

Quantum Resources Limited

ACN 006 690 348

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016

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Activities Report

Dear Shareholder

THOMPSON BROS. LITHIUM PROJECT – MANITOBA, CANADA

During the half year, the Consolidated Entity completed the acquisition of Manitoba Minerals Pty Ltd (“**MMPL**”), a private company that holds rights to earn up to a 95% ownership interest in the Thompson Brothers Lithium Property in Wekusko Lake, Manitoba, Canada.

MMPL is a private company which holds the rights to earn up to a 95% ownership interest in the Thompson Bros. Lithium Property in Wekusko Lake, Manitoba (the “**Project**”) from Ashburton Ventures Inc. (“**ABR**”), by financing ABR’s commitments under an Option Agreement with the current holder of the Project, Strider Resources Ltd (“**SRL**”).

About the Thompson Bros. Lithium Project and Exploration Update

The Thompson Bros. Lithium Project is located 20 kilometres east of the mining community of Snow Lake, Manitoba. The main highway between Thompson and Flin Flon and rail connecting Winnipeg and the seaport of Churchill both pass 40 km south of the property.

The project consists of 18 contiguous claims covering 1829 hectares. Manitoba is consistently ranked one of the top mining jurisdictions in the world and electricity costs are amongst the lowest in North America.

As announced on 21 December 2016, the exploration program identified and **confirmed** the existence of Thompson #5 as a separate, parallel structure which returned **4,290 ppm Lithium (0.92% Li₂O)** in spodumene bearing pegmatite. Further exploration work is now being prepared which could lead to significantly increased overall lithium tonnages at Thompson Bros.

The collection of discontinuous rock chip samples collected during the visit also tested the extent and mineralized horizon of the main Thompson Bros lithium-rich spodumene bearing pegmatite dyke with high grade lithium values of up to **7,520 ppm Lithium (1.62% Li₂O)** encountered.

2016 Winter Exploration Program – Background

A 2016 winter exploration program was conducted on the Thompson Brothers Property in early November. The exploration work was carried out by Dahrouge Geological Consulting Ltd. on behalf of Ashburton Ventures Inc. John Gorham, the competent person for this news release, visited the Property at this time.

The primary focus of the exploration was to validate and expand on the previous 2016 campaign as well as other historical work undertaken on the property. The crew was also tasked with investigating the potential for other pegmatites to exist on the property as well as carry out further geological mapping and sampling of pegmatite outcrops. Sampling by the crew was undertaken across several areas of distinct mineralization (Figure One below).

