

Quest Minerals Limited

ABN 55 062 879 583
(Subject to a Deed of Company Arrangement and Creditors Trust)

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Board of Directors and Management:

Jerome G (Gino) Vitale
Managing Director

Non-Executive Directors

Steve Formica, Chairman
Dennis Gee
David Palumbo

Joint Company Secretaries

Stuart Third
David Palumbo

Capital Structure

Ordinary Shares: 4,399,428



ASX Code: **QNL**

Enquiries regarding this announcement can be directed to:

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Report for Quarter Ended 31 December 2016

Quest Minerals Limited (ASX: QNL, "Company") is pleased to provide this quarterly update on its activities for the quarter ended 31 December 2016.

1. Corporate

Activities during the quarter continued to focus on meeting the conditions imposed by ASX to achieve recommencement of trading of the Company's securities.

The full set of conditions is contained at pages 25 to 28 of the Notice of General Meeting of Shareholders held on 14 November 2016 (see ASX announcement dated 14 October 2016). Many of the key conditions were met during the quarter, including:

- (i) shareholder approval obtained on 14 November 2016 for certain historical transactions with respect to a services agreement with and the acquisition of an asset in 2009;
- (ii) lodgement of a Prospectus with ASIC on 15 November 2016 and a Supplementary Prospectus on 29 November 2016 for a public share offer to recapitalize the Company pursuant to the approval of shareholders;

In late December 2016 ASX granted an extension to 15 February 2017 by which all of its conditions for reinstatement must be met (refer ASX announcement of 3 January 2017). Following this and other developments outlined below, a Second Supplementary Prospectus was lodged on 27 January 2016 to update investors on material developments (the above three documents together henceforth to be referred to as "Prospectus"). The present indicative timetable is:

Closing Date for Priority Offer to Shareholders	1 February 2017
Closing Date of the Offer	7 February 2017
Completion of issue of securities under the Offer	9 February 2017
Payments to Deed Administrator, DOCA effectuated and Deed Administrator retires	9 February 2017
Reinstatement of trading of Shares on the ASX	15 February 2017

The directors are confident that the Company will meet all of the conditions imposed by ASX in accordance with the above timetable, however re-quotations of the Company's shares by 15 February 2017 is at the absolute discretion of ASX and is subject to the Company satisfying all of its reinstatement requirements.

Following completion of the capital consolidation approved by shareholders on 14 November 2016 and share offer outlined in the Prospectus, the capital structure of the Company will be as set out in the following table:

CAPITAL STRUCTURE SUMMARY	Fully Paid Ordinary Shares		Partly Paid Shares	
	Number of Shares	Percentage	Number of Shares	Percentage
Shares on Issue as at 30 September 2016	719,253,285	100%	16,980,000	100%
Shares on issue following the Consolidation ¹	2,399,428	2.04%	56,600	100%
Issue at \$0.02 per Share to related parties or nominees ²	4,000,000	3.41%		
Shares on Issue at the date of this report, 31 January 2017	6,399,428	5.45%		
Placement Offer at \$0.02 per Share to unrelated parties to raise \$2,020,000 pursuant to Prospectus	101,000,000	85.99%		
Issue of Shares at \$0.02 per share in satisfaction of fees to unrelated lead manager and corporate advisers	10,000,000	8.51%		
Conversion of Partly Paid Shares offered under Prospectus	56,600	0.05%		
On Issue at completion of Consolidation and Placement Offer	117,456,028	100.00%	-	-

¹ 1 for 300 approved by shareholders at General Meeting held on 14 November 2016; includes rounding up to 1 share for shareholders with 300 or less shares held prior to consolidation

² completed on 14 December 2016 pursuant to shareholder approval

Funds raised under the Offer (after payment to the Creditors Trust) will be used to advance the Company's Victory Bore gold project, general working capital and to meet the costs of the recapitalisation.

Unlisted Options

In addition to the above share capital, pursuant to shareholder approval received on 14 November 2016, the Company will have on issue 30,000,000 unlisted options to be issued to nominees of the Lead Manager of the Share Placement Offer, CPS Capital Group Pty Ltd, and 2,500,000 unlisted options issued to a related party. The issue price of the options is \$0.00001 per option, with an exercisable price of \$0.03 at any time until 30 September 2020.

