



**QUEST MINERALS LIMITED**

**ACN 062 879 583**

## **Second Supplementary Prospectus**

### **1 Important information**

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This is a supplementary prospectus (**Second Supplementary Prospectus**) intended to be read with the prospectus dated 15 November 2016 (**Prospectus**) and supplementary prospectus dated 29 November 2016 (**Supplementary Prospectus**) issued by Quest Minerals Limited (**Company**). This is the second supplementary prospectus lodged with ASIC in relation to the Offer.

This Second Supplementary Prospectus is dated 27 January 2017 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that day. ASIC, ASX Limited (**ASX**) and their respective officers do not take any responsibility as to the contents of this Second Supplementary Prospectus or the merits of the investment to which this Second Supplementary Prospectus relates.

Other than as set out below, all details in relation to the Prospectus remain unchanged. To the extent of any inconsistency between this Second Supplementary Prospectus, the Supplementary Prospectus and the Prospectus, this Second Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Second Supplementary Prospectus.

This Second Supplementary Prospectus will be issued with the Prospectus and Supplementary Prospectus as an electronic prospectus and may be accessed on the ASX platform at its website at [www.asx.com.au](http://www.asx.com.au) or on the Company's website at [www.questminerals.com.au](http://www.questminerals.com.au). The Company will send a copy of this Second Supplementary Prospectus to all Applicants who have applied for Shares under the Prospectus as at the date of this Second Supplementary Prospectus.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisors without delay.

### **2 Supplementary Prospectus**

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The Company has prepared this Second Supplementary Prospectus to:

- (a) provide an updated indicative timetable to the Offers, including the deadline granted by ASX for to Reinstatement to quotation and trading of Shares on the ASX;
- (b) amend and update the information in section 3.10 (Capital Structure) after the consolidation of the Company's Shares and additional placement of shares;
- (c) amend section 5.2 (Directors' Holdings) of the Prospectus;
- (d) provide information in respect of an additional placement of Shares;
- (e) provide an update in respect of appointments and resignations of the Company's officers;

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This Second Supplementary Prospectus is intended to be read with the Prospectus dated 15 November 2016 and the Supplementary Prospectus dated 29 November 2016 issued by Quest Minerals Limited

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- (f) amend section 7 (Financial Information) of the Prospectus, including a reduction in the cash contribution to be made to the Creditors Trust established under the DOCA to \$185,000;
- (g) provide an update on the Supreme Court Proceedings as provided in section 3.3 and 4.1(m) (Litigation);
- (h) provide an update on the outcome of the application to the Court for orders that the Restricted Securities are transferred to the Deed Administrator so that he can sign restriction agreements in relation to the Restricted Securities for the period required by the Listing Rules; and
- (i) update regarding Chess reinstatement approval.

### **3 Indicative timetable**

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#### **3.1 Extension granted by ASX**

ASX has advised that it has granted a further extension of the deadline by which the Company's Shares must be requoted, to 15 February 2017.

#### **3.2 Indicative timetable**

The indicative timetable in the Prospectus is to be deleted and replaced as follows:

<i>Prospectus lodged with ASIC and ASX</i>	<i>15 November 2016</i>
<i>Effective date for Consolidation</i>	<i>16 November 2016</i>
<i>Record date for Consolidation</i>	<i>17 November 2016</i>
<i>Issue of holding statements following Consolidation</i>	<i>24 November 2016</i>
<i>Supplementary Prospectus lodged with ASIC and ASX</i>	<i>29 November 2016</i>
<i>Opening Date of the Offer</i>	<i>29 November 2016</i>
<i>Closing Date for Priority Offer to Shareholders</i>	<i>1 February 2017</i>
<i>Closing Date of the Offer</i>	<i>7 February 2017</i>
<i>Complete issue of securities under the Offer</i>	<i>9 February 2017</i>
<i>Payments to Deed Administrator, Deed of Company Arrangement effectuated and Deed Administrator retires</i>	<i>9 February 2017</i>
<i>Reinstatement to quotation and trading of Shares on the ASX</i>	<i>15 February 2017</i>

*This timetable is indicative only, and may change. The Company reserves the right to extend the Closing Date or close the Offer early without notice, in its absolute discretion. Quotation of shares on ASX is at the discretion of ASX and is subject to the Company satisfying the reinstatement requirements of ASX.*

### **4 Capital Structure**

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Section 3.10 of the Prospectus should be deleted and in its place inserted the schedule to this Second Supplementary Prospectus.

