

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")

**Interim Financial Report for Half year to 31 December 2014**

This is to confirm that I have today authorised the release by the Company the attached Interim Financial Report for Quest Minerals Limited and its Controlled Entities for the Half Year to 31 December 2014.

Yours faithfully

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

  
**Adam Shepard**  
Deed Administrator/Trustee



# **QUEST MINERALS LIMITED**

**ABN 55 062 879 583**

*Subject to a Deed of Company Arrangement*

*Subject to a Creditors' Trust*

## **INTERIM FINANCIAL REPORT**

**31 December 2014**

This report should be read conjunction with the Annual Report of the Company for the period ended  
30 June 2014

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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**

**ABN 55 062 879 583**

*Subject to a Deed of Company Arrangement, Subject to a Creditors' Trust*

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**CORPORATE DIRECTORY**

**INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

1 July 2014 to 31 December 2014

**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

**Auditor**

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 2  
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

**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**

**ABN 55 062 879 583**

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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**CONTENTS**

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	21
INDEPENDENT AUDITOR'S REPORT	22

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to a Deed of Company Arrangement, Subject to a Creditors Trust*

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## DIRECTORS' REPORT

Your directors submit their report for the Company and its controlled entities ("the Consolidated Entity" or "the Group") for the half year ended 31 December 2014.

### DIRECTORS

Directors of the Company at any time during or since the end of the half year are:

Mr Paul Piercy	Non-executive Chairman
Mr Jerome G Vitale	Executive Director
Dr Dennis Gee	Non-executive Director
Mr Ian Crawford	Alternate Director for Dr Gee
Mr Stuart Third	Alternate Director for Mr Piercy

### PRINCIPAL ACTIVITIES

The principal activity during the period was mineral exploration and project evaluation of opportunities located in Australia.

### OPERATING RESULTS

As disclosed in the financial statements, the Company recorded a consolidated profit of \$2,545,435 (2013: a consolidated loss of \$1,438,321) for the half year to 31 December 2014.

### REVIEW OF OPERATIONS

#### Victory Bore Project E57/550

Quest Minerals held a 100% interest in E57/550 in the Mid-West region of Western Australia until 21 August 2014. The tenement covers a segment of a layered gabbro complex that contains titaniferous magnetite lenses with vanadium. This was an aged exploration license subject to annual renewal, which is normally granted by DMP provided expenditure commitments are made.

No work was undertaken on Victory Bore in the reporting period. Following a further review of the market prospects for vanadium and a review of historic gold exploration, the Board decided the tenement did not warrant a further application for renewal, consequently it was relinquished in advance of its anniversary date.

#### Perenjori project

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 necessary work to keep the tenement in good standing was completed during the half year.

The directors believe the licence has some 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.

# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to a Deed of Company Arrangement, Subject to a Creditors Trust*

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## DIRECTORS' REPORT

### CORPORATE

#### Summary of Corporate Transactions during the Half Year

On 9 May 2014 the Directors resolved to appoint Mr Adam Shepard from the firm Farnsworth Shepard as voluntary administrator.

On 18 August 2014 the creditors of the Company resolved to adopt a Deed of Company Arrangement (DOCA) proposed by Director Mr Jerome Vitale under which Mr Shepard was appointed as Trustee of a Creditors Trust. The DOCA provides for the transfer of remaining funds 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 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.

The Company's remaining exploration asset at the date of this report comprises a prospecting licence in the Perenjori project area. The directors believe the licence has some strategic value due to it providing necessary access between the two exploration licences that constitute the nearby Perenjori Iron ore deposit. The directors also consider the Company has value as an ASX listed, albeit suspended, corporate shell following the adoption of a DOCA by creditors. Accordingly, negotiations have commenced with several parties who have expressed interest in providing sufficient funds to recapitalise the Company.

On 3rd October 2014 ASX advised that it will consider reinstatement of the Company's securities provided a number of conditions are met. 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.

Realistically, it is likely that any recapitalisation proposal put forward will 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.

#### Appointment of Alternate Director

On 21 October 2014 Mr Ian Crawford was appointed as an Alternate Director for Dr Dennis Gee for periods in which Dr Gee may be absent and not contactable.

#### Annual General Meeting

On 21 December 2014 the Company received advice of an exemption from ASIC allowing for an extension of time to hold its Annual General Meeting (AGM) with respect to the financial year ended 30 June 2014. The AGM was required to be held by no later than 28 February 2015. The exemption advice from ASIC was formalised under ASIC Instrument 15-0004 under Section 250PAB (4) of the Corporations Act (2001) issued on 6 January 2015.

