



QUEST MINERALS LIMITED

ABN 55 062 879 583

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

This report should be read in conjunction with the Statutory Report of the Company
for the period ended 30 June 2016

CORPORATE DIRECTORY

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2016
1 July 2016 to 31 December 2016

Board of Directors

Mr Steve Formica - Non-Executive Chairman
(appointed 21 December 2016)

Mr Paul Piercy – Non-Executive Chairman
(resigned 18 January 2017)

Mr Jerome G Vitale
Non-Executive Director

Mr David Palumbo - Non-Executive Director
(appointed 18 January 2017)

Dr Dennis Gee – Non-Executive Director
(resigned 31 January 2017)

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

Mr Ian Crawford
Alternate Director for Dr Gee
(appointment ceased 17 September 2016)

Joint Company Secretaries

Mr Stuart Third

Mr David Palumbo
(appointed 16 December 2016)

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

Mills Oakley
Level 2
225 St Georges Terrace
PERTH WA 6000
Phone: + 61 8 6167 9800
Fax: + 61 8 6167 9898

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

CONTENTS

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	17
INDEPENDENT AUDITORS REPORT	18

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 2016.

DIRECTORS

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

Mr Steve Formica	Non-executive Chairman (appointed 21 December 2016)
Mr Paul Piercy	Non-executive Chairman (resigned 18 January 2017)
Mr Jerome G Vitale	Executive Director
Dr Dennis Gee	Non-executive Director (resigned 31 January 2017)
Mr David Palumbo	Non-executive Director (appointed 18 January 2017)
Mr Ian Crawford	Alternate Director for Dr Gee (ceased 17 September 2016)
Mr Stuart Third	Alternate Director for Mr Piercy (resigned 28 July 2016)

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 loss of \$334,531 for the half year to 31 December 2016 (2015: a consolidated loss of \$157,262).

REVIEW OF OPERATIONS

Victory Bore Project EL 57/1036

On 1 July 2016 the Company's wholly owned subsidiary Acacia Mining Pty Ltd ("Acacia") was awarded Exploration Licence E57/1036 comprising 13 blocks covering an area of 39 km² in the East Murchison Mineral Field in Western Australia. The tenement is located near the town of Sandstone, 560 km north east of Perth, a recognised gold producing area with a number of gold processing facilities in the locality. The licence area covers the same ground as the Victory Bore vanadium deposit previously drilled by the Company (refer ASX announcement of 4 March 2011 for JORC 2004 Mineral Resource estimate).

Through information compiled by Dr Dennis Gee, a former director of the Company and a member of the AIG, the Company has identified a number of gold targets based on historical anomalies that warrant follow up drilling. A two-stage 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 stage planned for year 2 depending on results from first stage of the program.

Perenjori Prospecting Licence P70/1608

The Company elected to relinquish this residual prospecting licence located near Perenjori in the mid-west of Western Australia where it was previously earning an interest. The minimum expenditure required to maintain the tenement in good standing was not deemed to be justified with any upside limited by the small size of the land holding.

DIRECTORS' REPORT

CORPORATE

Summary of Corporate Transactions during the Half Year

On 15 November 2016 the Company signed a mandate letter with CPS Capital Group Pty Ltd ("CPS") under which CPS agreed to act as lead manager for a placement of 91.0 million shares at \$0.02 to raise \$1.82 million and deliver a minimum spread of 300 shareholders holding a value of at least \$500 to satisfy ASX conditions for reinstatement of trading of the Company's securities. Details of the public offer of securities and other offers of securities made by the Company to satisfy adviser and directors fees are contained in a Prospectus lodged with ASIC on 15 November 2016, supplemented on 29 November 2016, 27 January 2017 and 6 February 2017. The Prospectus offers were completed subsequent to the end of the half year, but within the time extensions received by ASX, in early February 2017. The Company's shares were readmitted to trading on 17 February 2017, after a hiatus of more than three years since they were last traded on 30 September 2013.

Shareholder Meetings, Capital Reconstruction

The Company held a shareholder meeting on 14 November 2016 to consider a number of resolutions to (a) provide retrospective shareholder approval as required by ASX for a number of historical transactions deemed to be with a related party, details of which were reported in detail in the Company's prior year financial statements, (b) to approve the consolidation of the Company's issued capital and (c) to approve the issue of shares to recapitalise the Company. All of the necessary resolutions were passed at the meeting.