1.1 Summary of Other Key Developments since 30 September 2016

- (i) on 15 November 2016 the Company announced that CPS Capital Group Pty Ltd had been appointed as Lead Manager to the Placement Offer;
- (ii) pursuant to a decision by Federal Court of Australia handed down on 15 December 2016, title to a total of 256,666 shares previously held by KHV Holdings Pty Ltd and Mutual Holdings Pty Ltd respectively has been transferred to the Deed Administrator and the necessary escrow deeds with respect to those shares have been executed by him. This fulfils a key condition of reinstatement of trading of the Company's securities required by ASX (refer ASX announcement 16 December 2016);
- (iii) Supreme Court proceedings were commenced on 16 November 2016 by the above entities with respect to their exclusion from voting at the General meeting of Shareholders held on 14 November 2016. These proceedings were subsequently discontinued and a settlement reached (refer ASX announcements of 29 November 2016 and 16 January 2017 respectively);
- (iv) a reduction in the cash contribution to be made to the Creditors Trust established under the DOCA to \$185,000 was agreed with the Deed Administrator, previously estimated to be up to \$330,000 (refer Second Supplementary Prospectus);

1.2 Key conditions imposed by ASX that remain outstanding

- (i) Completion of share placement offer and minimum cash on hand condition: the Company must have a minimum of \$1.0 million in cash on hand net of all liabilities at the date of reinstatement (to satisfy Listing Rule 12.2);

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- (ii) minimum spread: satisfaction of Listing rule 12.4 such that there are at least 300 shareholders each holding at least \$500 each worth of fully paid shares;
- (iii) Disclosure compliance: the Company complying with ongoing disclosure requirements of the Listing Rules and Guidance Notes thereto – this information is to be lodged upon completion of the Placement Offer.

1.3 AGM's for 2015 and 2016

The annual General Meetings of the Company in respect of the years ended 30 June 2015 and 2016 respectively were held on 14 November 2016, immediately after the General Meeting at which the recapitalization proposal was considered by shareholders. (With respect to the AGM for the year ended 30 June 2015, the Company received advice of an exemption from ASIC on 21 December 2015 allowing for an extension of time to hold its Annual General Meeting to no later than 30 November 2016).

Acceptance of the Remuneration Reports put to shareholders at the consecutive AGMs were lost of a show of hands, as a result of which a spill motion was put at the 2016 AGM. The spill motion was lost by an overwhelming majority (for details refer ASX announcement of 14 November 2016).

Dr Dennis Gee who was eligible for reelection at the 2015 AGM offered himself for reappointment however the motion was lost on a show of hands. The remaining Directors reappointed Dr Gee to fill the casual vacancy immediately after the meeting.

Mr Paul Piercy who was eligible for reelection at the 2016 AGM offered himself for reappointment however the motion was lost on a show of hands. The remaining Directors reappointed Mr Piercy to fill the casual vacancy immediately after the meeting.

1.4 Directors Resignations and Appointments

Mr Paul Piercy resigned as a director and Chairman on 18 January 2017.

Dr Dennis Gee has tendered his resignation as a director, effective from 31 January 2017.

Mr Steve Formica was appointed as a director of the Company on 3 January 2017 and was appointed as non-executive Chairman on 18 January 2017.

Mr David Palumbo was appointed as a non-executive director of the Company on 18 January 2017. Mr Palumbo was also appointed to the role of joint company secretary on 16 December 2016.

Mr Jerome Vitale will step down as Managing Director, and continue as a non-executive director, effective upon completion of the Placement Offer and reinstatement of trading of the Company's Shares.

1.5 Cash at Bank and Borrowings

At 31 December 2016 the Company had a cash balance of \$29,000, secured borrowings of \$69,000 (secured by a mining mortgage over EL57/1036) and unsecured borrowings of approximately \$125,000. These liabilities are to be repaid in full upon completion of the Share Placement Offer as outlined in the Second Supplementary Prospectus.

