



QEM LIMITED
ACN 167 966 770

ANNUAL FINANCIAL REPORT
For the year ended 30 June 2019

QEM LIMITED

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QEM LIMITED

CORPORATE DIRECTORY

DIRECTORS

John Foley
David Fitch
Daniel Harris

SECRETARY

David Palumbo

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QEM LIMITED

CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of QEM Limited (ASX: QEM), I am pleased to present the Company's Annual Report for the year ended 30 June 2019. With the 2018/2019 Financial Year drawn to a close, we look back on a year that has seen QEM further develop its flagship Julia Creek vanadium/oil shale project in North Western Queensland, to further increase the project's potential to provide innovative energy solutions, to both the Australian and international markets, through the production of vanadium pentoxide, transports fuels and hydrogen.

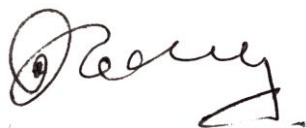
Following our successful listing on the ASX, where we raised \$5,000,000 to advance our flagship project, we achieved several project milestones and progressed with our metallurgical studies to optimise vanadium and oil extraction, which further increased the viability of the project.

As one of the largest vanadium resources listed on the ASX, during the year, we significantly expanded the size and scope of the Julia Creek project, with the granting of a new tenement EPM 27057, taking the total tenement size to 496km². At the time of the announcement, the Julia Creek project was the 2nd largest vanadium resource on the ASX, and the granting of this additional tenement, coupled with a resource upgrade and further drilling expected during the 2020 Financial Year, has the potential to further expand this globally significant resource.

During the year, we also undertook further drilling and a 2D 26km seismic survey with the aim of increasing the geological confidence of the deposit. The data gathered will play an important role in the process of mine design and pre-feasibility studies, as we advance towards becoming a leading provider of innovative energy solutions.

We also received positive results from preliminary testing for oil extraction on Julia Creek samples, with the results showing that Petroteq's proprietary technology was able to extract hydrocarbons. Following this, and although outside of the 2019 Financial Year, we announced further successful preliminary Stage 2 test results for oil extraction, which demonstrated that Petroteq's technology was able to recover up to 65% of the contained oil from Julia Creek project samples.

In the 2020 Financial Year to come, we will continue to advance the Julia Creek project through the anticipated resource upgrade, further exploration and testing for oil and vanadium extraction. I would like to thank shareholders for their support to date and look forward to continuing to advance the Julia Creek vanadium / oil shale project during the 2020 Financial year.



John Foley
Chairman

QEM LIMITED

DIRECTORS' REPORT

Your Directors present their report on QEM Limited (previously Queensland Energy & Minerals Pty Ltd) (referred hereafter as "the Company") for the financial year ended 30 June 2019.

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)
- David Fitch (Executive Director appointed 17 July 2018, previously Non-Executive Director)
- Daniel Harris (Non-Executive Director)
- Benjamin Cooper (Non-Executive Director) – appointed 16 July 2018, resigned 24 September 2018
- Gavin Loyden (Former Executive Director) – resigned 16 July 2018

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 secretaries' 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 \$2,260,912 (2018: \$1,049,825).

Financial Position

The net assets of the Company at 30 June 2019 are \$3,599,849 (2018: net assets of \$990,517). The Company's working capital, being current assets less current liabilities is \$3,599,849 at 30 June 2019 (2018: net assets of \$990,517).

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

New Tenements Granted - EPM 27057

During the Financial Year, QEM announced that it had been granted a new tenement EPM 27057, which adjoins the existing Julia Creek tenements EPM 26429, EPM 25681 and EPM 25662. The addition of this new tenement increased the Company's flagship Julia Creek vanadium/ oil shale project to a total tenement size of 496km².

Historic drill holes within the new tenement area show that the stratigraphic vanadium bearing oil shale units of the Toolebuc Formation, as defined in QEM's current 1.7Bt JORC resource, continue into the new tenement EPM 27057. QEM will be incorporating these historic drill holes into the Company's existing geological and resource model, which has been utilised for the purpose of seismic mapping. The updated geological and resource model will also be applied to core drilling across the project area, which will also include the newly granted tenement.