Also on 14 November 2016, pursuant to a relief order granted by ASIC on 7 December 2015, the Company held the 2015 Annual General Meeting followed immediately by the 2016 Annual General Meeting. At each of these meetings a strike was recorded in relation to the adoption of the remuneration report which then required the spill motion to be placed before the 2016 Annual General Meeting. The spill motion was not passed.

Changes to Directors and Officers

Mr David Palumbo was appointed as a joint Company Secretary on 16 December 2016 and subsequently appointed as a director on 18 January 2017. Mr Steve Formica was appointed as Company Director on 21 December 2016 and subsequently appointed non-executive Chairman on 18 January 2017 to replace Mr Paul Piercy who resigned as Director and Chairman on the same date. Dr Dennis Gee resigned as Director on 31 January 2017.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the period ending 31 December 2016 has been given and is set out on the following page.

SIGNED in accordance with a resolution of the directors,



Steve Formica
Chairman

Signed at Perth on 16 March 2017

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.granthornton.com.au

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 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, 16 March 2017

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

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Half-year ended 31.12.2016 \$	Half-year ended 31.12.2015 \$
Revenue			
Financial income		3	5
Expense reimbursed from creditors trust		-	36,243
Total revenue		<u>3</u>	<u>36,248</u>
Expenses from ordinary activities			
Professional fees		(130,734)	(25,224)
Exploration & evaluation expenditure written off		(1,481)	-
Impairment of exploration and evaluation expenditure		-	(8,225)
Administration expenses		(22,319)	(28,796)
Contributions to Creditors Trust		(180,000)	(131,265)
		<u>(334,534)</u>	<u>(193,510)</u>
Profit/(loss) before income tax expense		(334,531)	(157,262)
Income tax expense		-	-
Profit/(loss) for the period		<u>(334,531)</u>	<u>(157,262)</u>
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive income for the period		<u>(334,531)</u>	<u>(157,262)</u>
Earnings per share			
Basic earnings (loss) per share (cents per share)		(13.15)	(7.54)
Diluted earnings (loss) per share (cents per share)		(13.15)	(7.54)

The Company's potential ordinary shares are not considered dilutive and accordingly basic earnings (loss) per share is the same as diluted earnings (loss) per share.

Earnings per share for period ended 31 December 2015 have been restated to reflect the 300 to 1 consolidation of shares which occurred during the half year to 31 December 2016

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2016

	Note	As at 31.12.2016 \$	As at 30.06.2016 \$
ASSETS			
Current assets			
Cash and cash equivalents - unrestricted	3	45,512	10,600
Cash and cash equivalents – restricted	3	63,124	-
Trade and other receivables		33,405	9,611
Other current assets		26,211	-
Total current assets		<u>168,252</u>	<u>20,211</u>
Non-current assets			
Exploration and evaluation expenditure		-	-
Total non-current assets		<u>-</u>	<u>-</u>
TOTAL ASSETS		<u>168,252</u>	<u>20,211</u>
LIABILITIES			
Current liabilities			
Trade and other payables	4	384,656	236,087
Other liabilities	5	258,349	10,600
Total current liabilities		<u>643,005</u>	<u>246,687</u>
TOTAL LIABILITIES		<u>643,005</u>	<u>246,687</u>
NET DEFICIENCY		<u>(474,753)</u>	<u>(226,476)</u>
EQUITY			
Issued capital	6	92,288,491	92,202,237
Reserves		1,356,900	1,356,900
Accumulated losses		(94,120,144)	(93,785,613)
TOTAL DEFICIENCY		<u>(474,753)</u>	<u>(226,476)</u>

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2015		92,202,237	(93,600,837)	1,356,900	(41,700)
Shares issued during the period		-	-	-	-
Total comprehensive loss for the period		-	(157,262)	-	(157,262)
Share issue costs		-	-	-	-
Issue of options		-	-	-	-
Balance at 31 December 2015		<u>92,202,237</u>	<u>(93,758,099)</u>	<u>1,356,900</u>	<u>(198,962)</u>
Balance at 1 July 2016		92,202,237	(93,785,613)	1,356,900	(226,476)
Shares issued during the period		86,254	-	-	86,254
Total comprehensive loss for the period		-	(334,531)	-	(334,531)
Share issue costs		-	-	-	-
Issue of options		-	-	-	-
Balance at 31 December 2016		<u>92,288,491</u>	<u>(94,120,144)</u>	<u>1,356,900</u>	<u>(474,753)</u>