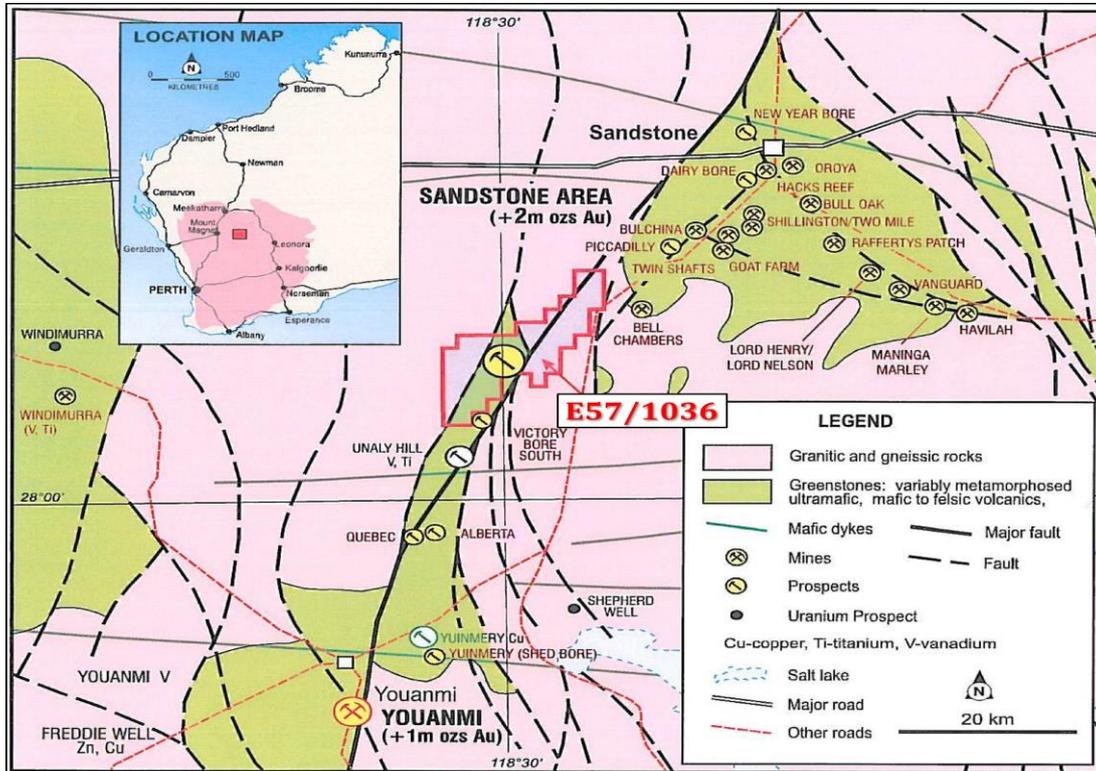
A pro-forma balance sheet to show the effect of the proposed share placement offer and the other transactions referred to in this report is contained in the Second Supplementary Prospectus.

2. Operations - Victory Bore Gold Project, Sandstone WA

The Company's wholly owned subsidiary Acacia Mining Pty Ltd ("Acacia") was awarded Exploration Licence E57/1036 on 1 July 2016. The licence covers an area of 39 km² on 13 blocks near the town of Sandstone, 560 km north east of Perth in East Murchison Mineral Field in Western Australia. **Figure 1** below shows several gold processing facilities are located close to the licence area.

The primary interest of the Company is to explore the potential for gold mineralization where a number of historical drill anomalies in BIF's (banded iron formations) have never been followed up. These anomalies represent sound drill targets that warrant follow up drilling.

The area also hosts gold bearing mineralised shears and quartz veins associated with brittle-ductile fracturing of host rocks that provide significant potential for economic gold mineralization due to the favourable geological and structural setting.



The Company has previously commissioned a consultant geologist to compile historic gold intersections, being drilling programs that predominantly occurred from 1979 to 1998. Previous exploration drilling carried out by Battle Mountain Gold intersected several ore grade intersections of gold. These include:

- 4m @ 3.51 g/t Au from 52m in hole YR867
- 6m @ 5.2 g/t Au from 59m in hole YR875
- 8m @ 10.24 g/t Au from 20m in hole YP780

The location of these drill holes within EL 57/1036 is shown in **Figure 2** below.