Drill Program at QEM's Flagship Julia Creek Project

On 7 May 2019, the Company announced that it has commenced a 5 hole drill program on its flagship Julia Creek vanadium / oil shale project. The program was a five hole, 4C (four inch), core drill program and the core recovered was used to advance processing studies to optimise the extraction of vanadium and potentially hydrocarbons. Results from the drill program were also input into the geological model, which will subsequently further increase the geological confidence of the deposit.

On 11 June 2019, the Company announced that it had successfully completed the 5 hole drill program. QEM expects the final drilling data results after assays, over the coming month. The Company also anticipates an upgrade to its Globally significant JORC (2012) Inferred Resource of 1,700 Mt @ 0.34% V₂O₅ over the coming months.

26km 2D Seismic Survey

Following the ASX release dated 6 February 2019, QEM announced that it had commenced a 26km 2D seismic surveying program on its flagship Julia Creek project. The results from the seismic survey showed the geological structure of the seams across the project area, which were then input in to the geological model, subsequently increased the geological confidence of the deposit. The seismic data gathered through the survey will play a critical role in the assessment of potential mine designs and also in the planning process of the future pre-feasibility study for the project.

QEM Receives Positive Results for Oil Extraction

On 20 December 2018, QEM announced that it had received successful initial preliminary results using Petroteq's technology from test work carried out on the previously drilled core sample.

The initial test was performed by ChemTreat Laboratories on a sample over a nine-day period and was overseen by Petroteq's Chief Technology Officer. The testing involved ChemTreat being provided Petroteq's proprietary solvent blend to test the amount of oil that could be extracted from QEM's inactivated oil shale. These preliminary results show that Petroteq's proprietary technology was able to extract hydrocarbons from QEM's Julia Creek Project. Further optimisation has been undertaken and QEM will continue with metallurgical test work over the 2020 Financial Year.

ASX Listing

On 19 October 2018, the Company announced that it had commenced trading on the Australian Securities Exchange (ASX) at 7:30am WST that day after raising \$5 million at \$0.20 per share as part of its Initial Public Offering (IPO). The Company issued 25,000,000 shares in its IPO, with 100,000,000 total shares on issue.

Review of Operations (continued)

Change in Substantial Holding

On 7 May 2019, it was announced to the market that QEM Executive Director, David Fitch, had purchased a total of 1,397,132 shares on market for a total value of \$205,547, taking his total holding of QEM to 24.88%.

Release from Escrow

During the 2019/20 Financial Year, the Company announced that 5,000,000 ordinary fully paid shares were released from escrow.

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.

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)

DIRECTORS' REPORT

David Fitch - Executive Director

B.Com. B.Juris., GAICD

Background

David Fitch is currently 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.

David has extensive experience in strategic planning, commercial negotiations and business operations and asset management with a particular focus on greenfield development sites for the commercial and retail sectors, residential development and is also actively involved as director of BioCentral Laboratories Ltd, a company producing advanced products for the firefighting industry as well as dust suppressants for mining and road construction.

David is a cornerstone investor in the Company and a Graduate Member of the Australian Institute of Company Directors.

Interest in securities

25,624,624 Ordinary Shares

Directorships held in other listed entities in the past three years

None

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 the Board of Paladin Energy, an Australian based global uranium producer with two mines in Africa. He is also 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

QEM LIMITED

DIRECTORS' REPORT

BlackRock Metals, a Canadian based mining and metals company currently developing a project to produce high quality pig iron, TiO₂ 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

Benjamin Cooper – Non-Executive Director (resigned 24 September 2018)

Gavin Loyden – Executive Director (resigned 16 July 2018)

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.

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 23 April 2018, Gavin Loyden entered into an executive employment agreement with the Company. Under the terms of the agreement, Mr Loyden's annual salary was \$186,000 plus superannuation. Either party may terminate this Agreement by providing written notice to the other party by providing three (3) months' prior 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. Either party may terminate this Agreement by providing written notice to the other party by providing three (3) months' prior notice.

On 22 March 2018, appointments of non-executive directors were 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 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.