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to a Deed of Company Arrangement, Subject to a Creditors Trust*

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## DIRECTORS' REPORT

The Company requested an extension due to delays in completing its audited Statutory Accounts for the year ended 30 June 2014 and the subsequent preparation of its notice of meeting. The delays arose due to the focus on continuing discussions with interested parties to recapitalise the Company as proposed in the Deed of Company Arrangement entered into on 18 August 2014.

The AGM was held on 27 February 2015.

### AUDITOR INDEPENDENCE

The auditor's independence declaration for the period ending 31 December 2014 has been given and is set out on the following page.

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



Paul Piercy  
Chairman

Signed at Perth on 21 September 2016

### **Competent Persons Statement**

*Information in this report that relates to exploration results reflects information compiled by Dr Dennis Gee, a Director of the company and a member of AIG. Dr Gee 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.*

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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 31 December 2014, 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, 21 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**

**ABN 55 062 879 583**

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Note	Half- year ended 31.12.2014	Half-year ended 31.12.2013
		\$	\$
<b>Continuing operations</b>			
<b>Revenue from ordinary activities</b>			
Other revenue		156	-
Financial income		130	2,330
Expense reimbursed from creditors trust		1,630	-
Assets and liabilities transfer to creditors trust		2,757,640	-
<b>Total revenue</b>	2	<u>2,759,556</u>	<u>2,330</u>
<b>Expenses from ordinary activities</b>			
Loss on disposal of assets		-	(4,759)
Deprecation		-	(1,785)
Finance expenses		-	(80,243)
Professional fees		(151,885)	(563,895)
Exploration & evaluation expenditure written off		(427)	(19,882)
Impairment of exploration and evaluation expenditure		(2,325)	-
Administration expenses		(73,745)	(109,630)
Expenses of Voluntary Administration		(5,739)	-
Occupancy expenses		-	(3,299)
Loss on reinstatement of liabilities		-	(657,158)
		<u>(234,121)</u>	<u>(1,440,651)</u>
Profit (loss) from ordinary activities before income tax expense		2,525,435	(1,438,321)
Income tax expense		-	-
Profit (loss) from continuing operations		<u>2,525,435</u>	<u>(1,438,321)</u>
<b>Other comprehensive income</b>			
Total other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<u>2,525,435</u>	<u>(1,438,321)</u>
<b>Earnings per share</b>			
Basic earnings (loss) per share (cents per share)		0.40	(0.23)
The company's potential ordinary shares are not considered dilutive and accordingly basic earnings (loss) per share is the same as diluted earns (loss) per share.			
Diluted earnings (loss) per share (cents per share)		0.40	(0.23)

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

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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES****ABN 55 062 879 583***Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT  
31 DECEMBER 2014**

	Note	As at 31.12.2014 \$	As at 30.06.2014 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		172	306,983
Trade and other receivables		1,960	21,916
<b>Total current assets</b>		<u>2,132</u>	<u>328,899</u>
<b>Non-current assets</b>			
Property, plant and equipment		-	-
Exploration and evaluation expenditure		-	-
<b>Total non-current assets</b>		<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		196,250	1,036,137
Interest bearing liabilities	4	-	2,012,915
Other liabilities	5	600	-
<b>Total current liabilities</b>		<u>196,850</u>	<u>3,049,052</u>
<b>TOTAL LIABILITIES</b>		<u>196,850</u>	<u>3,049,052</u>
<b>NET ASSETS</b>		<u>(194,718)</u>	<u>(2,720,153)</u>
<b>EQUITY</b>			
Contributed equity		92,202,237	92,202,237
Reserves		1,356,900	1,356,900
Accumulated losses		(93,753,855)	(96,279,290)
<b>TOTAL EQUITY</b>		<u>(194,718)</u>	<u>(2,720,153)</u>

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

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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**

**ABN 55 062 879 583**

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Note	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Total Equity \$
<b>Balance at 1 July 2013</b>		92,041,389	(93,123,138)	1,356,900	275,151
Shares issued during the period		81,000	-	-	81,000
Proceeds from partly paid shares		137,500	-	-	137,500
Net profit (loss) for the period		-	(1,438,321)	-	(1,438,321)
Share issue costs		(57,652)	-	-	(57,652)
Transfer on expiry of option		-	-	-	-
Issue of options		-	-	-	-
<b>Balance at 31 December 2013</b>		<u>92,202,237</u>	<u>(94,561,459)</u>	<u>1,356,900</u>	<u>(1,002,322)</u>
<b>Balance at 1 July 2014</b>		92,202,237	(96,279,290)	1,356,900	(2,720,153)
Shares issued during the period		-	-	-	-
Proceeds from partly paid shares		-	-	-	-
Net profit (loss) for the period		-	2,525,435	-	2,525,435
Share issue costs		-	-	-	-
Transfer on expiry of option		-	-	-	-
Issue of options		-	-	-	-
<b>Balance at 31 December 2014</b>		<u>92,202,237</u>	<u>(93,753,855)</u>	<u>1,356,900</u>	<u>(194,718)</u>

