



## Queensland Pacific Metals Ltd (QPM.ASX)

### Carbon Negative TECH Highlights Strong Green Credentials

#### Event:

- Miniviro Life Cycle Assessment Report; September quarterly report.

#### Investment Highlights:

- Carbon negative TECH Project:** Life Cycle Assessment work undertaken by Miniviro confirms the TECH Project is significantly carbon *negative*. The report found the TECH Project nickel production *reduces* greenhouse gas emissions by 14.9kg CO<sub>2</sub> equivalent for every kilogram of nickel in nickel sulphate. This is in stark contrast to the industry average of 4kg CO<sub>2</sub> (Nickel Institute). QPM is investigating the incremental revenue potential from monetising carbon credits.
- Emission reduction equivalent to 52,000 cars, or 238kt CO<sub>2</sub> eq.:** calculated annual reduction in Australia's greenhouse gas emissions is 238kt CO<sub>2</sub> or taking more than 50,000 typical passenger vehicles off the roads. QPM's gas sourcing strategy will reduce the Bowen Basin's carbon emissions by 700ktpa.
- Utilising waste mine gas will capture and consume gas instead:** TECH project will source Bowen Basin waste mine gas, which would otherwise be flared or directly emitted into the atmosphere. Fugitive methane emissions are especially harmful, with Global Warming Potential 25x that of CO<sub>2</sub>. There are limited baseload customers besides QPM, who have access to existing infrastructure.
- Miniviro report underscores strong green credentials of TECH Project:** Carbon negative findings of the TECH Project is just the start for very strong environmental credentials, increasingly critical to financing. TECH will also have zero process liquids discharge, avoiding wet tailings and acid mine drainage; presents an alternative to HPAL laterite processing; and delivers efficient metal extraction of limonite, which would otherwise be disposed of as tailings.
- Attained State Significance status, entered NAIF DD phase:** previously announced during 21Q3, the TECH Project was elevated to State Significance in Queensland, which will help streamline government interaction, as well as successfully completed the Strategic Assessment phase for the North Australia Infrastructure Facility, and progressed to the due diligence phase.
- Cash of \$30M at September 2021.** Ample funding for its DFS, as well as progressing its marketing efforts.

#### Earnings and Valuation:

- We have an unchanged risked valuation of \$0.38 per QPM share (0.69x NPV),** underpinned by an unrisked NPV<sub>10</sub> of A\$1,507M for the TECH Project for a 1.5Mtpa expansion case, assuming first product in FY24e and 12 month ramp, with first full year of earnings in FY25e to deliver EBITDA of \$350M and NPAT of \$160M.

#### Recommendation:

- We continue to recommend QPM as a **Speculative Buy with an unchanged price target of \$0.38/share**, due to its sustainable, high margin direct nickel processing project, delivering battery material products.
- Catalysts for the stock** include: 1) Definitive Feasibility Study for TECH Project and expansion case; 2) FEED and FID decisions and commencement of the TECH Project; 3) customer offtake MOUs and marketing relationships; 4) updates on financing arrangements; 5) updates on capacity upgrade; 6) environmental approvals.

#### Disclosure

The analyst own 62,500 QPM shares.  
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 6,335,617 QPM shares and 10,000,000 QPM options with \$0.03 exercise and September 2023 expiry.  
Cranport Pty Ltd owns 6,595,000 QPM shares.  
Foster Stockbroking acted as Sole Lead Manager to the \$4.4M placement of 293.3M QPM shares at \$0.015 per share in November 2020 and the \$15M placement of 187.5M QPM shares at \$0.08 per share in March 2021. Foster Stockbroking received fees for these services.  
Refer to end of report for details.

Recommendation	Speculative Buy			
Previous	Speculative Buy			
Risk	High			
Price Target (A\$/share, risked)	\$0.38			
Previous	\$0.38			
Share Price (A\$)	\$0.22			
ASX Code	QPM			
52 week low - high (A\$)	0.029-0.275			
<b>Capital structure</b>				
Shares on Issue (M)	1,355.6			
Market Cap, pro forma, undil. (A\$M)	298			
Net Cash/(Debt), pro forma (A\$M)	30			
EV (A\$M)	268			
12mth Av Daily Volume ('000)	14,019			
<b>Y/e Jun A\$</b>	<b>FY20a</b>	<b>FY21a</b>	<b>FY22e</b>	<b>FY23e</b>
Sales, \$M	0.0	0.0	0.0	0.9
EBITDA adj. \$M	-4.4	-11.3	-15.3	-18.6
NPAT adj. \$M	-4.5	-11.5	-15.5	-22.6
EPS adj c	-0.9	-1.2	-1.0	-0.6
PER (x)	nm	nm	nm	nm
Dividend c	0.0	0.0	0.0	0.0
<b>Shareholders</b>				
LG Chem				7.3%
POSCO Venture Capital				3.1%
<b>Board and Management</b>				
John Abbott				Non-Executive Chairman
Jim Simpson				Non-Executive Director
Sharna Glover				Non-Executive Director
Eddie King				Non-Executive Director
Stephen Grocott				Managing Director, CEO
John Downie				Executive Director
<b>Share Price Graph</b>				



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