DIRECTORS' REPORT

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 2019

Nil

4. Details of remuneration for the year ended 30 June 2019:

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

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			
	\$	\$	\$	\$	\$	\$	%	%
Directors								
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	-	-	-	-	-	-	-	-
	164,489	9,926	46,500	-	-	220,915	-	-

2018	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			
	\$	\$	\$	\$	\$	\$	%	%
Directors								
John Foley	8,226	-	-	-	-	8,226	-	-
Gavin Loyden	35,133	5,307	-	-	-	40,440	-	-
Daniel Harris	8,226	-	-	-	-	8,226	-	-
David Fitch	8,226	-	-	-	-	8,226	-	-
Barry Amor	-	-	-	-	-	-	-	-
	59,811	5,307	-	-	-	65,118	-	-

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 2019 was as follows:

30 June 2019	Balance at beginning of year/ appointment	Convertible note converted	Net change other	Balance at end of year
Directors				
John Foley	884,299	-	-	884,299
David Fitch	22,486,473	-	3,138,151	25,624,624
Daniel Harris	-	-	-	-
Gavin Loyden	20,591,547	-	(20,591,547)*	-
Benjamin Cooper	-	-	-	-
	<u>43,962,319</u>	<u>-</u>	<u>(17,453,396)</u>	<u>26,508,923</u>

* Gavin Loyden resigned 16 July 2018

6. Other Key Management Personnel Transactions

During the year ended 30 June 2019, 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)”**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
Ben Cooper	1	1
Gavin Loyden	1	1

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.

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 2019.

Auditor's Declaration of Independence

The auditor's independence declaration for the year ended 30 June 2019 has been received and is included within the financial statements.

Signed in accordance with a resolution of directors.



David Fitch
Executive Director
27 September 2019

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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 audit of the financial statements of QEM Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 27th day of September 2019

QEM LIMITED**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
		\$	\$
	Note		
Revenue	2	130,340	290
Corporate and compliance expenses		(334,134)	(165,315)
Employee benefits expense		(222,694)	(24,678)
Exploration expenditure		(721,402)	(304,758)
Share based payments expense	11	(916,667)	(458,333)
Other expenses		(196,355)	(97,031)
Loss from continuing operations before income tax benefit		(2,260,912)	(1,049,825)
Income tax expense	3	-	-
Loss from continuing operations after income tax benefit		(2,260,912)	(1,049,825)
Other comprehensive income, net of tax		-	-
Total comprehensive loss attributable to Members of the parent entity		(2,260,912)	(1,049,825)
Basic and diluted loss per share (cents)	4	(2.62)	(1.94)

The accompanying notes form part of these financial statements.

QEM LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		2019	2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,927,488	607,572
Trade and other receivables	6	55,239	20,794
Other assets	7	29,139	1,567,917
Total Current Assets		4,011,866	2,196,283
Total Assets		4,011,866	2,196,283
LIABILITIES			
Current Liabilities			
Trade and other payables	8	412,017	205,766
Borrowings	9	-	1,000,000
Total Current Liabilities		412,017	1,205,766
Total Liabilities		412,017	1,205,766
Net Assets		3,599,849	990,517
EQUITY			
Issued capital	10	7,937,665	1,067,421
Reserves	11	-	2,000,000
Accumulated losses		(4,337,816)	(2,076,904)
Total Equity		3,599,849	990,517

The accompanying notes form part of these financial statements.

QEM LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Issued Capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	1,023,921	-	(1,027,079)	(3,518)
Issue of shares (net)	43,500	-	-	43,500
Issue of convertible notes		2,000,000		2,000,000
Loss after income tax expense for the year	-	-	(1,049,825)	(1,049,825)
Other comprehensive income for the year, net of tax	-	-	-	-
Balance at 30 June 2018	1,067,421	2,000,000	(2,076,904)	990,517
Issue of shares (net)	6,870,244	(2,000,000)	-	4,870,244
Loss after income tax expense for the year	-	-	(2,260,912)	(2,260,912)
Other comprehensive income for the year, net of tax	-	-	-	-
Balance at 30 June 2019	7,937,665	-	(4,337,816)	3,599,849

The accompanying notes form part of these financial statements.

QEM LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
		\$	\$
Cash Flows from Operating Activities	Note		
Payments to suppliers		(1,302,408)	(374,892)
Interest received		47,338	290
Grants received		79,741	-
Net Cash (Outflow) from Operating Activities	14	<u>(1,175,329)</u>	<u>(374,602)</u>
Cash Flows from Financing Activities			
Payments for capital raising costs		(504,755)	(61,500)
Proceeds from issued capital		5,000,000	-
Proceeds from convertible notes		-	1,015,000
Net Cash Inflow from Financing Activities		<u>4,495,245</u>	<u>953,500</u>
Net Increase/(decrease) in cash held		3,319,916	578,898
Cash and cash equivalents at the beginning of the year		607,572	28,674
Cash and cash equivalents at the end of the year	5	<u><u>3,927,488</u></u>	<u><u>607,572</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 27 September 2019 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 as 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 2019**

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 2019**

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 2019. 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

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (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 will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Company will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be finalised by the Company.