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

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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES****ABN 55 062 879 583***Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Note	31.12.2014	31.12.2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		130	2,330
Other revenue		171	-
Finance expenses		-	(151)
Payment to suppliers and employees		(3,554)	(591,615)
Assets and liabilities transferred to Creditors Trust		(300,806)	-
<b>Net cash used in operating activities</b>		<b>(304,059)</b>	<b>(589,436)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration and evaluation expenditures		(2,752)	(101,074)
Purchase of property, plant and equipment		-	-
<b>Net cash used in investing activities</b>		<b>(2,752)</b>	<b>(101,074)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		-	81,000
Share and loan issue expenses		-	(57,652)
Payments received on contributing shares		-	137,500
Repayment of borrowings		-	(4,118)
Proceeds from issue of debentures		-	300,000
Repayment of debentures		-	-
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>456,730</b>
<b>Net increase/(decrease) in cash held</b>		<b>(306,811)</b>	<b>(233,780)</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>306,983</b>	<b>382,355</b>
<b>Cash and cash equivalents at the end of period</b>		<b>172</b>	<b>148,575</b>

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED**  
**31 DECEMBER 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of preparation**

These general purpose interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Quest Minerals Limited Subject to A Deed of Company Arrangement, Subject to a Creditors Trust and its controlled entities (referred to as the "consolidated group" or "group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2014, together with any public announcements made during the following half-year.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The Group has not elected to early adopt any other Standards or amendments that are issued but not yet effective. The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

These interim financial statements were authorised for issue on 21 September 2016.

**b. Accounting policies**

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 9 'Financial Instruments' superseded pronouncement AASB 139 'Financial Instruments: Recognition and Measurement' with effective date 1 January 2018;
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles) with effective date 1 July 2014;
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) with effective date 1 July 2014;
- AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality) with effective date 1 July 2014;
- AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14) with effective date 1 January 2016;
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) with effective date 1 January 2015;

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

- AASB 2014-4 Amendments to Australian Accounting Standards (Clarification of Acceptable Methods of Depreciation and Amortisation) with effective date 1 January 2016;
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 with effective date 1 January 2017;
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) with effective date 1 January 2018;
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)- Application of AASB 9 (December 2009) and AASB 9 (December 2010) with effective date 1 January 2015;
- Annual Improvements to IFRSs 2012-2014 Cycle this standard have been issued by IASB with effective date 1 January 2016 and AASB is expected to publish the equivalent Australian amendments in quarter 1 of 2015.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) with effective date 1 January 2016;
- Disclosure Initiative- Amendments to IAS 1 Presentation of Financial Statements with effective date of 1 January 2016;

### 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 half year ended 31 December 2014, the Group incurred an operating profit of \$2,525,435 (2013: \$1,438,321 loss) and an operating cash outflow of \$304,059 (2013: \$589,436). As at 31 December 2014, the Group had a net current and overall net asset deficiency of \$194,718.

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 2014 were met by the Administrator from available Trust funds to ensure that the Company remains on the official List of ASX, pending the implementation of a recapitalisation proposal.

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

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

- 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 9).
  - 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 required by ASX to achieve re-admission of trading in the Company's shares 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 half year financial report.

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.

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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 2014**

	Note	31.12.2014	31.12.2013
		\$	\$
<b>NOTE 2: PROFIT FOR THE PERIOD</b>			
Finance income		130	2,330
Other revenue		156	-
Expense reimbursed from creditors trust		1,630	-
Assets and liabilities transfer to Creditors Trust		2,757,640	-
<b>Total revenue from ordinary activities</b>		<u>2,759,556</u>	<u>2,330</u>

**NOTE 3: DIVIDENDS**

No dividends were paid or proposed during the half year ended 31 December 2014.