### **5 Directors resignation and appointment**

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

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

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

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

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

The Prospectus is amended and replaced to include Steve Formica as Chairman and David Palumbo as Director, and to remove Paul Piercy and Dennis Gee as directors.

## **6 Directors' interests**

### **6.1 Directors interests in shares**

Since the lodgement of the Prospectus the Company has received new information and section 5.2 of the Prospectus is to be replaced and read as follows.

*"On Completion, the Directors' interests in Shares of the Company will be as follows:*

<b>Directors</b>	<b>Directly Held</b>	<b>Indirectly Held</b>
<i>Paul Piercy<sup>1</sup></i>	<i>500,000</i>	<i>-</i>
<i>Jerome Vitale</i>	<i>100,001</i>	<i>1,075,000</i>
<i>Dennis Gee<sup>2</sup></i>	<i>502,583</i>	<i>-</i>
<i>David Palumbo<sup>3</sup></i>	<i>-</i>	<i>-</i>
<i>Steve Formica<sup>4</sup></i>	<i>-</i>	<i>-</i>

<sup>1</sup> Mr Piercy resigned as a Director and Chairman on 18 January 2017

<sup>2</sup> Dr Gee has resigned as a Director, effective from 31 January 2017

<sup>3</sup> Mr Palumbo was appointed as a non-executive director on 18 January 2017

<sup>4</sup> Mr Formica was appointed as a director on 3 January 2017 and appointed as non-executive Chairman on 18 January 2017

### **6.2 Performance rights**

As a result of not meeting the performance hurdles (due to the delay in satisfying the conditions to reinstatement) Mr Jerome Vitale will no longer be issued with Performance Rights. Mr Vitale will instead receive a cash payment of \$35,000 within two days of the Company's Shares being reinstated for trading on ASX.

### **6.3 Cash payments**

The aggregate cash payment to directors Messrs Piercy, Vitale, Dr Gee and Company Secretary Mr Stuart Third in settlement of accrued fees will be reduced from \$40,000 to \$30,000.

## 7 Share issues

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### 7.1 Share Placement

In addition to the original 91.0m shares, CPS Capital has agreed to place an additional 10.0 million shares at a price of \$0.02 to raise \$200,000. CPS Capital will be paid a fee of 6.0% or \$12,000 plus GST. This additional placement is to be completed in time to achieve the reinstatement of Quest's shares for trading on ASX by 15 February 2017.

### 7.2 Share issue to Directors and Company Secretary

On 14 December 2016, 4,000,000 Shares were issued to directors and officers of the Company (or their nominees) in satisfaction of fees payable to directors and officers of the Company pursuant to resolutions passed at the shareholders meeting held 14 November 2016.

## 8 Update on signing of restriction agreements

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Pursuant to a decision by Federal Court of Australia handed down on 15 December 2016, title to a total of 256,666 shares previously held by KHV Holdings and Pty Ltd and Mutual Holdings Pty Ltd respectively has been transferred to the Deed Administrator and the necessary escrow deeds with respect to those shares have been executed by him. This fulfils a key condition of reinstatement of trading of the Company's securities required by ASX.

## 9 Litigation & Supreme Court proceedings

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The Supreme Court proceedings have been discontinued. Annexed to this Second Supplementary Prospectus is a copy of an announcement made by the Company to ASX on 16 January 2017.

### 10 Contribution to Creditors Trust

The Company's contribution to the Creditors Trust established under the DOCA is to be reduced \$185,000.