QEM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Revenue	2019	2018
	\$	\$
Interest received	50,599	290
Research and development grant	79,741	-
	<u>130,340</u>	<u>290</u>
3. Income tax benefit		
Net loss before tax	(2,260,912)	(1,049,825)
Income tax benefit on above at 30%	(678,274)	(314,947)
Increase/(decrease) in income tax due to the tax effect of:		
Non-deductible expenses/timing differences	5,906	9,726
Research and development incentive	(23,922)	-
Tax losses not recognised/(utilised)	<u>696,290</u>	<u>305,221</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 2019 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 2019, the potential tax benefit of unused tax losses is \$943,447(2018: \$240,041).

QEM LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

4. Earnings per share	2019 Cents per Share	2018 Cents per Share
Basic/diluted loss per share	(2.62)	(1.94)

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

	2019 \$	2018 \$
Loss from continuing operations	(2,260,912)	(1,049,825)
	Number	Number
Weighted average number of ordinary shares for the purposes of basic/ diluted loss per share	86,430,283	54,128,913

5. Cash and cash equivalents	2019 \$	2018 \$
Cash at bank	<u>3,927,488</u>	<u>607,572</u>

6. Trade and other receivables*Current*

GST receivable	51,977	20,794
Interest receivable	<u>3,262</u>	<u>-</u>
	<u>55,239</u>	<u>20,794</u>

As at 30 June 2019, 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.

7. Other assets*Current*

Prepaid IPO costs	-	26,250
Prepaid Lead Manager Convertible Note (i)	-	1,541,667
Prepayments	<u>29,139</u>	<u>-</u>
	<u>29,139</u>	<u>1,567,917</u>

(i) As detailed in note 11, the total fair value of the Vested convertible note is \$2,000,000, which has been allocated between capital raising costs and corporate advisory services of \$625,000 and \$1,375,000 respectively. The corporate advisory services portion is being expensed over the service period of 9 months.

8. Trade and other payables*Current*

Trade payables and accruals	<u>412,017</u>	<u>205,766</u>
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QEM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

9. Borrowings	2019	2018
	\$	\$
<i>Current</i>		
Unsecured convertible notes	-	<u>1,000,000</u>

During April 2018, the Company raised \$1,000,000 (before costs) through the issue of convertible notes with a conversion price of \$0.10 per share, which converted into 10 million ordinary shares on 11 October 2018.

10. Issued capital	2019	2018		
	\$	\$		
(a) Issued and paid up capital				
100,000,000 (2018: 55,000,000) Ordinary Shares	<u>7,937,665</u>	<u>1,067,421</u>		
(b) Movement in ordinary shares on issue	2019	2019	2018	2018
	Number	\$	Number	\$
Balance at beginning of period	55,000,000	1,067,421	25,098	1,023,920
Shares issued during the year:				
- 27 April 2018 ¹	-	-	70	15,000
- 29 April 2018 ¹	-	-	186	40,000
- 1 May 2018 ¹	-	-	233	50,000
- 20 June 2018 ²	-	-	100	1
- 20 June 2018 ²	-	-	54,974,313	-
- 11 October 2018 ³	10,000,000	1,000,000	-	-
- 11 October 2018 ⁴	10,000,000	2,000,000	-	-
- 11 October 2018 ⁵	25,000,000	5,000,000	-	-
Capital raising costs	-	(1,129,756)	-	(61,500)
Balance at end of period	<u>100,000,000</u>	<u>7,937,665</u>	<u>55,000,000</u>	<u>1,067,421</u>

¹ In April/May 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 (pre-share split).

² On 20 June 2018, Shareholders approved the conversion of 100 Class B shares to 100 ordinary shares and do an approximate 1 for 2,141 share subdivision.

³ 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.

⁴ 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.