A work program comprising 1,400 metres of air core drilling has been developed by Quest in the first year to confirm these anomalies, with a follow up 6,800 metres of staged RC drilling in the second year. The Company has budgeted \$200,000 in exploration expenditure in the first year to 30 June 2017 and \$350,000 in the following year from the proceeds of the Offer to execute the following exploration program:

Year 1 – Budget \$200,000:

- the re-interpretation of recently available aeromagnetic data;
- geological mapping;
- re-examination of historic drill hole material;
- anthropological survey (required under access agreement with traditional land-owners);
- further surface rock chip sampling; infill detailed soil sampling within the defined gold-in-saprolite anomaly; and
- detailed planning and contractor costing for RC drilling program in year 2.
- 1,400 metres of Air Core drilling to confirm historic anomalies

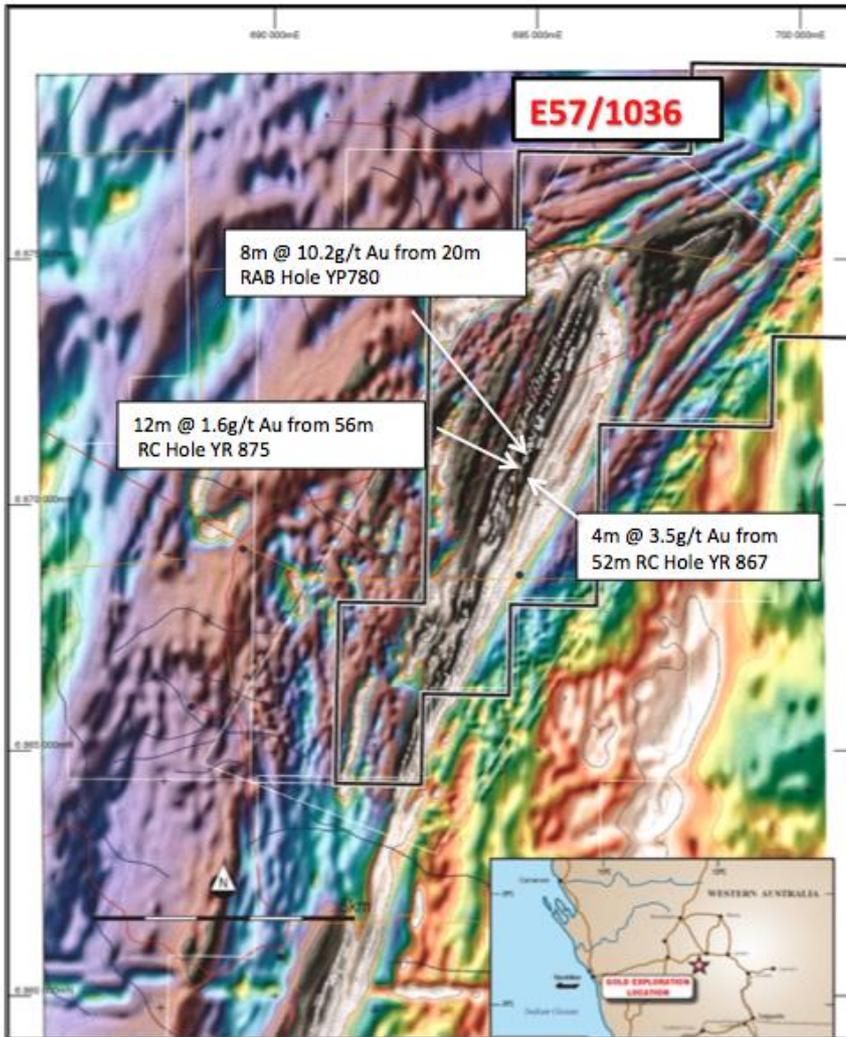


Figure 2 –historical gold intercepts and location shown over interpreted aeromagnetics map

Year 2 – Budget \$350,000

- initial 10-hole angled RC program totalling 1,000 metres with grid spacing approximately 40m by 80m.
- follow up 5,800 metre RC drilling program
- drill rig and camp mobilisation, RC drilling, chemical analyses, planning and program administration and management, demobilisation

Execution of the program is subject to the successful recapitalisation of the Company.

Yours faithfully,

Gino Vitale
Managing Director

for further information, contact:

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