## 11 Financial Information

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Since the lodgement of the Prospectus on 15 November 2016, the Company has received updated information for section 7.5 of the Prospectus. Section 7.5 of the Prospectus is to be deleted and replaced as follows:

### **Statutory Historical Balance Sheet, pro forma adjustments and Pro Forma Historical Balance Sheet as at 30 June 2016**

	<b>Audited at 30 June 2016 \$</b>	<b>Pro Forma 2016 \$</b>
<b>ASSETS</b>		
<b>Current assets</b>		
<i>Cash and cash equivalents</i>	10,600	1,212,991
<i>Trade and other receivable</i>	9,611	9,611
<b>Total current assets</b>	<u>20,211</u>	<u>1,222,602</u>

<b>Non-current assets</b>		
Exploration and evaluation expenditure	-	-
<b>Total non-current assets</b>	-	-
<b>TOTAL ASSETS</b>	<u>20,211</u>	<u>1,222,602</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	236,087	-
Borrowings	10,600	-
<b>Total current liabilities</b>	<u>246,687</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>246,687</u>	<u>-</u>
<b>NET (LIABILITIES)/ASSETS</b>	<u>(226,476)</u>	<u>1,222,602</u>
<b>EQUITY</b>		
Contributed equity	92,202,237	94,058,092
Reserves	1,356,900	1,356,900
Accumulated losses	(93,785,613)	(94,192,390)
<b>TOTAL EQUITY/(DEFICIENCY)</b>	<u>(226,476)</u>	<u>1,222,602</u>

A reconciliation of cash and cash equivalents and the impact of the pro-forma adjustments/ transactions are as follows:

<b>Cash Movements</b>	
Audited cash position at 30 June 2016	10,600
<b>Add:</b>	
Proceeds from pre-capital consolidation share issue	6,250
Proceeds from unsecured borrowings	115,625
Proceeds from secured borrowings	69,000
Gross amount raised from issue of 101.0m shares at 2.0 cents	2,020,000
Proceeds from issue of options: 32,500,000 at \$0.00001	320
Sale of 56,600 forfeited shares at 2.0 cents	1,132
<b>Total gross cash raised</b>	<u>2,212,327</u>
	<b>2,222,927</b>
<b>Less:</b>	
Payment to Creditors Trust under terms of DOCA	185,000
Payment to post DOCA creditors, as at 30 June 2016	31,114
Repayment of Borrowings at 30 June 2016	10,600
Settlement of cash component of directors fees	30,000
	<u>256,714</u>

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**Recap costs:**

<i>Placement commissions</i>	121,000	
<i>Advisers fees (other than Lead Manager)</i>	20,000	
<i>Legal costs</i>	155,000	
<i>Accounting and audit costs</i>	61,750	
<i>Independent experts costs</i>	34,347	
<i>Other costs (registry &amp; postage, shareholder meetings, ASX listing fees, ASIC filing fees etc)</i>	141,500	
<i>Repayment of unsecured borrowings post 30 June 2016</i>	115,625	
<i>Repayment of secured loan</i>	69,000	
<i>Payment to director in lieu of 5.0m performance rights</i>	35,000	
<b>Total recapitalisation costs</b>		<b>748,222</b>
<b>Pro forma net cash on hand at 30 June 2016</b>		<b>1,212,991</b>

The Company expects that it will have sufficient cash to fund its operational requirements and business needs following the Offer.

As disclosed in the cash movements above, the Company has received loan funding to assist in continuing the recapitalisation and administration since 30 June 2016, of which \$69,000 has been secured by a mortgage over the Victory Bore tenement held by the Company's wholly owned subsidiary, Acacia Mining Pty Ltd. The loans, including the secured loan, will be fully repaid from the proceeds of the capital raising, at which time the mortgage will be discharged and the tenement will become unencumbered.

**12 CHES**

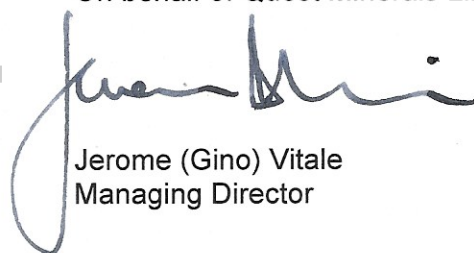
ASX Settlements have confirmed that, subject to ASX approval for admission to the Official List, the Company meeting the technical and performance requirements for participation in CHES and any pre-commencement testing, the Company's securities will be participating in CHES from the date of initial quotation.

**13 Directors' Authorisation**

This Second Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Second Supplementary Prospectus with the ASIC.

