farnsworth|shepard

23 September 2016

Listings Manager
ASX Perth

Dear Sir,

**Quest Minerals Limited** (ABN 55 062 879 583)
(Subject to a Deed of Company Arrangement)
*(Subject to a Creditors' Trust) ("Company")*

**Financial Report for year to 30 June 2016**

This is to confirm that I have today authorised the release by the Company the attached Statutory Accounts for Quest Minerals Limited and its Controlled Entities for the year to 30 June 2016.

Yours faithfully

**QUEST MINERALS LIMITED**
(Subject to deed of Company Arrangement) (Subject to a Creditors' Trust)

**Adam Shepard**
Deed Administrator/Trustee



CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

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2 Barrack St
SYDNEY NSW 2000

T +61 2 9262 4000
F +61 2 7903 8088
E fs@farnsworthshepard.com.au

GPO Box 3470
SYDNEY NSW 2001
www.farnsworthshepard.com.au

FS Insolvency Pty Limited t/as
Farnsworth Shepard
ABN 19 163 439 610

# QUEST MINERALS LIMITED

ABN 55 062 879 583

(Subject to a Deed of Company Arrangement)

(Subject to a Creditors Trust)

## Statutory Financial Statements

for the Year ended 30 June 2016

# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES
**ABN 55 062 879 583**
***Subject to a Deed of Company Arrangement, Subject to a Creditors' Trust***

## CORPORATE DIRECTORY

## FINANCIAL REPORT FOR THE YEAR
1 July 2015 to 30 June 2016

### Board of Directors

**Mr Paul Piercy** – Non-executive Chairman

**Mr Jerome G Vitale** – Executive Director

**Dr Dennis Gee** – Non-executive Director

**Mr Stuart Third** – Alternate Director for Mr Piercy
*(resigned as Alternate 28 July 2016)*

**Mr Ian Crawford** – Alternate Director for Dr Gee
*(appointment revoked 17 September 2016)*

### Company Secretary

Mr Stuart Third

### Registered Office

Level 1
467 Scarborough Beach Road
OSBORNE PARK WA 6017
Phone: +61 8 9217 9800
Fax: + 61 8 9217 9899

### Banker

National Australia Bank Limited
226 Main Street
OSBORNE PARK WA 6017

### Auditors

Grant Thornton Audit Pty Ltd
Level 1
10 Kings Park Road
WEST PERTH WA 6005
Phone: + 61 8 9480 2000
Fax: +61 8 9322 7787

### Solicitors

Kings Park Corporate Lawyers
Level 1
45 Richardson Street
WEST PERTH WA 6005
Phone: + 61 8 9420 0000
Fax: + 61 8 9226 5821

### Share Registry

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Phone: +61 8 9389 8033
Fax: + 61 8 9262 3723

### Stock Exchange Listing

Australian Securities Exchange
Quest Minerals Limited

**ASX Code: QNL**

### Deed Administrator and Creditors' Trustee

Mr Adam Shepard
Farnsworth Shepard
Level 5
2 Barrack Street
SYDNEY NSW 2000
Phone: + 61 2 9262 4000
Fax: +61 2 7903 8088

## CONTENTS

## LETTER FROM THE CHAIRMAN

Dear Shareholder,

On 18 August 2014 the creditors of the Company resolved to adopt a Deed of Company Arrangement (DOCA) proposed by Mr Jerome Vitale under which Mr Adam Shepard from the firm Farnsworth Shepard was appointed as Trustee of a Creditors Trust. Mr Adam Shepard was appointed on as voluntary administrator on 9 May 2014. The DOCA adopted by creditors provides for the transfer of funds and receivables held by the Company as at the date of his appointment as Trustee to administer for the benefit of all creditors (there are no secured creditors).

Control of the Company, with a liability free balance sheet was returned to the directors immediately following the execution of the DOCA. Under the terms of the DOCA, the Directors have an obligation to seek recapitalisation proposals under which a portion of any funds raised by the Company is to be earmarked as a dividend to be paid into a second creditors trust for the benefit of creditors.

On 28 August 2016 the ASX re-confirmed earlier advice (received on 3 October 2014) in respect of the key conditions the Company is required to meet in order to remove any impediment to the reinstatement of its securities for quotation. These include the retrospective approval by shareholders of a services agreement entered into in May 2007 and the execution of restriction agreements in respect of shares issued pursuant to a purchase agreement entered into in October 2007, both transactions considered by ASX to be with a related party in a position of influence. The Directors in collaboration with the Trustee are taking steps to meet these conditions.

The Directors are pursuing discussions with various investor groups and financial intermediaries with respect to commitments to secure sufficient funds to recapitalise the Company and enable the Company to meet all of the substantive conditions set out by ASX.

In late June 2015, the Company's wholly owned subsidiary Acacia Mining Pty Ltd ("Acacia") applied for an exploration licence covering an area of 13 blocks in East Murchison Mineral Field in Western Australia. Following a period of negotiation following lodgement of the application, a Heritage Protection Agreement was signed with the Wutha People on 9 June 2016, following which the Department of Mines and Petroleum issued E57/1036 on 1 July 2016. The Company has identified a number of gold targets based on historical anomalies that warrant follow up drilling on this tenement and a work programme including drilling to be executed has been generated to confirm historic anomalies subject to availability of funding.

The Company's other exploration asset at the date of this report comprises a prospecting licence located in the Perenjori Iron Ore Project area in which project the Company was previously earning an interest. The directors believe the licence has strategic value due to it providing necessary access between the two exploration licences that constitute the nearby Perenjori iron ore deposit. Subject to funding, the Company is considering additional field work comprising geological mapping as well as a small drill program to quantify any resources on this prospect.

The directors consider the Company has value as an ASX listed, albeit suspended, corporate shell following the adoption of a DOCA by creditors. Any recapitalisation proposal put forward will need to be implemented within the three year policy deadline imposed by ASX under Listing Rule Guideline 33 for suspended, details of which entities are set out in the Director's Report and in the Notes to these financial statements. Any recapitalisation proposal put forward will likely require a consolidation of the number of shares on issue as well as the elimination of unmarketable parcels (which presently comprise some 5,000 individual shareholders) to facilitate a fresh capital raising.

Yours faithfully,

Paul Piercy

Mr Paul Piercy,
**Non-Executive Chairman**
23 September 2016

# REVIEW OF OPERATIONS

## Victory Bore Project E57/1036

The Company's wholly owned subsidiary Acacia Mining Pty Ltd applied for this exploration licence in the East Murchison Mineral Field in Western Australia in late in June 2015. The Department of Mines and Petroleum issued E57/1036 covering the ground subject to the application on 1 July 2016.

This area covered the same ground as the Victory Bore vanadium deposit previously held by the Company and is also considered to be prospective for gold mineralisation. The Company has identified a number of gold targets based on historical anomalies that warrant follow up drilling. A work program comprising 2,000 metres of air core drilling has been generated to confirm historic anomalies with a follow up 5,800 metres of RC drilling in the second year, the execution of which is subject to availability of funding.

A Heritage Protection Agreement was executed by Acacia prior to the grant of the licence in June 2016 with the Wutha People in respect of access for exploration purposes. The main requirement for access agreed by the parties is that if requested, an anthropological study be completed over the ground to be disturbed to ensure any known sacred sites are not disturbed. Previous anthropological studies covering the area have not identified any such sites.

## Perenjori

This comprises a prospecting licence located in the Perenjori Iron Ore Project area in which project the Company was previously earning an interest. Additional field work comprising geological mapping as well as a small drill program to quantify any resources on this prospect is planned, subject to availability of funding.

***Competent Persons Statement***

*Information in this Annual Report that relates to exploration results reflects information compiled by Dr Dennis Gee a Director of the company and a member of the AIG. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity upon which he is reporting on as a Competent Person as defined in the 2012 Edition of "The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." He consents to the inclusion in this report of the matters based on the information compiled by him, in the form and context in which it appears.*

## DIRECTORS' REPORT

Your directors submit their report for the Company and its controlled entities ("the Consolidated Entity" or "the Group") for the year ended 30 June 2016.