Activities Report

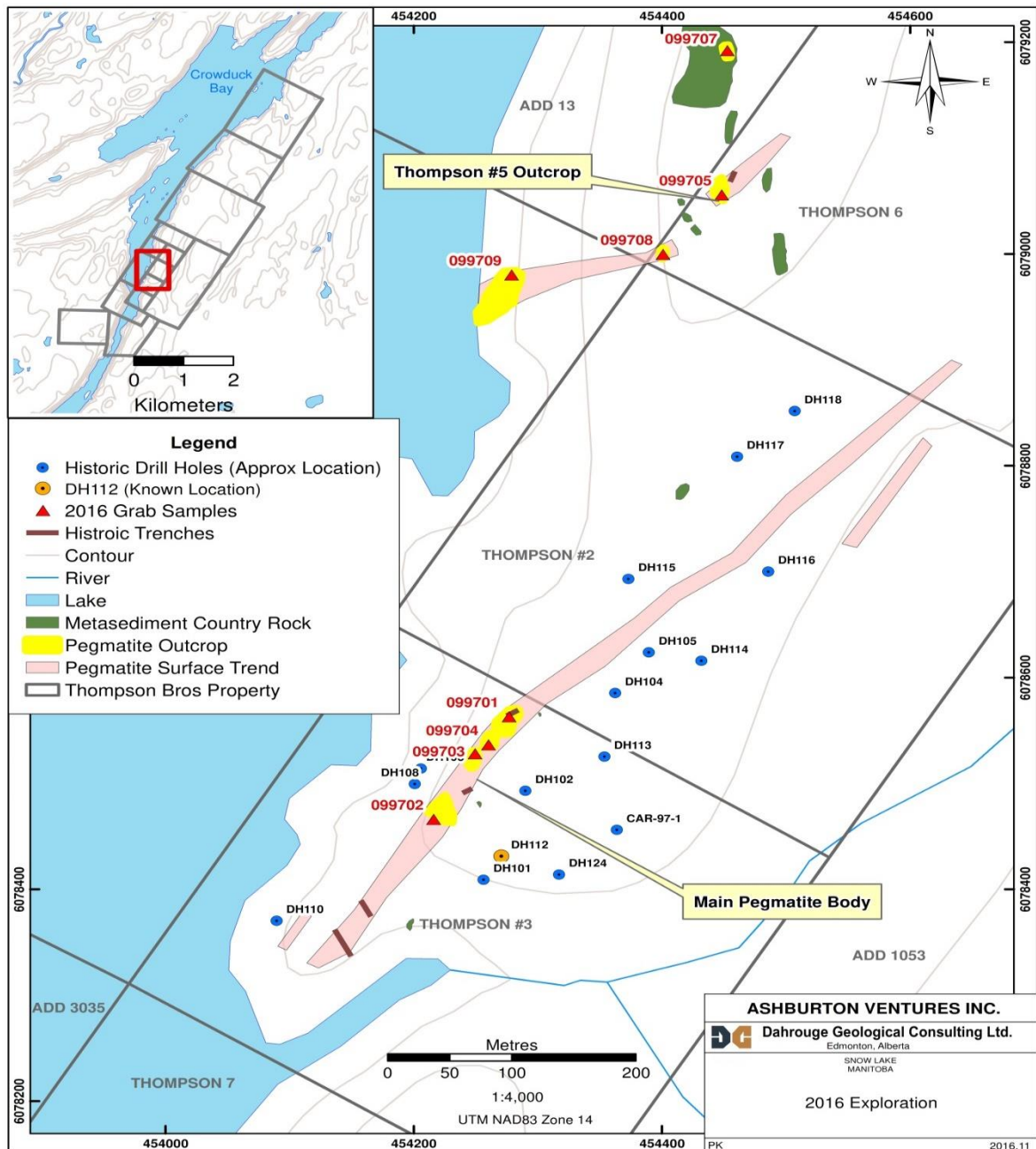


Figure One: 2016 Exploration on main pegmatite body and Thomson #5

The Consolidated Entity received assays for the nine samples taken from Thomson Bros with highly encouraging results. Analyses for these samples are presented as percentages of Li_2O in Table One. Results of the chip samples compare favourably with the range of historic values previously reported in Manitoba government assessment files and historical technical reports. The lower values in the last four samples appear to be associated with a dominant potassium feldspar phase within the respective pegmatite veins. Further follow-up work when the snow cover is gone is required in these areas to better understand the controls on mineralization.

Activities Report

| Thomson | Li | Li | Li ₂ O% |
|----------|------|-------|--------------------|
| Sample # | ppm | % | % |
| 99701 | 7520 | 0.75 | 1.62 |
| 99702 | 4210 | 0.42 | 0.91 |
| 99703 | 6520 | 0.65 | 1.40 |
| 99704 | 6180 | 0.62 | 1.33 |
| 99705 | 4290 | 0.43 | 0.92 |
| 99706 | 159 | 0.016 | 0.03 |
| 99707 | 11 | 0.001 | 0.00 |
| 99708 | 183 | 0.018 | 0.04 |
| 99709 | 126 | 0.013 | 0.03 |

Table One. Rock Chip Sample Results from 2016 Winter Exploration Program

Thompson #5, Thompson #7 and Sherritt-Gordon Zone Could Lead to Significantly Larger Overall Tonnages

Mapping and sampling has **confirmed** the existence of another nearby lithium bearing structure in addition to the main pegmatite on the Property which represents an additional high-priority exploration target. The Thompson #5 zone is in addition to the main Thompson Zone which has now been sampled in the field, with proven spodumene-rich pegmatites bearing extensive lithium mineralization that remains open at depth and along strike.

Thompson #5 Outcrop

The Thompson #5 Outcrop is located approximately 500 metres north of the main pegmatite dyke and is interpreted to represent a potential new, parallel zone that has not been drill tested. In 1989, a representative sample from the area tested 2.93% Li₂O. **(Historical, Non-JORC Compliant)**. (Source: Lake Field Research - Falconbridge Limited: Document 93474 Re: Spodumene Sample MLR099). These estimates are historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources and/or reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.

Activities Report

Further investigation of the “Thompson #5” outcrop, roughly 500 metres northeast of the main pegmatite outcrops was undertaken during the 2016 winter program, with the area visited and sampled. The team could confirm other pegmatite outcrops in the vicinity which are on trend with the Thompson #5 outcrop (030°) which would suggest that this is a separate pegmatite body to the main pegmatite body.

Thompson #7 Outcrop

The “Thompson #7” outcrop was visited which is located approximately 700 m south of the main pegmatite body. The crew determined that Thompson #7 represents a mineralogically distinct system, and therefore it is likely that this pegmatite is not part of the main pegmatite body, but in fact also a separate pegmatite body.

