd ("the Company"), which comprises the statement of financial position as at 30 June 2016, the statement of Profit or Loss and Other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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Independent Auditor's Report

To the Members of Queensland Energy & Minerals Pty Ltd (Continued)



Auditor's Independence Declaration

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

Opinion

In our opinion, the financial report of Queensland Energy & Minerals Pty Ltd is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which indicates that the Company incurred a net loss of \$348,266 during the year ended 30 June 2016. This condition, along with other matters as set forth in Note 1(b), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

BENTLEYS
Chartered Accountants

DOUG BELL CA
Partner

Dated at Perth this 13th day of July 2018

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 Queensland Energy & Minerals Pty Ltd for the financial year ended 30 June 2016, 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 13th day of July 2018