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

| | |
|---|---|
| **Mr Paul Piercy** | **Non-Executive Chairman** |
| Qualifications | Dip Met. FAusIMM, CP, FAICD |
| Experience | Appointed Non-Executive Chairman on 22 April 2013<br><br>Mr Piercy is a metallurgist with wide operational mining experience who has held senior management and technical positions within the Rio Tinto Limited group, including General Manager of Hamersley Iron's Dampier port and the rail operations, General Manager of Hamersley Iron's Paraburdoo and Channar operations and Managing Director of Novacoal and Kembla Coal and Coke. From 1997 to 2000 Mr Piercy was Managing Director of WestTrac Equipment before paying an integral role in the successful establishment of WestTrac China, as it Chairman/CEO based in China. |
| Interest in shares & options | Nil ordinary shares, nil options. |
| Special responsibilities | Mr Piercy is the Non-Executive Chairman of the Company. |
| Directorships held in other listed entities | Mr Piercy is currently a non-executive Director of ASX listed Nickelore Limited, Dragon Mountain Gold Limited and Australasian Resources Limited.<br><br>Former directorships in other listed entities in the past 3 years are: nil |
| **Mr Jerome G Vitale** | **Executive Director** |
| Qualifications | B Comm, ACA, FAICD, Sen F Finsia |
| Experience | Appointed Managing Director on 22 April 2013<br><br>Mr Vitale is an experienced mining company executive with wide ranging experience in project development and finance. His achievements in the gold sector include the acquisition, construction an operation of the McKinnons Gold project in Cobar NSW (a 50,000 oz pa low cost open cut operation), execution of numerous gold project financing transactions as a project finance specialist with Standard Chartered Bank group and senior executive responsibilities with the Normandy Mining group prior to its acquisition by Newmont Mining Corporation.<br><br>Mr Vitale's other appointments have included senior roles with a copper production and exploration company, a privately held mining reagents business and as principal of a specialist mining corporate advisory consultancy and corporate turnaround situations. He has extensive experience and conducting resource project evaluation and feasibility studies in numerous commodities as |

## DIRECTORS' REPORT



| | |
|---|---|
| | head of multi-disciplinary technical teams and has acted as lead advisor to Chinese SOE's and private sector investment houses in relation to non-ferrous metals project opportunities in Australia and internationally. |
| Interest in shares & options | 100 ordinary shares, nil options. |
| Special responsibilities | Mr Vitale is the Executive Director of the Company. |
| Directorships held in other listed entities | At the date of this report Mr Vitale is a director and Interim CEO of ASX listed Bligh Resources Limited.<br><br>Former directorships in other listed entities in the past 3 years are: nil. |
| **Dr Dennis Gee** | **Non-Executive Director** |
| Qualifications | BSc (Hons), PhD, GMAICD |
| Experience | Appointed Non-Executive Director on 15 June 2010<br><br>Dr Dennis Gee is an eminent Australian geologist with vast experience in the mining industry, government service and research management. In the latter part of his career he was Chief Executive Officer of the Cooperative Research Centre for Landscape Environments and Mineral Exploration attached to CSIRO. This involved a large research team working on geochemical, biological and hydrological process in the regolith. Previously he was the Director of the Northern Territory Geological Survey, and successfully implemented a new strategic plan to stimulate mineral exploration in the Northern Territory of Australia. Prior to that, he was Regional Manager with MIM Exploration, and Exploration Manager for Reynolds Australia Metals. Both Reynolds and MIM were top-ranking mining companies in Australia, with world-class gold and base-metal production. He served as Deputy Director of the Geological Survey of Western Australia, and supervised the completion of 1:250,000 scale regional mapping of the State.<br><br>Dr Gee commenced his career with the Tasmanian Mines Department. He is a graduate of the University of Tasmania with BSc (Hons) and PhD. He is a former President of the Geological Society of Australia. He has widespread exploration experience in mineral and energy commodities throughout Australia, South America and Africa. He is Member of the Australian Institute of Geoscientists, and Graduate Member of the Australian Institute of Company Directors. |
| Interest in shares & options | 775,080 ordinary shares, nil options. |
| Special responsibilities | Dr Gee provides the Company with technical geological experience. |
| Directorships held in other listed entities | Dr Gee does not currently hold any directorships in other listed entities.<br><br>Former directorships in other listed entities in the past 3 years are: nil |

## DIRECTORS' REPORT

| | |
|---|---|
| **Mr Stuart Third** | **Alternate Director (P Piercy)** |
| Qualifications | BBus, MTax, Grad Dip App Corp Gov, FCA, CTA, AGIA |
| Experience | Appointed Alternate Director for Mr Piercy on 10 October 2014, resigned 28 July 2016<br><br>Mr Stuart Third is a Chartered Accountant and a Chartered Tax Advisor, and holds Bachelor of Business and Master of Taxation. He is a director of a Western Australian Chartered Accounting practice and has been involved in professional accounting in public practice for over 15 years, undertaking roles in corporate management, finance and corporate governance matters including ASX and ASIC compliance. |
| Interest in shares & options | 472,500 ordinary shares, nil options. |
| Special responsibilities | Mr Third is also the Company Secretary. |
| Directorships held in other listed entities | Mr Third is currently an Alternate Director for Advanced Share Registry Ltd (appointed January 2016).<br><br>Former directorships in other listed entities in the past 3 years are: nil. |
| **Mr Ian Crawford** | **Alternate Director (D Gee)** |
| Qualifications | MAAG |
| Experience | Appointed Alternate Director for Dr Gee on 21 October 2014, appointment revoked 17 September 2016<br><br>Mr Ian Crawford is a Geochemist and Industrial Chemist with expertise in product and process design. His experience includes mineral exploration and processing, including bioleaching applications. His experience in industrial process design includes cryogenic gases, plastics, chemicals, fertilizers, grain processing and coatings.<br><br>Mr Crawford's recent experience in mineral processing includes improving operation of gold extraction processes, improving mica extraction processes and an innovative bioleaching process for nickel and cobalt extraction. |
| Interest in shares & options | Nil ordinary shares, nil options. |
| Directorships held in other listed entities | Mr Crawford does not currently hold any directorships in other listed entities.<br><br>Former directorships in other listed entities in the past 3 years are: nil. |

## OTHER OFFICERS

| | |
|---|---|
| **Mr Stuart Third** | **Company Secretary** |

# DIRECTORS' REPORT

## PRINCIPAL ACTIVITIES

The principal activity during the financial year was mineral exploration including the exploration and evaluation of opportunities located domestically and internationally.

## OPERATING RESULTS

The Consolidated Entity's operating loss after tax for the year ended 30 June 2016 was $184,776 (2015: profit of $2,678,543).

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Progress of the group's activities, and future emphasis, in relation to projects and negotiations thereon located in Western Australia and overseas are detailed in the Review of Operations which precedes the Directors' Report.

## FINANCIAL POSITION

At the end of the financial year, the Consolidated Entity had $10,600 (2015: $132,986) in cash and on deposit.

## DIVIDENDS

The directors do not recommend the payment of a dividend for this financial year. No dividends have been paid or declared by the Company since the end of the previous financial year (2015: Nil).

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 18 August 2014, the Company entered a Deed of Company Arrangement (DOCA) whereby the creditors of the Company were transferred to a Creditors' Trust. The Deed appointed Mr Adam Shepard of Farnsworth Shepard as the Deed Administrator and Trustee of a Creditors' Trust. Upon execution of the DOCA, the voluntary administration of the Company ceased and control of the Company was returned to the Directors. In accordance with the terms of the DOCA s the Directors continued to administer the Company's affairs during the year in a way that maximises the opportunity for it to continue its business and result in a better return to creditors than would be the case from an immediate winding up. The Creditors Trust established under the DOCA comprises two sub-trusts, the first being the funds available to the administrator at the date of execution of the Deed. The second sub-trust will comprise funds that are contributed by the Company upon the successful a recapitalisation of the Company.

Mutual Holdings Pty Ltd ("Mutual Holdings") and Corporate Admin Services Pty ltd ("CAS") each lodged proofs of debt with the Trustee of the first Creditors Trust established under the DOCA for amounts owed under transactions the Trustee believes to be in breach of Chapter 10 of ASX Listing Rules ("Chapter 10 Agreements"). The Deed Administrator rejected the proofs on the basis that the relevant agreements were entered into in breach of Chapter 2E of the Corporations Act.

Mutual Holdings and CAS appealed the decision of the Deed Administrator to the Supreme Court of Western Australia. On 5 November 2015 the Court set aside the Deed Administrator's decision. The Court subsequently ordered that the Deed Administrator pay Mutual Holdings and CAS costs of the proceedings, limited to the funds held in the Creditors' Trust. The effect of this is this was to give Mutual Holdings and CAS rights to a priority claim (equal to other priority claims) against the Creditors Trust.

As a result of other priority claims against the Creditors' Trust (comprising the Administrator's fee, and legal fees), Mutual Holdings and CAS will be paid an amount towards their legal costs of the Supreme Court Appeals. The expected return to these entities will depend on the amount contributed by the Company in the even that it is successfully recapitalised.

## DIRECTORS' REPORT

In May 2016 the Company entered into discussions with prospective lead manager for a capital raising, sufficient to meet the reinstatement conditions as required by ASX. While discussions are continuing with the prospective lead manager and investors at the date of this report the terms Creditors Trust are yet to be determined.

In the opinion of Directors there were no other significant changes in the state of affairs of the group that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

### SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 1 July 2016 the Department of Mines and Petroleum issued E57/1036 covering the blocks applied for by the Company's wholly owned subsidiary Acacia Mining Pty Ltd in June 2015.

On 27 July 2016, Mr Stuart Third resigned as the Alternate Director for Mr Paul Piercy.