	Note	31.12.2014	30.06.2014
		\$	\$
<b>NOTE 4: INTEREST BEARING LIABILITIES</b>			
Loans from others - Unsecured		-	200,000
Loans from related parties		-	812,915
Debentures		-	1,000,000
		<u>-</u>	<u>2,012,915</u>

As a result of the Deed of Company Arrangement signed on 18 August 2014, the liabilities reported at 30 June 2014 were transferred to the control of the Deed Administrator and formed the Creditors Trust.

	Note	31.12.2014	30.06.2014
		\$	\$
<b>NOTE 5: OTHER LIABILITIES</b>			
Loan – related party		<u>600</u>	-
		<u>600</u>	-

The loan from the related party provided to enable the Company to meet payments associated with the Group's tenements. The loan is non-interest bearing and was provided by Haramont Pty Ltd of which Mr Vitale is a director.

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**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES****ABN 55 062 879 583***Subject to A Deed of Company Arrangement, Subject to a Creditors Trust***NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED  
31 DECEMBER 2014****NOTE 6: OPERATING SEGMENTS**

For the half year ended 31 December 2014, the Group's operations were in the mineral exploration sector in Australia.

The Group 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.

<b>Six months ended 31 December 2014</b>	<b>Mining &amp; exploration</b>	<b>Corporate</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>			
Other revenue	-	2,759,556	2,759,556
<b>Segment result</b>	<b>(2,752)</b>	<b>2,528,187</b>	<b>2,525,435</b>

**ASSETS / LIABILITIES****Asset**

Segments assets	-	2,132	2,132
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**Liabilities**

Segment liabilities	-	(196,850)	(196,850)
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<b>Net assets</b>	<b>-</b>	<b>(194,718)</b>	<b>(194,718)</b>
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<b>Six months ended 31 December 2013</b>	<b>Mining &amp; Exploration</b>	<b>Corporate</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>			
Other revenue	-	2,330	2,330
<b>Segment result</b>	<b>(19,882)</b>	<b>(1,418,439)</b>	<b>(1,438,321)</b>

**ASSETS / LIABILITIES****Asset**

Segments assets	1,092,506	221,257	1,313,763
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**Liabilities**

Segment liabilities	-	(2,316,085)	(2,316,085)
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<b>Net assets</b>	<b>1,092,506</b>	<b>(2,094,828)</b>	<b>(1,002,322)</b>
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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

### NOTE 7: CONTRACTUAL AND LEASING COMMITMENTS

#### a. 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:

	Note	31.12.2014	30.06.2014
- not later than 12 months		4,489	4,489
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		<u>4,489</u>	<u>4,489</u>

#### b. Employee remuneration commitments

Commitment under employee contract not provided for in the financial statements.

Following the date on which the DOCA was entered into on 18 August 2014, Mr Vitale has agreed to provide his services as Managing Director for \$5,000 per month. Payment of all fees is to be deferred until such time that the Company completes a capital raising under a recapitalisation plan. The commitment may be terminated with one month's notice on either side.

	Note	31.12.2014	30.06.2014
- not later than 12 months		60,000	50,000
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		<u>60,000</u>	<u>50,000</u>

### NOTE 8: 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

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 9: EVENTS AFTER THE REPORTING PERIOD

On 18 August 2014, the Company entered into a Deed of Company Arrangement ('Deed', 'DOCA') that concluded the voluntary administration period that commenced on 9 May 2014, and returned control of the Company to the Directors.

The Deed appointed Mr Adam Shepard of Farnsworth Shepard as the Deed Administrator and Trustee of a Creditors' Trust for the benefit of creditors. In accordance with the terms of the DOCA, the claims of creditors against the Company were transferred to the Creditors' Trust, together with and the right to any funds received pursuant to an application to ATO for a refund of qualifying Research and Development expenditure previously incurred by the Company.

During the period that the Creditors Trust is in effect, the management of the Company is conducted by the Directors subject to the terms of the DOCA, which include that the Directors are required to act in the best interests of the creditors. The only asset retained by the Company at that time was the tenement at Perenjori (P70/1608) which had previously been impaired to nil value. Accordingly, upon return of control of the Company to the Directors on 18 August 2014, the Company had no assets other than the tenement noted above and no pre-administration liabilities.

The DOCA requires the Company to be administered in a way that maximises the opportunity as much as possible 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 DOCA binds all creditors and parties who may have a claim against the Company arising prior to the period of administration, and the claims of creditors against the Company are extinguished and released in full upon the establishment of the Creditors Trust.

The DOCA established a Creditors Trust where the funds held by the voluntary administrator were transferred upon execution of the Deed. The Creditors Trust 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 a successful proponent of a recapitalisation proposal or the Company directly that enables the Company to retain its listing with ASX and for the lifting of the suspension of trading of its securities.