On behalf of Quest Minerals Limited,



Jerome (Gino) Vitale  
Managing Director

## Schedule – Capital Structure

<i>The Company's capital structure prior to the Consolidation, post Consolidation and following the Recapitalisation will be as follows:</i>	<b>Fully Paid Ordinary Shares</b>		<b>Partly Paid shares</b>		<b>Options</b>	
<i>Existing Shares on Issue as at 30 September 2016 and, prior to the Consolidation</i>	719,253,285	100%	16,980,000	100%	-	-
<i>Existing Shares on issue following the Consolidation (includes rounding up to 1 share for shareholders with 300 or less shares held prior to consolidation)</i>	2,399,428	2.04%	56,600	100%	-	-
<i>Placement at \$0.02 per Share to unrelated parties to raise \$1,820,000</i>	91,000,000	77.48%	-	-	-	-
<i>Issue at \$0.02 per Share to related parties or nominees</i>	4,000,000	3.41%	-	-	-	-
<i>Issue of Shares at \$0.02 per share in satisfaction of fees to unrelated lead manager and corporate advisers</i>	10,000,000	8.51%	-	-	-	-
<i>Issue of Unlisted Options to nominees of proponents of Recapitalisation at a price of \$0.00001 (includes 2,500,000 to be offered to a related party)</i>		0.00%			32,500,000	100%
<i>Conversion of Partly Paid Shares (to be offered under Prospectus)</i>	56,600	0.05%				
<i>Placement at \$0.02 per Share to unrelated parties to raise \$200,000</i>	10,000,000	8.51%				
<b><i>On Issue at completion of proposed Consolidation and Recapitalisation</i></b>	<b>117,456,028</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>32,500,000</b>	<b>100%</b>

As at the date of this Second Supplementary Prospectus, the Company does not have any other class of securities on issue.

This Second Supplementary Prospectus is intended to be read with the Prospectus dated 15 November 2016 and Supplementary Prospectus dated 29 November 2016 issued by Quest Minerals Limited



ASX ANNOUNCEMENT E lodgement, 1 page

13 January 2017

**Quest Minerals Limited**

**ABN 55 062 879 583**

*(Subject to a Deed of Company Arrangement and Creditors' Trust)*

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F: +61 (8) 9217 9899  
E: [jeromev@vitale.net.au](mailto:jeromev@vitale.net.au)

**Board of Directors and Management:**

Jerome G (Gino) Vitale  
Managing Director

**Non-Executive Directors:**

Steve Formica  
Paul Piercy  
Dennis Gee

**Joint Company Secretaries:**

Stuart Third  
David Palumbo

**Capital Structure:**

Ordinary Shares: 6,399,428



ASX Code: **QNL**

*Enquiries regarding this announcement can be directed to:*

Mr Gino Vitale  
T: +61 (8) 9221 3355

***Settlement of Supreme Court Proceedings***

Quest Minerals Ltd (Subject to a Deed of Company Arrangement, Subject a Creditors Trust Deed) (ASX: QNL, "Company" or "Quest") is pleased to announce that it has settled Supreme Court proceedings commenced against it by Mutual Holdings Pty Ltd (**Mutual**) and KHV Holdings Pty Ltd (**KHV**).

The ASX has previously advised that it would not reinstate Quest's shares to quotation until the matters subject the Supreme Court proceedings were resolved. In the proceedings, Mutual and KHV challenged the validity of resolutions passed at the general meeting of Quest's shareholders held on 14 November 2016 ("GM") and sought various relief including in relation to the conduct of Quest's affairs by the placement and issue of shares to a sophisticated investor on 11 November 2016 and by the exclusion of Mutual and KHV from voting at the GM.

Quest excluded Mutual's and KHV's votes at the GM on the basis that their shares were obtained through related party transactions, an allegation which is strenuously denied Mutual, KHV and their sole director Mr Nikolaenko.

Quest acknowledges that there has never been any finding by any Court or Tribunal that Mr Nikolaenko was a "shadow" director or officer of Quest or that Mutual or KHV were related parties of Quest.

The Company will shortly issue an updated timetable in respect of completion its Placement Offer and reinstatement of quotation of its securities for trading on ASX.

**David Palumbo**  
**Joint Company Secretary**

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