On 28 August 2016 the ASX confirmed the conditions for reinstatement of quotation of its securities as set out in its letter of 3 October 2014 remained unchanged. The key conditions as set out in the letter of 3 October 2014 are:

(i) obtaining shareholder approval under ASX Listing Rule 10.9 and provision of an independent expert report under Listing Rule 10.10 for the purposes of that approval in respect of a services agreement entered into with Corporate Admin Services Pty Ltd in May 2007, and a Share Sale Agreement entered into with Mutual Holdings Pty Ltd in October 2009; both entities are controlled by Mr Vladimir Nikolaenko, a person considered by ASX to be a related party at the time the transactions were entered into by the Company, and

(ii) execution of escrow deeds by the present holders of 77 million shares originally issued to Mutual Holdings Pty Ltd pursuant to the Share Sale Agreement. In the event that orders are obtained under section 444GA of the Corporations Act transferring the 77 million shares to the Trustee of the Creditors Trust, ASX has advised it will accept an escrow deed executed by the Trustee of the Creditors Trust in satisfaction of this requirement.

Section 3.4 of Listing Rules Guidance Note 33 "*Removal of Entities from ASX Official List*" states that entities will be automatically removed from the ASX Official List from the open of trading on first trading day following continuous suspension of three years. The Company's shares were suspended from trading on ASX on 1 October 2013 thus the first ASX trading day after a continuous period of three years in suspension is 4 October 2016.

Notwithstanding the Company's election to comply with the requirements of ASX with respect to the corrective action required under Listing Rule 10.9, the conclusions reached by the Directors with respect to Mr Nikolaenko's status as a related party and person of influence, as set out in the Company's Annual Report for the year ended 30 June 2013, have not been tested in a court of law. While he has not yet done so it is open for Mr Nikolaenko to contest those conclusions and the basis on which ASX requires the Company to take the corrective action.

On 5 September 2016 the Company was advised by ASX that it has extended the removal deadline to the earlier of shareholder approval (for the required resolutions under Listing Rule 10.9 and 10.10) or 24 October 2016. If this criterion is not met ASX will remove the Company from the Official List on 24 October 2016. If ASX grants an extension with the Guidance Note, it will not exceed three months (or less taking into consideration the three week extension).

On 17 September 2016 Dr Dennis Gee revoked the appointment of Mr Ian Crawford as his Alternate Director, effective from that date.

Except for the above, no matters or circumstances have arisen since the end of the financial year, that have significantly affected, or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

# DIRECTORS' REPORT

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Subject to the implementation of a satisfactory recapitalisation proposal, the Company intends to continue its current activities, in particular exploration targeting gold on its recently granted EL57/1036, compliance with DMP minimum expenditure requirements at the Perenjori Prospecting Licence and new project generation and evaluation thereof.

## LIKELY DEVELOPMENTS AND FUTURE RESULTS

Other than as referred to in the Review of Operations, further information as to likely developments in the operations of the Consolidated Entity would, in the opinion of the Directors, be speculative and may hinder the Consolidated Entity in the achievement of its commercial objectives.

## OPTIONS

At the date of this report the Company had no options (2015: 25,000,000) which were outstanding. Refer to Note 16 of the financial statements for further details of the options outstanding.

During the year no options (2015: nil) were issued and 25,000,000 options (2015: nil) lapsed.

During, and since the end of, the financial year, no fully paid ordinary shares were issued by virtue of the exercise of options (2015: Nil). None of the options on issue entitle the holder to participate in any share issue of the Company or any other body corporate.

## REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for Directors and Key Management Personnel of Quest Minerals Limited.

**Remuneration policy**

The remuneration policy of Quest Minerals Limited has been designed to align Director objectives with Shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The Board of Quest Minerals Limited 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 and Shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

The remuneration policy, setting the terms and conditions for an Executive Director was developed by the Board. The Board reviews Executive packages annually by reference to the Company's performance, Executive performances and comparable information from industry sectors and other listed companies in similar industries.

The Board policy is to remunerate Non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board 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.

The full Board reviews recommendations on Remuneration packages and other terms of employment for Executive Directors and other senior Executives. Remuneration packages are set at levels that reflect the nature of the Company's operations and resources. Remuneration for work outside that ordinarily performed by of Non-executive Directors from time to time is determined by the Board.

## DIRECTORS' REPORT

**Nomination and Remuneration Committee**

The Board is responsible for establishing the Company's remuneration policies and practices and to ensure they match the group's objectives. The Company's Board proposed the Managing Director's total remuneration package and is responsible for reviewing the non-executive remuneration. The Board is of the opinion that given the size and circumstances of the Company, the functions of the Remuneration Committee are more readily attended to by the Board than a separate committee. The Board did not engage any remuneration consultants during the period.

**Non-executive Director and executive remuneration**

The remuneration of non-executive directors may not exceed in aggregate in any financial year the amount fixed by the Company. Currently the non-executive directors are remunerated by way of director fees which have been set at $24,000 p.a. for the non-executive Chairman and the non-executive directors, amounts considered reasonable for a company of its size and operational activity.

The remuneration of all officers of the Company was suspended whilst the Company was under voluntary administration. Since the return of control of the Company to the Directors on 18 August 2014, the Directors have resolved to suspend payment of directors' fees pending recapitalisation of the Company, at which time the amounts accrued since that date will become payable.

**Details of Executives**

**Jerome Vitale Executive Director**

Remuneration and other terms of employment for Mr Vitale were suspended on the appointment of the voluntary administrator on 9 May 2014.

Commencing on 19 August 2014, Mr Vitale's fees as Executive Director have been set at $5,000 per month. Mr Vitale has agreed to suspend payment of directors' fees pending recapitalisation of the Company at which time the amounts accrued since that date will become payable.

**Reward for Performance**

During the year there was no reward for the performance component of any remuneration package.

**Key Management Personnel (KMP) Positions**

| | |
|---|---|
| P Piercy | Non-executive Chairman: appointed 22 April 2013. |
| JG Vitale | Executive Director: appointed 22 April 2013. |
| D Gee | Non-Executive Director: appointed as Non-Executive Director on 15 June 2010, appointed as Executive Director on 18 September 2012 and Non-Executive Director from 20 December 2012. |
| S Third | Alternate Director (for P Piercy): appointed 10 October 2014, resigned 28 July 2016 |
| I Crawford | Alternate Director (for D Gee): appointed 21 October 2014, appointment revoked 17 September 2016 |

## DIRECTORS' REPORT

**Remuneration report (cont'd)**
**Remuneration of Directors and Key Management Personnel**

| | Short-term employee benefits | | | Post-employment benefits | Share-based payment | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Equity-settled | | | | |
| | Salary & fees $ | Profit share & bonus $ | Non-monetary $ | Superannuation $ | Shares $ | Options $ | Total $ | Proportion of remuneration - performance related (%) | Value of options as proportion of remuneration (%) |
| **2016[1,2]** | | | | | | | | | |
| Paul Piercy | 838 | - | - | 79 | - | - | 917 | - | - |
| Jerome Vitale | 2,058 | - | - | 196 | - | - | 2,254 | - | - |
| Dennis Gee | 838 | - | - | 79 | - | - | 917 | - | - |
| Stuart Third | -[3] | - | - | - | - | - | - | - | - |
| Ian Crawford | - | - | - | - | - | - | - | - | - |
| **Total 2015** | **3,734** | **-** | **-** | **354** | **-** | **-** | **4,088** | **-** | **-** |
| | | | | | | | | | |
| **2015[1]** | | | | | | | | | |
| Paul Piercy | 20,774 | - | - | 1,974 | - | - | 22,748 | - | - |
| Jerome Vitale | 51,972 | - | - | 4,937 | - | - | 56,909 | - | - |
| Dennis Gee | 20,774 | - | - | 1,974 | - | - | 22,748 | - | - |
| Stuart Third | -[3] | - | - | - | - | - | - | - | - |
| Ian Crawford | - | - | - | - | - | - | - | - | - |
| **Total 2015** | **93,520** | **-** | **-** | **8,885** | **-** | **-** | **102,405** | **-** | **-** |

[1] All amounts recorded for 2016 & 2015 remain unpaid as at the date of this report. Pursuant to agreements with the Directors these amounts will only be payable upon recapitalisation of the Company.
[2] These amounts represent the fees to reach the total amount payable as compromised by the Directors pursuant to an agreement with the proponents of the recapitalisation.
[3] Remuneration for Mr Third was for all professional services provided as a related party and in his role as the Company's secretary – no fees were paid or are due and payable in respect to his appointment as Alternate Director for Mr Piercy

## DIRECTORS' REPORT

**Options granted as part of remuneration**

During the year, no options were granted as part of remuneration.