The admission of claims of creditors to participate in the Creditors Trust is adjudicated by the Deed Administrator. Distributions from the Creditors Trust will only be to admitted claims at a time to be determined by the administrator in accordance with the terms of the Deed and of the Creditors Trust.

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

Mutual Holdings Pty Ltd (“Mutual Holdings”) and Corporate Admin Services Pty Ltd (“CAS”) each lodged proofs of debt for amounts owed under the transactions he 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 reject their claims 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 event that it is successfully recapitalised. At the date of this report the amount to be contributed to the Creditors Trust is yet to be determined.

On 3 October 2014, the Company was advised of the corrective action required by ASX to remove impediments to reinstatement of trading of its securities. In the period since 18 August 2014 the Directors have worked toward removing those impediments and meeting compliance with ASX Listing Rule requirements, however the lack of funds have hampered progress. The key conditions 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 77.0 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.

On 21 October 2014 Mr Ian Crawford was appointed Alternate Director for Dr Dennis Gee. The appointment was revoked by Dr Gee on 17 September 2016.

On 19 June 2015 the Company received \$135,833 from ATO for a Research and Development refund for complying expenditure previously incurred on test work to derive the Perenjori Project magnetite process flow sheet. The bulk of these funds were subsequently paid to the Trustee of the Creditors Trust in accordance with the terms of the DOCA.

On 26 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. This area covers the same ground as the Victory Bore vanadium deposit.

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

On 9 June 2016 a Heritage Protection Agreement was executed by Acacia with the Wutha People in respect of access for exploration purposes covering the ground subject to Acacia's EL application. 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.

On 1 July 2016 the Department of Mines and Petroleum issued EL57/1036 covering the blocks applied for by Acacia.

In May 2016 the Company entered into discussions with prospective lead manager to execute a capital raising, sufficient to meet the reinstatement conditions as required by ASX. Subsequently, the directors determined that a capital raising of up to \$2,000,000 will be required to meet ASX's conditions for reinstatement. At the date of this report the final terms and conditions of the capital raising and the final contribution to the Creditors Trust are yet to be determined and remain under discussion with the prospective lead manager and the Creditors Trustee.

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 77.0 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

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# QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES

ABN 55 062 879 583

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 10: 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.

#### a. Key management personnel

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

Dr Dennis Gee

Mr Paul Piercy

Mr Jerome G Vitale

Mr Stuart Third (in his capacity as Alternate Director for Mr Paul Piercy)

Mr Ian Crawford (in his capacity as Alternate Director for Mr Dennis Gee)

#### b. Commercial services agreement

##### – Winduss & Associates Pty Ltd

The Company receives accounting, bookkeeping and secretarial 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 31 December 2014 for accounting, bookkeeping and secretarial services is \$10,345 (2013: \$45,507). After removing amounts owed at 8 August 2014 pursuant to the execution of the Deed of Company Arrangement, the amount owing to Winduss & Associates Pty Ltd at 31 December 2014 are \$185 (2013: \$8,192).

**QUEST MINERALS LIMITED AND ITS CONTROLLED ENTITIES**  
**ABN 55 062 879 583**

*Subject to A Deed of Company Arrangement, Subject to a Creditors Trust*

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**DIRECTORS' DECLARATION**

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 6 to 19
  - a. Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations and
  - b. Give a true and fair view of the economic entity's financial position as at 31 December 2014 of its performance for the half-year ended on that date.
  
2. In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Paul Piercy  
Chairman

Dated 21 September 2016

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

We have reviewed the accompanying half-year financial report of Quest Minerals Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' Responsibility for the Half-year Financial Report**

The Directors of Quest Minerals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Quest Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Independence**

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

#### **Basis for qualified auditor's conclusion**

The audit report for the year ended 30 June 2014 was disclaimed due to a loan payable to Haramont Pty Ltd of \$812,915, plus interest of \$102,360 which included a significant reinstatement of an amount derecognised in the prior financial year.

We were unable to obtain sufficient appropriate audit evidence as to whether this loan and accrued interest were payable at balance date at the amount recorded in the financial report.

Accordingly, we are not in a position to and do not express a conclusion on the comparatives reported within Note 4. Subsequent to this date, these balances have been de-recognised.

#### **Qualified Conclusion**

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Quest Minerals Limited is not in accordance with the *Corporations Act 2001*, including;

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### **Material Uncertainty relating to Going concern**

Without further qualification to the conclusion 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.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M J Hillgrove  
Partner - Audit & Assurance

Perth, 21 September 2016

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