⁵ 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 2019**

(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 2019 was a deficit of \$3,599,849 (2018: deficit of \$577,400) and the net increase in cash held during the year was \$3,319,916 (2018: increase of \$578,898).

11. Reserves

	2019	2018
	\$	\$
Share based payment reserve	-	2,000,000
Share based payment reserve		
Reserve at the beginning of the year	2,000,000	-
Issue of convertible note to lead manager ¹	-	2,000,000
Transfer to issued capital	(2,000,000)	-
Reserve at end of year	-	2,000,000

¹ During May 2018, the Company issued a 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 to be performed in relation to the Company's initial public offering (IPO), which converted into 10 million ordinary shares upon ASX listing. The fair value of this instrument is deemed to be the IPO price being \$0.20 per share and total fair value of \$2,000,000.

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 2019, a total share based payment expense of \$916,667 (2018: \$458,333) 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 2019**

12. Auditors' remuneration

	2019	2018
	\$	\$
Amounts, received or due and receivable by auditors for:		
- audit or review services	15,000	13,300

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 2019. The totals of remuneration paid to KMP of the Company during the year are as follows:

	2019	2018
	\$	\$
Short term	164,489	59,811
Post-employment	56,426	5,307
	<u>220,915</u>	<u>65,118</u>

(b) Other transactions

During the year ended 30 June 2019, the Company paid consulting fees to Daniel Harris totalling \$50,000 (2018: \$52,500) and consulting fees to Australian Founders Equity Pty Ltd, an entity associated with Gavin Loyden, totalling \$nil (2018: \$90,000). Additionally, David Fitch subscribed for a convertible note totalling \$15,000 in February 2018 which was subsequently converted into 70 ordinary shares (pre share subdivision) in April 2018.

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	(2,260,912)	(1,049,825)
Non cash flows:		
Share based payments	916,667	2,000,000
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(34,444)	76,464
- (increase)/decrease in other assets	(2,889)	(1,567,917)
- increase/(decrease) in trade and other payables	206,253	166,676
	<u>(1,175,329)</u>	<u>(374,602)</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 2019.

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 2019, 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.

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:

**NOTES TO THE FINANCIAL STATEMENTS
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Financial assets	2019	2018
	\$	\$
Cash and cash equivalents – AAA rated counterparties	3,927,488	607,572
Receivables – other	55,239	20,794
	<u>3,982,727</u>	<u>628,366</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 2019 (2018: 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.

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	2019	2018
	\$	\$
No later than 12 months	460,000	319,000
Between 1 and 5 years	818,000	457,000
	<u>1,278,000</u>	<u>776,000</u>

QEM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Operating commitments

The Company maintains a lease over Suite 6A, Level 6, 50 Appel Street, Surfers Paradise, Queensland. These obligations are not provided for in the financial report.

	2019	2018
	\$	\$
No later than 12 months	67,800	-
Between 1 and 5 years	90,400	-
	<u>158,200</u>	<u>-</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 2019

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 2019 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.



David Fitch
Executive Director
27 September 2019

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 2019, 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 2019 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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.

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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>Exploration Expenditure</p> <p>During the year, the Company incurred exploration expenses of \$721,402. Exploration expenditure is a key audit matter due to:</p> <ul style="list-style-type: none">– The significance to the Company's statement of profit or loss and other comprehensive income; and– The level of judgement required in evaluating management's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>. AASB 6 is an industry specific accounting standard requiring the application of significant judgements, estimates and industry knowledge.	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">– Assessing management's determination of its areas of interest for consistency with the definition in AASB 6. This involved analysing the tenements in which the Company holds an interest and the exploration programs planned for those tenements.– We assessed the Company's rights to tenure by corroborating to government registries; and– We tested 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 AASB 6.
<p>Accounting for the issue of equity instruments</p> <p>During the year the Company issued equity of \$8,000,000 before costs via the issue of ordinary shares and the conversion of a convertible note. As disclosed in note 11 the convertible note was issued as consideration for services in relation to the Company's Initial Public Offering constituting a share based payment.</p> <p>The issue of equity instruments and share based payments are considered to be a key audit matter due to</p> <ul style="list-style-type: none">– the complexities involved in the recognition and measurement of share based payments;– the judgement involved in determining the inputs used in the valuation of share based payments; and– the value of the transactions.	<p>Our procedures amongst others included:</p> <ul style="list-style-type: none">– Analysing agreements to identify the key terms and conditions of share based payments issued in accordance with AASB 2 <i>Share Based Payments</i>;– Assessing the share based payment expense recognised during the year in accordance with the terms of the agreements;– For the issued capital raised, verified funds raised to bank statements and other relevant supporting documentation; and– Assessing the adequacy of the disclosures included in Notes 10 and 11 to the financial statements.