**Amounts payable to KMP**

Upon appointment of the voluntary administrator on 9 May 2014, amounts owing to KMP or their related entities for remuneration and included in the table above were as follows:

| | 2015 $ |
|---|---|
| Paul Piercy | 14,725 |
| Jerome Vitale | 46,675 |
| Dennis Gee | 30,244 |
| Stuart Third | 64,970 |

These amounts are included with other creditors of the Company and are subject to the terms of the Deed of Company Arrangement and Creditors' Trust that was entered into by creditors on 18 August 2014.

Since the execution of the Deed of Company Arrangement amounts owing to KMP or their related entities excluding the amounts transferred to the Creditors Trust, but including amounts accrued since 18 August 2014, were as follows:

| | 2016 $ | 2015 $ |
|---|---|---|
| Paul Piercy | 23,665 | 22,748 |
| Jerome Vitale | 59,163 | 56,909 |
| Dennis Gee | 26,965 | 22,748 |
| Stuart Third | 44,689 | 24,175 |

Pursuant to agreements with each of the parties above, these amounts will only be payable upon recapitalisation of the Company

## DIRECTORS' INTERESTS

**Equity Investments**

All options refer to options over ordinary shares of Quest Minerals Limited, which are exercisable on a one-for-one basis.

**Options and rights over equity investments granted as compensation.**

During the financial year no options over unissued shares in Quest Minerals Limited were granted to directors, employees and consultants as part of their remuneration.

During the financial year, there were no options over unissued shares in Quest Minerals Limited granted to the directors, employees or consultants as part of their remuneration that expired.

## DIRECTORS' REPORT

**KMP Options and Rights Holdings**

The number of options over ordinary shares held by each KMP of the Company during the financial year is as follows:

| **30 June 2016** | Balance at start of year | Commencing office | Granted as remuneration during the year | Acquired during the year | Expired during the year | Cancelled during the year | Ceasing office | Balance at end of year |
|---|---|---|---|---|---|---|---|---|
| P Piercy | - | - | - | - | - | - | - | - |
| JG Vitale | - | - | - | - | - | - | - | - |
| D Gee | - | - | - | - | - | - | - | - |
| S Third | - | - | - | - | - | - | - | - |
| I Crawford | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |

| **30 June 2015** | Balance at start of year | Commencing office | Granted as remuneration during the year | Acquired during the year | Expired during the year | Cancelled during the year | Ceasing office | Balance at end of year |
|---|---|---|---|---|---|---|---|---|
| P Piercy | - | - | - | - | - | - | - | - |
| JG Vitale | - | - | - | - | - | - | - | - |
| D Gee | - | - | - | - | - | - | - | - |
| S Third | - | - | - | - | - | - | - | - |
| I Crawford | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - |

**KMP shareholdings**

The number of ordinary shares in the Company held by each KMP of the Company during the financial year is as follows:

| **30 June 2016** | Balance at start of year | Commencing Office | Issued during the year | Purchased/(sold) during the year | Ceasing Office | Balance at end of year |
|---|---|---|---|---|---|---|
| P Piercy | - | - | - | - | - | - |
| JG Vitale | 100 | - | - | - | - | 100 |
| D Gee | 775,080 | - | - | - | - | 775,080 |
| S Third | 472,500 | - | - | - | - | 472,500 |
| I Crawford | - | - | - | - | - | - |
| | 1,247,680 | - | - | - | - | 1,247,680 |

| **30 June 2015** | Balance at start of year | Commencing Office | Issued during the year | Purchased/(sold) during the year | Ceasing Office | Balance at end of year |
|---|---|---|---|---|---|---|
| P Piercy | - | - | - | - | - | - |
| JG Vitale | 100 | - | - | - | - | 100 |
| D Gee | 775,080 | - | - | - | - | 775,080 |
| S Third | 472,500 | - | - | - | - | 472,500 |
| I Crawford | - | - | - | - | - | - |
| | 1,247,680 | - | - | - | - | 1,247,680 |

## DIRECTORS' REPORT

### OTHER CONTRACTS AND TRANSACTIONS WITH KMP

**a. Commercial services agreement**
**– Winduss & Associates Pty Ltd**

The Company receives company secretarial, accounting and bookkeeping services from Winduss & Associates Pty Ltd, an accounting practice of which Mr Stuart Third is a director and shareholder. Fees charged are at normal commercial rates and conditions. The amount of fees paid or accrued to 30 June 2015 for accounting, bookkeeping and secretarial services is $25,080 (2015: $12,220). The amount owing to Winduss & Associates Pty Ltd at 30 June 2016 is $11,185 (2015: $11,185).

### ADOPTION OF PREVIOUS REMUNERATION REPORT

The 2015 Annual General Meeting of the Company has not yet been held and therefore no vote in relation to the remuneration report cast a vote in favour of adopting the remuneration report for the year ended 30 June 2015 has been held.

### END OF REMUNERATION REPORT (AUDITED)

### DIRECTORS' MEETINGS

The number of Directors' meetings held in the year and the number of meetings attended by each Director during the year were as follows:

| | **Directors' Meetings** | |
|---|---|---|
| | No. of meetings held while in office | Meetings attended |
| P. Piercy | 1 | 1 |
| J. Vitale | 1 | 1 |
| D. Gee | 1 | 1 |
| S. Third (Alternate) | - | - |
| I. Crawford (Alternate) | - | - |

It is noted that the Directors were able to attend to business of the Company during the period by circulated resolution as permitted by the Company's Constitution in place of conducting meetings.

As at the date of this report, the Consolidated Entity did not have an audit committee, as the directors believe the size of the Consolidated Entity and the size of the Board do not currently warrant its existence.

### INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, the Consolidated Entity did not pay any premiums (2015: nil) in respect of a contract insuring all the directors of the Company against a liability incurred in their role as directors of the consolidated entity, except where:

- the liability arises out of conduct involving a wilful breach of duty;
- there has been a contravention of the relevant sections of the Corporations Act;
- the conduct involves trading whilst insolvent;

## DIRECTORS' REPORT

- the conduct involves an operation carried on outside Australia.

On 6 May 2013, Indemnification Agreements were signed with Paul Piercy, Jerome Vitale and Dennis Gee as Directors of the Company and Stuart Third as Company Secretary providing indemnification as officers of the Company against any claim brought against the officers whilst performing their respective duties.

There have been no agreements entered into or premiums for insurance paid in respect of providing indemnity to the auditors.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of Corporate Governance as outlined in the Corporate Governance Statement.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's exploration operations are subject to environmental regulations under Commonwealth and State legislation. The Directors believe that the Company has adequate systems in place for the management of the requirements under those regulations, and are not aware of any breach of such requirements as they apply to the Company.

### PROCEEDINGS ON BEHALF OF THE 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.

### AUDITOR INDEPENDENCE

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001, is set out on the following page and forms part of the Directors' report.

### NON-AUDIT SERVICES

There were no non-audit services provided by the external auditors during the financial year.

**SIGNED in accordance with a resolution of the directors**

Paul Piercy
Chairman
Perth, 23 September 2016

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10 Kings Park Road
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## Auditor's Independence Declaration
## To The Directors of Quest Minerals Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Quest Minerals Limited for the half-year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 23 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| **Other income from ordinary activities** | | | |
| Other revenue | 3 | - | 135,868 |
| Financial income | 3 | 5 | 192 |
| Asset & liabilities transferred to Creditors Trust | 3 | - | 2,757,640 |
| Expenses reimbursed by Creditors Trust | 3 | 38,050 | 108,896 |
| **Total other income** | | 38,055 | 3,002,596 |
| **Expenses from ordinary activities** | | | |
| Professional fees | 4 | (52,183) | (177,510) |
| Exploration and evaluation expenditure written off | 12 | - | (427) |
| Impairment of exploration and evaluation expenditure | 12 | (10,067) | (6,011) |
| Administrative expenses | | (29,316) | (134,456) |
| Expenses of Voluntary Administration | | - | (5,739) |
| Asset transferred to Creditors Trust | | (131,265) | - |
| **Total Expenses** | | (222,831) | (324,143) |
| Loss from ordinary activities before income tax expense | | (184,776) | 2,678,453 |
| Income tax expense | 5 | - | - |
| Loss from continuing operations | | (184,776) | 2,678,543 |
| **Other comprehensive income** | | | |
| Total other comprehensive income, net of tax | | - | - |
| **Total comprehensive loss for the year** | | (184,776) | 2,678,543 |
| **Earnings per share** | | | |
| Basic earnings/(loss) per share (cents per share) | 8 | (0.03) | 0.43 |
| Diluted earnings/(loss) per share (cents per share) | 8 | (0.03) | 0.43 |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AS AT 30 JUNE 2016

| | Note | 2016<br>$ | 2015<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 10,600 | 132,986 |
| Trade and other receivable | 10 | 9,611 | 8,245 |
| **Total current assets** | | 20,211 | 141,231 |
| **Non-current assets** | | | |
| Exploration and evaluation expenditure | 11 | - | - |
| **Total non-current assets** | | - | - |
| **TOTAL ASSETS** | | 20,211 | 141,231 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 236,087 | 182,331 |
| Borrowings | 14 | 10,600 | 600 |
| **Total current liabilities** | | 246,687 | 182,931 |
| **TOTAL LIABILITIES** | | 246,687 | 182,931 |
| **NET (LIABILITIES)/ASSETS** | | (226,476) | (41,700) |
| **EQUITY** | | | |
| Contributed equity | 16(a) | 92,202,237 | 92,202,237 |
| Reserves | 16(e) | 1,356,900 | 1,356,900 |
| Accumulated losses | | (93,785,613) | (93,600,837) |
| **TOTAL EQUITY/(DEFICIENCY)** | | (226,476) | (41,700) |