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

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

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31.12.2016	31.12.2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		3	5
Payment to suppliers and employees		(154,489)	(1,365)
Contributions to Creditors Trust		-	(128,652)
		<hr/>	<hr/>
Net cash used in operating activities		(154,486)	(130,012)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditures		(1,481)	(1,623)
		<hr/>	<hr/>
Net cash used in investing activities		(1,481)	(1,623)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		6,254	-
Proceeds from borrowings		184,625	-
		<hr/>	<hr/>
Net cash provided by financing activities		190,879	-
Net increase/(decrease) in cash held		34,912	(131,635)
Cash and cash equivalents unrestricted at the beginning of period		<hr/> 10,600	<hr/> 132,986
Cash and cash equivalents unrestricted at the end of period		<hr/> 45,512	<hr/> 1,351

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

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 2016 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 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 2016, 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 16 March 2017.

b. Accounting policies

In the half-year ended 31 December 2016, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore no change is necessary to Company accounting policies.

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 2016, the Group incurred an operating loss of \$334,531 (2015: \$157,262 loss) and an operating cash outflow of \$154,486 (2015: \$130,012). As at 31 December 2016, the Group had a net current and overall net asset deficiency of \$474,753. During the period to the date of this report, the Directors have continued to take steps to ensure that the Company and the Group continue as going concerns. These steps included the execution of a mandate with CPS Capital Group Pty Ltd to act as lead manager for a share issue to raise \$1.82 million (before costs) pursuant to a placement of shares and a capital reconstruction approved by shareholders on 14 November 2016. The Company successfully

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

completed the capital raising subsequent to half year end and was reinstated to official quotation by ASX on 17 February 2017. The raising enabled the Company to meet all liabilities and accruals recorded at 31 December 2016, including the effectuation of the DOCA which was completed on 13 February 2017, and provide sufficient working capital to meet ongoing commitments of the Company.

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 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 subject to the relevant market conditions. Active management of the quantum and timing of exploration expenditure in line with the Company's available funds is also required to maintain the Company's ability to operate as a going concern.

The Directors have reviewed the circumstances of the Company and the Group as at the date of this report and are of the opinion that the Company will be able to raise capital through one or more sources in a reasonable time frame when required. 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.

NOTE 2: DIVIDENDS

No dividends were paid or proposed during the half year ended 31 December 2016.

	Note	31.12.2016	30.06.2016
		\$	\$

NOTE 3: CASH AND CASH EQUIVALENTS

Cash at bank – unrestricted		45,512	10,600
Cash at bank – restricted		63,124	-
		108,636	-

At 31 December 2016, the Company had received funds in relation to applications for shares under the offer pursuant to the Prospectus issued by the Company. Pursuant to the Corporations Act 2001, the funds received from prospective investors under an application for shares must be held separately from other funds of the Company and are unable to be utilised by the Company for operational matters until the shares have been issued. The funds were held in a separate bank account and are considered to be under a restriction until such times as the shares are issued.

	Note	31.12.2016	30.06.2016
		\$	\$

NOTE 4: TRADE AND OTHER PAYABLES

Trade payables and sundry accruals		199,656	236,087
Provision for settlement of legal costs		5,000	-
Provision for transfer to Creditors Trust		180,000	-
		384,656	236,087

Upon the successful recapitalisation of the Company, in order to effectuate the DOCA (one of the conditions the Company was required to meet by ASX to allow its securities to be reinstated to trading), an amount was payable to the Creditors Trust. Pursuant to an agreement reached with the Administrator

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

of the DOCA and Trustee of the Creditors Trust, the Company has recognised an expense of \$180,000 at 31 December 2016. This amount was subsequently transferred to the Deed Administrator on 13 February 2017 in order to achieve the effectuation of the DOCA and meet a key condition of readmission to trading imposed by ASX.

	Note	31.12.2016	30.06.2016
		\$	\$
NOTE 5: OTHER LIABILITIES			
Loan – related party		600	600
Loan – unsecured		125,625	10,000
Loan – secured		69,000	-
Funds held in escrow pending issue of shares		63,124	-
		258,349	10,600

The related party loan was provided by Haramont Pty Ltd to meet urgent expenses of the Company and is repayable without interest only upon successful recapitalisation of the Company. The loan has been repaid since 31 December 2016.