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 2019 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 responsibility is to express an opinion on the financial report based on our audit. 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.

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.

Independent Auditor's Report

To the Members of QEM Limited (Continued)



- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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 year 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019. 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.

Independent Auditor's Report

To the Members of QEM Limited *(Continued)*



Auditor's Opinion

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Doug Bell".

DOUG BELL CA
Partner

Dated at Perth this 27th day of September 2019

ASX INFORMATION

The following additional information is required by the ASX Limited in respect of listed public companies and was applicable at 13 September 2019.

1. Shareholder and Option holder information

a. Number of Shareholders and Option Holders

Shares

As at 13 September 2019, there were 403 shareholders holding a total of 100,000,000 fully paid ordinary shares.

Options

As at 13 September 2019, there were options on issue.

b. Distribution of Equity Securities

Fully paid ordinary shares Category (size of holding)	Number (as at 13 September 2019)	
	Shareholders	Ordinary Shares
1 - 1,000	9	843
1,001 - 5,000	20	74,633
5,001 - 10,000	67	634,750
10,001 - 100,000	227	10,924,566
100,001 - and over	80	88,365,208
	403	100,000,000

The number of shareholdings held in less than marketable parcels is 23 shareholders amounting to 45,476 shares.

c. The names of substantial shareholders listed in the company's register as at 13 September 2019 are:

Shareholder	Ordinary Shares	%Held of Total Ordinary Shares
David Fitch	25,624,624	25.62%
Tracey Loyden	20,591,547	20.59%

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.

QEM LIMITED

ASX INFORMATION

e. 20 Largest Shareholders as at 13 September 2019 — Ordinary Shares

	Number of Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. GREENWICH GLOBAL PTY LTD <LOYDEN FAMILY A/C>	19,707,248	19.71%
2. DL FITCH NOMINEES PTY LTD <DAVID FITCH FAMILY A/C>	17,506,134	17.51%
3. SKIPTRAK PTY LTD	4,496,438	4.50%
4. BENJAMIN H COOPER <COOPER FAMILY A/C>	4,000,000	4.00%
5. STONE GROUP PTY LTD <THE STONE GROUP DISC A/C>	3,025,000	3.03%
6. DULYNE PTY LTD <THE ATLANTIS SUPER FUND A/C>	2,925,085	2.93%
7. DAVRAC INVESTMENTS PTY LTD <DAVRAC SUPERFUND A/C>	2,415,229	2.42%
8. DLFCMS NOMINEES PTY LTD <DLFCMS PROPERTY A/C>	2,415,229	2.42%
9. IGS CAPITAL PTY LTD <IGS CAPITAL A/C>	2,250,000	2.25%
10. ER FITCH PTY LTD <ELOISE FITCH FAMILY A/C>	2,138,151	2.14%
11. EXECUTIVE OUTCOMES PTY LTD	1,962,000	1.96%
12. EVOLUTION HUB PTY LTD	1,801,490	1.80%
13. CG DAVIES INVESTMENTS PTY LTD <COL DAVIES FAMILY A/C>	1,473,118	1.47%
14. DAVGOE INVESTMENTS PTY LTD <DAVGOE FAMILY A/C>	1,473,118	1.47%
15. MT DAVIES INVESTMENTS PTY LTD <MG & TJ DAVIES FAMILY A/C>	1,473,118	1.47%
16. AUSTRALIAN STRATEGIC RESOURCES PTY LTD <DBAH A/C>	1,064,157	1.06%
17. MS CHUNYAN NIU & MS RAN LI	1,000,000	1.00%
18. RAYAN INVESTMENTS PTY LTD <RAYAN INVESTMENT A/C>	900,000	0.90%
19. VALFAST PTY LTD	884,299	0.88%
20. TRACEY LOYDEN <TREVOR FREEMAN A/C>	884,299	0.88%
	<u>73,794,113</u>	<u>73.79</u>

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%