*The above statement of financial position should be read in conjunction with the accompanying notes*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2016

| | Contributed Equity | Accumulated Losses | Share Option Reserve | Total Equity/ (Deficiency) |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance at 1 July 2014** | 92,202,237 | (96,279,290) | 1,356,900 | 2,720,153 |
| Total comprehensive income for the year | - | 2,678,453 | - | 2,678,453 |
| Shares issued during the year | - | - | - | - |
| Share issue costs | - | - | - | - |
| **Balance at 30 June 2015** | 92,202,237 | (93,600,837) | 1,356,900 | (41,700) |
| **Balance at 1 July 2015** | 92,202,237 | (93,600,837) | 1,356,900 | (41,700) |
| Total comprehensive loss for the year | - | (184,776) | - | (184,776) |
| Shares issued during the year | - | - | - | - |
| Share issue costs | - | - | - | - |
| **Balance at 30 June 2016** | 92,202,237 | (93,785,613) | 1,356,900 | (226,476) |

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF CASH FLOW
## FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | - | - |
| Interest received | | 5 | 192 |
| Other revenue | | - | 135,883 |
| Finance expenses | | - | - |
| Payment to suppliers and employees | | (1,516) | (2,828) |
| Cash transferred to Creditors Trust | | (128,652) | (300,806) |
| Receipts from Taxation | | - | - |
| **Net cash used in operating activities** | 20 | (130,163) | (167,559) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Exploration and evaluation expenditures | 11 | (2,223) | (6,438) |
| **Net cash used in investing activities** | | (2,223) | (6,438) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of ordinary shares | | - | - |
| Proceeds from issue of debentures | | - | - |
| Share issue expenses | | - | - |
| Proceeds from borrowings | | 10,000 | - |
| **Net cash provided by financing activities** | | 10,000 | - |
| **Net (decrease) in cash held** | | (122,386) | (173,997) |
| **Cash and cash equivalents at the beginning of financial year** | | 132,986 | 306,983 |
| **Cash and cash equivalents at the end of financial year** | 9 | 10,600 | 132,986 |

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Quest Minerals Limited ("the Company") and its Controlled Entities ("the Group"). The separate financial statements of the Parent Entity, Quest Minerals Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 23 September 2016 by the Directors of the Company.

### Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. 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 these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### a. Principles of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

### b. Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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 and 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) a legally enforceable right of set-off exists; and (b) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### c. Plant and equipment

Each class of plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land and leasehold improvements, is depreciated on a prime cost basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated on a straight line basis over the estimated useful lives of the improvements.

The depreciation rates used for the depreciable assets are:

| Class of fixed asset | Depreciation rate |
|---|---|
| Furniture & fittings | 10% |
| Computer equipment | 25% |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### d. Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**e. Lease**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising 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 recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**f. Financial instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost.

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

*Fair value* is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

v) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**Fair values**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference similar to instruments and option pricing models.

**Impairment**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Financial guarantees**

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**g. Impairment of non-current assets**

At the end of each reporting period, the Group assesses whether there is any indication that a non-current asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**h. Foreign currency transactions and balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

**Transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Group companies**

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

### i. Contributed equity

Issued and paid up-capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### j. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

**Equity-settled compensation**

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a pricing model which incorporates all market vesting conditions.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-based transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If any equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

### k. 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**l. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

**m. Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Recognition of revenue from research and development concessions available to the Company has been adopted on a receipts basis due to the inherent uncertainty of the receipt of the concession each year.

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

**n. Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**o. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

### p. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

### q. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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 Group.

**Key estimates**

*Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. If such an indication exists, the recoverable amounts of relevant assets, 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 expenses to the statement of profit or loss and other comprehensive income. A review of the Group's carrying amounts for its exploration assets has resulted in an impairment loss of $10,067 (2015: $6,011) being recorded.

### r. Earnings per Share

Basic earnings per share is calculated as net loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends)
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**s. Share-based payments**

*Equity settled transactions:*

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**t. New and Revised Accounting Standards that are effective for these financial statements**

A number of new and amended accounting standards are effective for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. Information on these new standards which are relevant to the Group is presented below:

**AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent***

AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.

AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the Group.

**u. New accounting standards for application in future periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting period, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the group but applicable in future reporting periods is set out below:

**AASB 9 *Financial Instruments***

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

*The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.*

**AASB 1057 *Application of Australian Accounting Standards***

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.

The effective date is for annual reporting periods beginning on or after 30 June 2017.

**AASB 14 *Regulatory Deferral Accounts***

AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP. Accordingly, an entity that applies AASB 14 may continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of its regulatory deferral account balances. This exemption is not available to entities who already apply Australian Accounting Standards.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When AASB 14 becomes effective for the first time for the year ending 30 June 2017, it will not have any impact on the entity.*

**AASB 15 *Revenue from Contracts with Customers***

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed fuidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- Expands and improves disclosures about revenue.

*The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact* *on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.*

**AASB 16 *Leases***

AASB 16 replaces AASB 117: Leases, Int.4 determining whether an Arrangement contains a Lease, Int. 115 Operating Leases- Lease Incentives, Int.127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. In summary, AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

The effective date is for annual reporting periods beginning on or after 30 June 2020.

**AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations***

This amendment impacts on the use of AASB 11 when acquiring an interest in a joint operation.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

**AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.*

**AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements***

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

The effective date is for annual reporting periods beginning on or after 1 January 2016.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

**AASB 2014-10** ***Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011). The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

The effective date is for annual reporting periods beginning on or after 1 January 2018.

*When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.*

**AASB 2015-1** ***Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle***

These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB.

Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

**AASB 2015-2** ***Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101***

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:
- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understand ability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

**AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs***

AASB 2015-9 inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057
.
In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those Standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

*When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.*

**AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses***

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

*When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.*

**AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107***

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

*When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### v. Going concern

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

For the year ended 30 June 2016, the Group incurred an operating loss of $184,776 (2015: profit of $2,678,453) and an operating cash outflow of $130,163 (2015: $167,559). As at 30 June 2016, the Group had a net current asset deficiency of $226,476 (2015: $41,700).

During the period to the date of this report, the Directors have continued to take steps to ensure that the Company and the Consolidated Entity continue as going concerns. These steps include discussions with various investor groups who have put forward recapitalisation proposals with a view to achieving the re-admittance of quotation of the Company's securities on ASX. Formal and informal arrangements have also been entered into with trade and service suppliers to defer payment obligations arising from the provision of professional services until such time that the Company completes a capital raising. All directors and company secretarial and accounting fees have been similarly deferred. The costs of ASX listing fees that became due and payable at 31 July 2016 were met by proceeds of unsecured loan funds from unrelated prospective investors on a non-recourse basis such that the loans will only be repayable in the event that the Company is successfully recapitalised.

In addition, the ability of the Company and the Group to continue as a going concerns and to pay their debts as and when they fall due is dependent on the following:

i) the ability of the Company and Group to secure additional funding through either the issue of new shares, convertible notes, debt or a combination of all these to maintain its exploration asset in good standing. The form and value of such raisings is yet to be determined and the ability of the Company to attract investor funds is limited given the continuing suspension of trading in its securities;

ii) the ability of the Company to take corrective action as required by ASX with respect to reported historical transactions believed to be in breach of ASX Listing Rules 10.7 and 10.9, comprising retrospective approval by shareholders of those transactions and the present holders of Shares issued under an offending transaction signing a restriction agreement (further discussed at Note 22).

iii) With respect to the required restriction agreements, Mr Vladimir (Roger) Nikolaenko, the controller of the entities involved, has not provided a substantive response to the Company's repeated requests for signed restriction agreements. As a result, the Deed Administrator has advised he intends to apply to the Supreme Court of New South Wales for orders that that all Shares issued under the Sale Agreement are transferred to the Deed Administrator. Upon becoming the registered holder of these Shares the Deed Administrator will sign restriction agreements so as to satisfy ASX's requirements. There is no assurance however that the Court will grant the application.

iv) active management of the quantum and timing of exploration expenditure in line with the Company's available funds;

The Directors have reviewed the circumstances of the Company and the Group following the agreement of the creditors to the DOCA executed on 18 August 2014, the corrective action

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

required by ASX to achieve re-admission of trading in the Company's shares (refer Note 22 for further details) including the prospect of implementing a recapitalisation and are of the opinion that the Company will be able to raise capital through one or more sources named above in a reasonable time frame. This opinion is qualified by the ability of the Company to deliver the required restriction agreements to ASX either through agreement with Mr Nikolaenko or by means of a transfer of the Shares that are to be subject to the restriction agreements to the Administrator by an order of the Court. There are therefore reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable, and the going concern basis of preparation is appropriate for the preparation of the Group's financial report for the year ended 30 June 2016.