The unsecured loans were provided by proponents of the capital raising to meet the costs of recapitalisation, including the cost of holding various shareholder meetings, general legal costs for corporate advice, preparation of various formal notices for shareholder meetings, costs associated with preparation of the Prospectus and supplementaries, independent expert reports and ASX annual listing fees. The loans are repayable only upon successful recapitalisation and completion of a capital raising and reinstatement of trading in the Company's shares. The loans have been repaid since 31 December 2016.

The secured loan was provided after the unsecured loans primarily to meet legal costs associated with defending an action in the Supreme Court of Western Australia challenging the conduct and outcome of the General Meeting of shareholders held on 14 November 2016 (refer ASX announcement dated 29 November 2016 released to ASX on 30 November 2016), and costs to obtain orders in the Federal Court with respect to the execution of escrow agreements acceptable to ASX for 256,666 shares issued in prior accounting periods to a party deemed to be related to the Company. This loan was secured by a mining mortgage over the tenement owned by Acacia Mining Pty Ltd, the Company's subsidiary. The loan has been repaid since 31 December 2016 and authority to have the mortgage discharged has been received from the mortgagee.

The application monies received by the Company prior to the issue of shares must be held in escrow until such times as the shares are issued to the applicants as the funds must be able to be refunded to applicants should the issue of shares not proceed for any reason. The funds held in escrow at 31 December 2016 related to the share applications received at that time in relation to the Prospectus issued on 15 November 2016 its subsequent supplementary prospectuses. Since the half year end, the Company has successfully met the conditions for the shares to be issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016

	Half-year ended 31.12.2016		Half-year ended 31.12.2015	
	No.	\$	No.	\$
NOTE 6: ISSUED CAPITAL				
(a) Movement in ordinary shares on issue				
Fully paid ordinary shares				
Opening balance	625,443,285	92,159,787	625,443,285	92,159,787
Shares issued November 2016	93,810,000	6,254	-	-
1 for 300 consolidation	(716,853,857)	-	-	-
Shares issued December 2016	4,000,000	80,000	-	-
	6,399,428	92,246,041	625,443,285	92,159,787
Contributing ordinary shares				
Opening balance	16,980,000	42,450	16,980,000	42,450
1 for 300 consolidation	(16,923,400)	-	-	-
	56,600	42,450	16,980,000	42,450
		92,288,491		92,202,237

The Contributing Shares were held by offshore entities. The Company made formal calls for payment of outstanding amounts on these share prior to the appointment of the Voluntary Administrator on 9 May 2014. However, as the calls were unpaid, the shares were forfeited and the Company reissued the shares as fully paid through resale via the recapitalisation of the Company which occurred in February 2017.

	Note	Half-year ended	Half-year ended
		31.12.16	31.12.15
		No.	No.
(b) Movement in options on issue			
Opening balance		-	-
Options issued	11 (c)	2,500,000	-
Closing balance		2,500,000	-

NOTE 7: OPERATING SEGMENTS

For the half year ended 31 December 2016, the Group's operations were in the mineral exploration sector in Australia.

The Board has considered the requirements of AASB 8 *Operating Segments* and 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 and have concluded at this time that there are no separately identifiable segments.

NOTE 8: CONTRACTUAL AND LEASING COMMITMENTS

a. Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group 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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

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	31.12.2016	30.06.2016
- not later than 12 months		20,000	20,000
- between 12 months and 5 years		20,000	20,000
- greater than 5 years		-	-
		40,000	40,000

b. Employee remuneration commitments

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

Upon reinstatement of the Company's securities to trading by ASX, Mr Vitale has agreed to provide his services for a minimum of six months from 15 February 2017 for \$5,000 per month.

	Note	31.12.2016	30.06.2016
- not later than 12 months		30,000	-
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		30,000	-

NOTE 9: CONTINGENT LIABILITIES

Under the terms of the DOCA entered into on 18 August 2014, the Company 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 incurred additional legal fees as a result of having to defend a legal action brought by two creditors, details of which were provided in the Group's 2016 financial reports. The DOCA has now been fully effectuated.

Therefore, at the date of this report, based on known information, the Directors are of the opinion that there are no further obligations of the Company in relation to the DOCA or the Creditors Trust.