Notwithstanding this, there is significant uncertainty whether the Company and the Group will be able to continue as going concerns.

Should the Company and the Group be unable to continue as going concerns, they may be required to realise their assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the Group be unable to continue as going concerns.

## NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | | |
| ASSETS | | | |
| Current assets | | 20,211 | 141,231 |
| TOTAL ASSETS | | 20,211 | 141,231 |
| LIABILITIES | | | |
| Current liabilities | | 246,687 | 182,931 |
| TOTAL LIABILITIES | | 246,687 | 182,931 |
| EQUITY | | | |
| Issued capital | | 92,202,237 | 92,202,237 |
| Reserves | | 1,356,900 | 1,356,900 |
| Accumulated losses | | (93,785,613) | (93,600,837) |
| TOTAL EQUITY | | (226,476) | (41,700) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| **STATEMENT OF COMPREHENSIVE INCOME** | | | |
| Total income / (loss) for the year | | (184,776) | 2,678,453 |

**Guarantees**
The Company has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

**Contingent liabilities**
Details of contingent liabilities are set out in Note 18.

**Contractual commitments**
Details of contractual commitments are set out in Note 17.

At 30 June 2016, the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment (2015: Nil).

## NOTE 3: OTHER INCOME

| | 2016 | 2015 |
|---|---|---|
| Other revenue | - | 156 |
| Research and development tax incentive | - | 135,712 |
| Expense reimbursement from creditors trust | 38,050 | 108,896 |
| Finance income | 5 | 192 |
| Asset & Liabilities transferred to Creditors Trust | - | 2,757,640 |
| **Total other income from ordinary activities** | 38,055 | 3,002,596 |

As a result of entering this Deed of Company Arrangement on 18 August 2014, assets and liabilities were transferred to the Creditors Trust resulting in an extinguishment of net liabilities of $2,757,640.

Since 18 August 2014 the Administrator/Trustee of the Creditors Trust agreed to meet certain costs of the Group considered to be essential in order to maintain the value of the Company for prospective recapitalisation.

During the period since 18 August 2014, the trustee contributed $108,896 to the Company to meet these costs.

## NOTE 4: LOSS FOR THE YEAR

Loss from ordinary activities before income tax expenses has been arrived at after charging the following items:

| | 2016 | 2015 |
|---|---|---|
| Professional fees | | |
| - Audit fees | 20,000 | 54,875 |
| - Company secretarial fees | 514 | 12,993 |
| - Consulting and administration fees | - | 2,061 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| - Legal fees | | - | 18,395 |
| - Accounting fees | | 25,080 | 61,746 |
| - Share registry fees | | 6,589 | 27,440 |
| | | 52,183 | 177,510 |

## NOTE 5: INCOME TAX

A reconciliation between tax revenue and the product of accounting loss before income tax multiplied by Group's applicable income tax rate is as follows:

| | 2016 | 2015 |
|---|---|---|
| Accounting profit/(loss) before tax from continuing operations | (184,776) | 2,678,543 |
| At the parent entity's statutory income tax rate of 30% (2015: 30%) | 55,433 | 803,356 |
| - Other non-assessable items | - | (803,356) |
| - Unused tax losses and temporary differences not recognised as deferred tax assets | 55,433 | - |
| Income tax attributable to entity | - | - |

Net deferred tax assets have not been brought to account, as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. Refer Note 15.

## NOTE 6: KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2016.

The totals of remuneration attributable to KMP of the Company during the year are as follows:

| | 2016 | 2015 |
|---|---|---|
| Short-term employee benefits | 3,734 | 93,520 |
| Post-employment benefits | 354 | 8,885 |
| Total KMP compensation | 4,088 | 102,405 |

## NOTE 7: AUDITORS' REMUNERATION

| | 2016 | 2015 |
|---|---|---|
| Audit of accounts – Grant Thornton Audit Pty Ltd | 20,000 | 54,875 |
| | 20,000 | 54,875 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|

### NOTE 8: EARNINGS PER SHARE

| | | | |
|---|---|---|---|
| **Earnings used in the calculation of EPS** | | | |
| Income/(loss) for the year | | (184,776) | 2,678,543 |
| | | **Number** | **Number** |
| Weighted average number of ordinary shares used as the denominator in calculating basic EPS | | 625,443,285 | 625,443,285 |

The Company's options 25,000,000 that were on issue in 2015 were not considered dilutive and accordingly basic loss per share is the same as diluted loss per share. The Company has no options on issue in 2015.

### NOTE 9: CASH AND CASH EQUIVALENTS

| | | | |
|---|---|---|---|
| Cash at bank | | 10,600 | 132,986 |
| | | 10,600 | 132,986 |

### NOTE 10: TRADE AND OTHER RECEIVABLES

| | | | |
|---|---|---|---|
| GST receivable | | 9,611 | 8,245 |
| | | 9,611 | 8,245 |

As all amounts are short-term, the net carrying value is considered to be a reasonable approximation of fair value.

### NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE

| | | | |
|---|---|---|---|
| Balance at beginning of year | | - | - |
| Mining tenement acquired | | - | - |
| Exploration and evaluation expenditure incurred | | 8,728 | 6,438 |
| Exploration expenditure written off | | - | (427) |
| Impairment adjustment | | (8,728) | (6011) |
| | | - | - |

**Impairment of Projects and Write-off of Expenditure**

Given the present circumstances of the of the Group and market conditions, the expenditures associated with the tenements have been expensed or impaired during the year. The Group will reassess the tenement values and capitalisation of the expenditure in relation to the tenements upon successful recapitalisation of the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## NOTE 12: CONTROLLED ENTITIES

| Controlled entities consolidated | Country of incorporation and Principal place of Business | Principal Activity | Percentage owned (%) 2016 | 2015 |
|---|---|---|---|---|
| Subsidiaries of Quest Minerals Limited | | | **2016** | **2015** |
| **Direct** | | | | |
| Victory Bore Pty Ltd | Australia | Deregistered 24/01/2016 | - | 100 |
| Acacia Mining Pty Ltd | Australia | Holds E57/1036 and P70/1608 tenements | 100 | 100 |
| Mulga Mining Pty Ltd | Australia | Deregistered 22/11/2015 | - | 100 |
| Quest Gold Projects Pty Ltd | Australia | Deregistered 27/03/2016 | - | 100 |

## NOTE 13: TRADE AND OTHER PAYABLES

| | | |
|---|---|---|
| Trade payables* | 138,902 | 112,690 |
| Sundry payables and accrued expenses | 97,185 | 69,641 |
| | 236,087 | 182,331 |

*Trade payables are non-interest bearing and have normal trade terms of 30 days or less.

The carrying value is considered to be a reasonable approximation of fair value.

## NOTE 14: BORROWINGS - CURRENT

| | | |
|---|---|---|
| Loans from others – unsecured[1] | 10,000 | - |
| Loans from others – related[2] | 600 | 600 |
| | 10,600 | 600 |

[1] Funds from proponents has been provided to assist the Company to meet its financial obligations as required and are repayable only upon successful recapitalisation. This amount is not subject to the Deed of Company Arrangement.

[2] The amount of $600 was provided by Haramont Pty Ltd to meet urgent expenses of the Company on its repayable without interest only upon recapitalisation of the Company. This amount is not subject to the Deed of Company Arrangement.

## NOTE 15: NON-CURRENT TAX

**Deferred tax assets**

Deferred tax not brought to accounts, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| Losses available for offset against future tax liabilities (at 30%) | | 4,743,862 | 4,717,585 |
| Accrued expenses and provisions | | 29,156 | 20,892 |
| | | 4,773,018 | 4,738,477 |

**Movement in temporary difference during the year**

| Temporary differences | 30 June 2016 $ | Movement 2016 $ | 1 July 2015 $ | Movement 2015 $ | 1 July 2014 $ |
|---|---|---|---|---|---|
| Other payables and provisions | 29,156 | 8,264 | 20,892 | (103,924) | 124,816 |
| Capital raising expenses (Section 40-880) | - | - | - | (75,029) | 75,029 |
| | 29,156 | 8,264 | 20,892 | 178,953 | 199,845 |

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (and deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements.