During the period, the Company had agreed with certain suppliers that they would provide their services to the Company solely on the basis that their services would be paid for only if the Company was successful in being requoted by ASX and the recapitalisation proceed. The specific suppliers agreed that no liability or claim would be recognised by the Company in the event that the Company was not requoted and the recapitalisation therefore did not proceed. At balance date, the total amount that could become payable by the Company upon successful requotation that was not recognised as a liability given the agreement was \$55,000. The Company was successfully requoted on 17 February 2017 and the amounts have since been recognised and paid either in cash (\$35,000) or settled within the share issue (\$20,000).

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

NOTE 10: EVENTS AFTER THE REPORTING PERIOD

On 21 December 2016, Mr Steve Formica was appointed as a Non-Executive Director of the Company.

On 16 January 2017, proceedings in the Supreme Court commenced by two shareholders of the Company

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

in relation to the conduct of the shareholder meetings held on 14 November 2016 were settled without proceeding to hearing. Under the terms of the settlement, no amounts were payable by either party to the other.

On 18 January 2017, Mr Formica was appointed as non-executive Chairman, and Mr Paul Piercy resigned as Chairman and Director. Mr David Palumbo was also appointed as non-executive Director on this date. Dr Dennis Gee resigned as Director on 31 January 2017.

On 10 February 2017, the Company announced the offer for shares on the terms contained in the Prospectus issued on 15 November 2016, as updated by the subsequent Supplementary Prospectuses, had closed on 7 February 2017 fully subscribed and that shares would be issued upon finalisation of the conditions required by ASX to allow the Company's securities to recommence trading.

The Company issued 101,000,000 shares on 13 February 2017, providing approximately \$1.82 million to the Company. This has provided the Company sufficient funds to repay secured and unsecured loans, settle creditors and accruals relating to the recapitalisation process incurred during half year, provide payment to the Creditors Trust to effectuate the DOCA, payment to the lead manager and advisers with respect to the capital raising and have sufficient funds to meet expenditure requirements for the exploration of tenement held by the Group. The amounts identified as contingent liabilities above have been settled as part of this process.

The Company also issued 30,000,000 options to acquire shares in the Company exercisable at \$0.03 and expiring on 30 September 2020 on 13 February 2017 pursuant to the approval granted by shareholders at the General Meeting held on 14 November 2016.

On 13 February 2017, the Deed of Company Arrangement was fully effectuated and the Company released from the Deed and any further obligations under the Creditors Trust.

On 17 February 2017, the Company was reinstated to trading status by ASX after the Company had completed all necessary requirements of the ASX to be requoted. The Company is presently negotiating a success fee that may become payable to an entity associated with Mr Gino Vitale in recognition of the assistance and effort provided to have the Company reinstated.

On 15 March 2017, the Company issued 10,000,000 shares at \$0.02 per share to raise \$200,000 before costs to provide additional working capital. The issue was within the Company's capacity under ASX Listing Rule 7.1.

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 11: 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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

Mr Steve Formica
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 2016 for accounting, bookkeeping and secretarial services has been compromised such that a credit of \$4,226 is recognised for the period (2015: \$14,750 fees raised). After removing amounts owed at 8 August 2014 pursuant to the execution of the Deed of Company Arrangement and further compromises on amounts owed by the Company to Winduss & Associates Pty Ltd for work undertaken after execution of the DOCA, the amount owing to Winduss & Associates Pty Ltd at 31 December 2016 is \$20,190 (30 June 2016: \$11,185).

c. Share options issued

– **Haramont Pty Ltd**

During the period, the Company issued 2,500,000 options to Haramont Pty Ltd, an entity controlled by Mr Jerome Vitale, pursuant to the resolution passed at the General Meeting held on 14 November 2016, at an issue price of \$0.00001 per option. The options are exercisable at \$0.03 and expire on 30 September 2020. These options do not represent either remuneration or fees for services rendered or to be rendered. At 31 December 2016, these are the only options registered to the Company.

DIRECTORS' DECLARATION

The directors of the Group declare that:

1. The financial statements and notes, as set out on pages 6 to 16
 - 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 2016 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.



Steve Formica
Chairman

Dated 16 March 2017

Level 1
10 Kings Park Road
West Perth WA 6005

Correspondence to:
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.granthornton.com.au

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 2016, 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 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 2016 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.

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

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

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*.

Conclusion

Based on our review, which is not an audit, 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 2016 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*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Partner - Audit & Assurance

Perth, 16 March 2017