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|

## NOTE 16: ISSUED CAPITAL

**a. Issued share capital**

| | | |
|---|---|---|
| 625,443,285 fully paid ordinary shares (2015: 625,443,285) | 92,159,787 | 92,159,787 |
| 16,980,000 contributing ordinary shares; partly paid to $0.0025 (2015: 16,980,000) | 42,450 | 42,450 |
| | 92,202,237 | 92,202,237 |

| **b. Ordinary shares** | **Number** | **Number** |
|---|---|---|
| At the beginning of the reporting period: | 625,443,285 | 625,443,285 |
| Shares issued during the year | - | - |
| At the end of the reporting period | 625,443,285 | 625,443,285 |

| **c. Contributing shares** | | |
|---|---|---|
| At the beginning of the reporting period: | 16,980,000 | 16,980,000 |
| Shares issued during the year | - | - |
| At the end of the reporting period | 16,980,000 | 16,980,000 |

The Contributing Shares are held by offshore entities. The Company made formal calls for payment of outstanding amounts on these shares prior to the appointment of the Voluntary Administrator on 9

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

May 2014, therefore any future amount recovered constitutes an asset attributable to the Creditors Trust under the DOCA with no benefit to the Company.

| | Note | 2016 Number | 2015 Number |
|---|---|---|---|

**d. Options over ordinary shares**

As at 30 June 2016, there are no unlisted options (2015: 25,000,000) on issue over ordinary shares:

| | | |
|---|---|---|
| Options on issue at beginning of period | 25,000,000 | 25,000,000 |
| Options expired | (25,000,000) | - |
| Options on issue at end of period | - | 25,000,000 |

**Options on issue at 30 June 2016:**

| Date of expiry | Exercise price | Number | Number |
|---|---|---|---|
| 03 April 2016 | $0.012 | - | 25,000,000 |
| | | - | 25,000,000 |

**Terms and conditions of contributed equity**

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the 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. The shares do not have a par value.

*Contributing ordinary shares*

Contributing ordinary shares will participate proportionately in any dividends declared to the extent that the contributing ordinary shares are paid or credited as paid. The Directors may deduct from any dividend payable to a member all sums of money presently payable by the member to the Company on account of calls. The shareholder has an obligation to make payment of calls made, and where the amounts is not paid, the shareholder remains liable for the amount unpaid and the shares may be forfeited.

**e. Share Option reserve**

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| Opening balance | | 1,356,900 | 1,356,900 |
| Employee share based payments | | - | - |
| Transfer to equity | | - | - |
| Transfer to accumulated losses | | - | - |
| Issue of options | | - | - |
| | | 1,356,900 | 1,356,900 |

**2016**

During the year ended 30 June 2016, no options were issued or expired.

- 25,000,000 unlisted options exercisable at 2.1 cents expired on 3 April 2016.

**2015**

During the year ended 30 June 2015, the following options expired:

- 10,000,000 unlisted options exercisable at 2 cents expired on 29 June 2015.

**f. Capital management policy**

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so as to maintain a capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund its activities. The Group monitors capital on the basis of the gearing ratio.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group is not subject to externally imposed capital requirements.

## NOTE 17: CONTRACTUAL AND LEASING COMMITMENTS

**a. Employee remuneration commitments**

There are no commitments under employee contract not provided for in the financial statements.

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| - not later than 12 months | | - | 50,000 |
| - between 12 months and 5 years | | - | - |
| - greater than 5 years | | - | - |
| | | - | 121,644 |

**b. Exploration expenditure commitments**

In order to maintain current rights of tenure to exploration tenements, the Controlled Entity is required to outlay tenement lease rentals and perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| - not later than 12 months | | 4,489 | 4,489 |
| - between 12 months and 5 years | | - | - |
| - greater than 5 years | | - | - |
| | | 4,489 | 4,489 |

## NOTE 18: CONTINGENT LIABILITIES

Under the terms of the DOCA entered into on 18 August 2014, the Company has indemnified the Creditors Trustee for any legitimate costs incurred to administer the affairs of the Company during the period of administration from 9 May 2014 to 18 August 2014, and thereafter, the costs of administering the affairs of the Creditors Trust. The liabilities assumed by the Trust upon execution of the DOCA include accrued legal fees, disbursements and costs of the Administrator, the Administrator's fees and other expenses as set out in the DOCA, Since the establishment of the DOCA, the Trustee has incurred additional legal fees as a result of having to defend a legal action brought by two creditors, details of which are set out in the Director's Report.

The Creditors Trustee has advised that based on information currently available to him his estimate of the maximum costs and liabilities incurred during the period of the Company's Administration and in administering the Trust is $300,000. The Trustee has agreed to limit his claim against the Company under its indemnity to $300,000, subject to no other liabilities or claims arising from third parties before the DOCA is effectuated. Such additional claims would include, but not be limited to, a possible adverse cost order from a court in the event that the Trustee makes an unsuccessful application to the court for the transfer of 77.0 million shares in the Company under section 444GA of the Corporations Act for the reasons described in the Directors' Report.

Therefore at the date of this report, based on known information, the Company has a contingent liability equivalent to a maximum of $300,000 less any cash available to the Creditors Trust and any cash contribution to be made by the Company to the Creditors Trust pursuant to the proposed recapitalisation of the Company described in the Directors' Report. The Company's contingent liability under the indemnity provided to the Trustee may increase beyond $300,000 in the event that the Trustee makes an unsuccessful application to the Court. The amount of such an additional contingent claim is unknown and the Directors are unable to quantify such costs at the date of this report.

The Directors are not aware of any other contingent liabilities as at the date of the financial statements.

## NOTE 19: OPERATING SEGMENT

For the year ended 30 June 2016, the Consolidated Entity's operations were predominantly in the mining exploration sector in Australia.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Consolidated Entity identified its operating segments based on the internal reports that are reviewed and used by the Directors (the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

The segments identified for reporting are Mining and Exploration, which is identified as the operational activities of the Company attending all matters associated with tenements and projects including exploration and assessment activities, and Corporate, which is identified as all other activities of the Company including capital raising and other financial activities, activities associated with legal matters and other corporate governance issues.

| At 30 June 2016 | Mining & exploration $ | Corporate $ | Consolidated $ |
|---|---|---|---|
| **REVENUE** | | | |
| Other revenue | - | 42,600 | 42,600 |
| **Segment result** | (10,067) | (174,709) | (184,776) |
| **ASSETS / LIABILITIES** | | | |
| **Asset** | | | |
| Segments assets | - | 19,756 | 19,756 |
| **Liabilities** | | | |
| Segment liabilities | - | (241,687) | (241,687) |
| **Net assets** | - | (221,931) | (221,931) |

| At 30 June 2015 | Mining & exploration $ | Corporate $ | Consolidated $ |
|---|---|---|---|
| **REVENUE** | | | |
| Other revenue | - | 3,002,596 | 3,002,596 |
| **Segment result** | (6,438) | 2,684,891 | 2,684,891 |
| **ASSETS / LIABILITIES** | | | |
| **Asset** | | | |
| Segments assets | - | 141,231 | 141,231 |
| **Liabilities** | | | |
| Segment liabilities | - | (182,931) | (182,931) |
| **Net assets** | - | (41,700) | (41,700) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|

### NOTE 20: CASH FLOW INFORMATION

**a. Reconciliation of cash**

Cash at end of financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| Cash and cash equivalents | | 10,600 | 132,986 |

**b. Reconciliation with operating loss**

Reconciliation of cash flows from operations with operating loss after income tax is set out as follows:

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| Operating income/(loss) after income tax | | (184,776) | 2,678,453 |
| Non-cash flows included in income/(loss): | | | |
| - Exploration expenditure written off / impaired | | 2,222 | 6,438 |
| - Depreciation expense | | - | - |
| - Loss on Plant and Equipment | | - | - |
| - (Gain)/Loss on adjustment of liabilities | | - | (2,866,721) |
| Changes in assets and liabilities: | | | |
| - (Increase)/decrease in receivables | | (1,366) | 13,671 |
| - (Increase)/decrease in prepayments | | - | - |
| - Increase/(decrease) in creditors and accruals | | 53,757 | 600 |
| Net cash used in operating activities | | (130,163) | (167,559) |

**c. Non-cash operating activities**

| | Note | 2016 $ | 2015 $ |
|---|---|---|---|
| Expenses settled by equity | | - | - |

### NOTE 21: SHARE-BASED PAYMENTS

**a. Options granted to key management personnel as share-based payments**

No key management personnel held options in year 2016 or 2015.

### NOTE 22: EVENTS AFTER THE REPORTING PERIOD

On 1 July 2016 the Department of Mines and Petroleum issued E57/1036 covering the blocks applied for by the Company's wholly owned subsidiary Acacia Mining Pty Ltd in June 2015.

On 27 July 2016, Mr Stuart Third resigned as the Alternate Director for Mr Paul Piercy.

On 28 August 2016 the ASX confirmed the conditions for reinstatement of quotation of its securities as set out in its letter of 3 October 2014 remained unchanged. The key conditions as set out in the letter of 3 October 2014 are:

(i) obtaining shareholder approval under ASX Listing Rule 10.9 and provision of an independent expert report under Listing Rule 10.10 for the purposes of that approval in respect of a

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

services agreement entered into with Corporate Admin Services Pty Ltd in May 2007, and a Share Sale Agreement entered into with Mutual Holdings Pty Ltd in October 2009; both entities are controlled by Mr Vladimir Nikolaenko, a person considered by ASX to be a related party at the time the transactions were entered into by the Company, and

(ii) execution of escrow deeds by the present holders of 77.0 million shares originally issued to Mutual Holdings Pty Ltd pursuant to the Share Sale Agreement. In the event that orders are obtained under section 444GA of the Corporations Act transferring the 77 million shares to the Trustee of the Creditors Trust, then ASX will accept an escrow deed executed by the Trustee of the Creditors Trust in satisfaction of this requirement.

Section 3.4 of Listing Rules Guidance Note 33 "*Removal of Entities from ASX Official List*" states that entities will be automatically removed from the ASX Official List from the open of trading on first trading day following continuous suspension of three years. The Company's shares were suspended from trading on ASX on 1 October 2013 thus the first ASX trading day after a continuous period of three years in suspension is 4 October 2016.

Notwithstanding the Company's election to comply with the requirements of ASX with respect to the corrective action required under Listing Rule 10.9, the conclusions reached by the Directors with respect to Mr Nikolaenko's status as a related party and person of influence, as set out in the Company's Annual Report for the year ended 30 June 2013, have not been tested in a court of law. While he has not yet done so it is open for Mr Nikolaenko to contest those conclusions and the basis on which ASX requires the Company to take the corrective action.

On 5 September 2016 the Company was advised by ASX that it has extended the removal deadline to the earlier of shareholder approval (for the required resolutions under Listing Rule 10.9 and 10.10) or 24 October 2016. If this criterion is not met ASX will remove the Company from the Official List on 24 October 2016. If ASX grants an extension with the Guidance Note, it will not exceed three months (or less taking into consideration the three week extension).

On 17 September 2016 Dr Dennis Gee revoked the appointment of Mr Ian Crawford as his Alternate Director, effective from that date.

Except for the above, no matters or circumstances have arisen since the end of the financial year, that have significantly affected, or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

## NOTE 23: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

**Key management personnel**

The names of each person holding the position of Director of Quest Minerals Limited during the financial year are:

| | |
|---|---|
| D Gee | Non-Executive Director |
| P Piercy | Non-Executive Chairman |
| JG Vitale | Managing Director |
| S Third | Alternate Director (Mr P Piercy) |
| I Crawford | Alternate Director (Dr D Gee) |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

For details of disclosures relating to key management personnel, refer to the Remuneration Report contained in the Directors' Report.

## NOTE 24: FINANCIAL RISK MANAGEMENT

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital. The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company 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 and the Group through regular reviews of the risks.

The totals for each category of financial instruments, measured in accordance with AASB 139, as detailed in the accounting policies to these financial statements, are as follows:

| **Categories of financial instruments** | **Note** | **2016** | **2015** |
|---|---|---|---|
| | | **$** | **$** |
| **Financial assets** | | | |
| Cash and cash equivalents | 9 | 10,600 | 132,986 |
| Receivables | 10 | 9,611 | 8,245 |
| | | 20,211 | 141,231 |
| **Financial liabilities** | | | |
| Payables | 13 | 138,902 | 182,331 |
| Borrowings – unsecured loan | 14 | 10,000 | - |
| Loans from others | 14 | 600 | 600 |
| | | 149,502 | 182,931 |

### a. General objectives, policies and processes

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments from which financial instrument risk arises:

- trade and other receivables
- trade and other payables
- cash at bank
- borrowings

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Company where such impacts may be material.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

**Specific financial risk exposures and management**

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

### b. Credit risks

Exposure to credit risk relating to financial assets arises from the potential non- performance by counter parties of the contract obligations that could lead to a financial loss to the Company. There is no material amount of collateral held as security at 30 June 2016.

*Cash and cash equivalents*

The Company limits its exposure to credit risk by only depositing cash at banks or financial institutions that have an acceptable credit rating.

*Trade and other receivables*

As the Company operates primarily in investment and exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Company, where necessary, establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

*Exposure to credit risk*

The carrying amount of the group's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at balance date is as follows:

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | $ | $ |
| Other receivables | 10 | 9,611 | 8,245 |
| | | 9,611 | 8,245 |

### c. 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 cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. The Company does not have any external borrowings.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

**Financial liability and financial asset maturity analysis**

**At 30 June 2016**

| | Within 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Financial liabilities due for payment** | | | | |
| Payables | 138,902 | - | - | 138,902 |
| Loans and borrowings | 10,600 | - | - | 10,600 |
| **Total expected outflows** | 149,502 | - | - | 149,502 |
| **Financial assets – cash flows realisable** | | | | |
| Cash and cash equivalents | 10,600 | - | - | 10,600 |
| Receivables | 9,611 | - | - | 9,611 |
| **Total anticipated inflows** | 20,211 | - | - | 20,211 |
| **Net (outflow)/ inflow on financial instruments** | (129,291) | - | - | (129,291) |

**At 30 June 2015**

| | Within 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **Financial liabilities due for payment** | | | | |
| Payables | 182,331 | - | - | 182,331 |
| Loans and borrowings | 600 | - | - | 600 |
| **Total expected outflows** | 182,931 | - | - | 182,931 |
| **Financial assets – cash flows realisable** | | | | |
| Cash and cash equivalents | 132,986 | - | - | 132,986 |
| Receivables | 8,245 | - | - | 8,245 |
| **Total anticipated inflows** | 141,231 | - | - | 141,231 |
| **Net (outflow)/ inflow on financial instruments** | (41,700) | - | - | (41,700) |

**Financial arrangements**

At 30 June 2016: nil (2015: nil)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

### d. 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 Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

#### *i) Foreign exchange risk*

Overseas transactions are negotiated in foreign currencies which give rise to assets and liabilities which are translated to Australian currency in accordance with the accounting policies set out in Note 1(j).

At balance date, there were no amounts receivable and payable in foreign currency and therefore the Group does not have any exposure to foreign currency risk.

#### *ii) Interest rate risk*

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

The Company adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents on short term deposit at best available market interest rates.

***Profile***

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Consolidated and Company carrying amount | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| **Variable rate instruments** | | |
| Financial assets – cash and cash equivalents | 10,600 | 132,986 |

***Fair value sensitivity analysis for variable rate instruments***

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

***Cash flow sensitivity analysis for variable rate instruments***

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | 100bp Increase | 100bp decrease | 100bp increase | 100bp decrease |
| | $ | $ | $ | $ |
| **30 June 2016** | | | | |
| Variable rate instruments | 106 | (106) | 106 | (106) |
| Unsecured loan | - | - | - | - |
| **30 June 2015** | | | | |
| Variable rate instruments | 1,329 | (1,329) | 1,329 | (1,329) |
| Unsecured loan | (20,129) | 20,129 | (20,129) | 20,129 |

### e. Fair values

The fair values of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value
- Other assets and other liabilities approximate their carrying value

There are no financial assets and financial liabilities readily traded on organised markets in standardised form.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

| | Carrying amount | | Net fair value | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| **Financial assets:** | | | | |
| Cash and cash equivalents | 10,600 | 132,986 | 10,600 | 132,986 |
| Receivables | 9,611 | 8,245 | 9,611 | 8,245 |
| **Total financial assets** | 20,211 | 141,231 | 20,211 | 141,231 |
| **Financial liabilities:** | | | | |
| Trade and other payables | 138,902 | 182,331 | 138,902 | 182,331 |
| Borrowings | 5,600 | 600 | 5,600 | 600 |
| **Total financial liabilities** | 144,502 | 182,931 | 144,502 | 182,931 |

## END OF NOTES TO FINANCIAL STATEMENTS (AUDITED)

## DIRECTORS' DECLARATION

1. In the opinion of the Directors of Quest Minerals Limited (the 'Group'):

   (a) the financial statements and notes set out on pages 18 to 56 and the Remuneration disclosures that are contained in pages 10 to 15 of the Remuneration Report in the Director's Report, are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

      (iii) complying with International Financial Reporting Standards as disclosed in Note 1; and

   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

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

Paul Piercy

Chairman

Perth, 23 September 2016

Grant Thornton

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# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF QUEST MINERALS LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Quest Minerals Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

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

**Auditor's Opinion**

In our opinion:

a the financial report of Quest Minerals Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Material Uncertainty relating to Going concern**

Without further qualification to the opinion expressed above, attention is drawn to the following matter. As described in Note 1 in the financial report, the ability of Quest Minerals Limited to pay its debts as a when they fall due is dependent upon the successful re-capitalisation of the Company. As this matter has not yet occurred, there exists a material uncertainty which may cast significant doubt about the Company's ability to return to being a going concern and realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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.

**Auditor's Opinion on the Remuneration Report**

In our opinion, the Remuneration Report of Quest Minerals Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 23 September 2016