Sherritt-Gordon Zone

The Sherritt-Gordon Zone hosts several pegmatite dykes with intruded parallel structures that were subsequently deformed and locally displaced. Analysis of spodumene by the Provincial Assayer of Manitoba returned 6.80% Li₂O. **(Historical, Non-JORC Compliant).** (Source: *Manitoba Minerals Deposit Database: Deposit Number M63J / 13-109*). These estimates are historical estimates and are not reported in accordance with the JORC Code. A competent person has not done sufficient work to classify the historical estimates as mineral resources and/or reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that the historical estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code

The Sherritt-Gordon Zone on the south-western margin was not investigated on this program and it, along with a number of other possible areas of interest, are still prospective for further mineralization to increase overall tonnages and will be investigated as part of a regional program in early 2017.

Activities Report

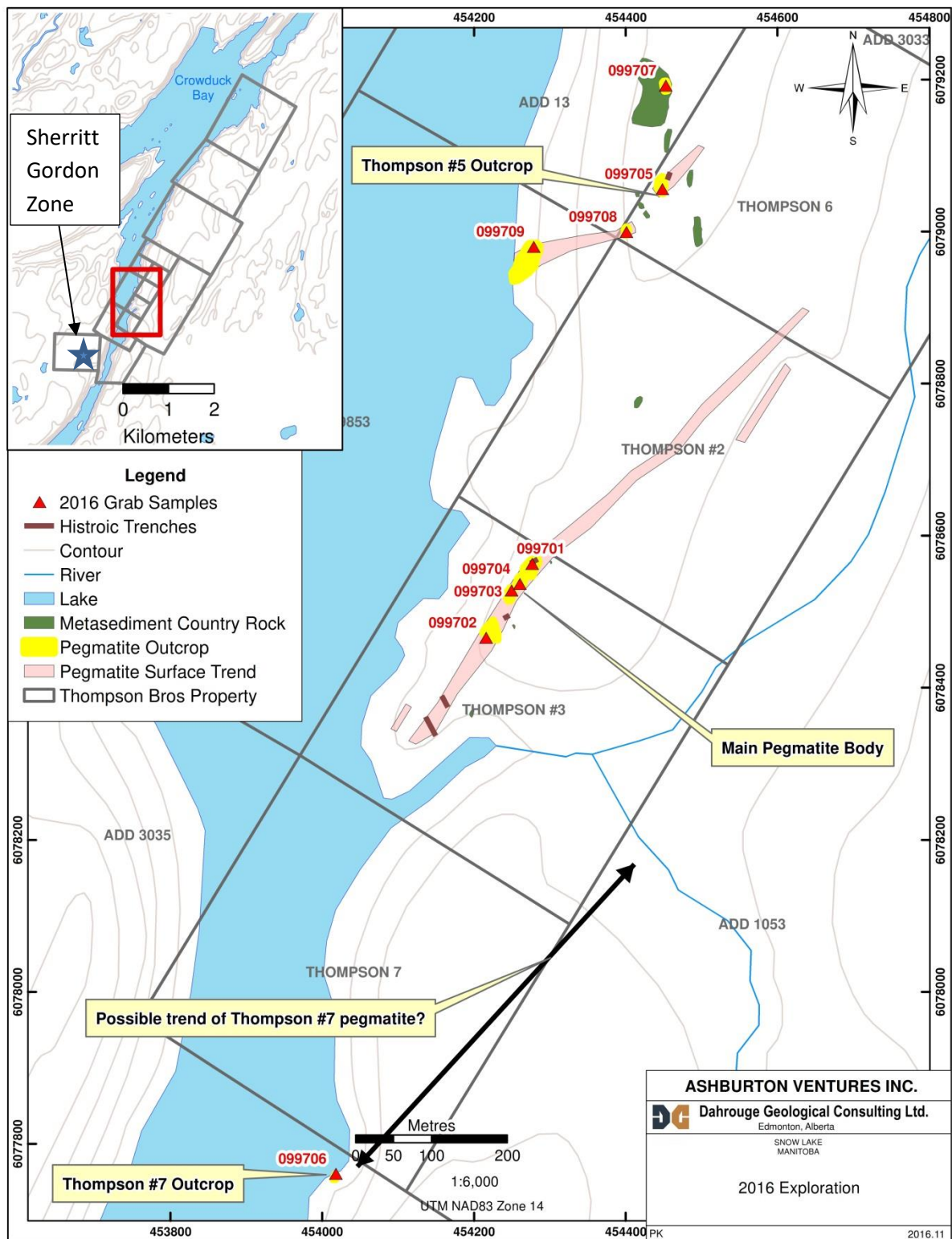


Figure Two: Main pegmatite, Thompson #5 and Thompson #7 Pegmatite Trend

Activities Report



Figure Three: Sample 099701 – Spodumene clusters in pegmatite (7,520ppm Lithium, 1.62% Li₂O)



Figure Four: Sample 099705 – Spodumene clusters in pink pegmatite at Thompson #5 (4,290 Lithium, 0.92% Li₂O)

Activities Report

2017 Winter Drilling Program

Drill permits have been received from the relevant local and provincial departments to undertake the 2017 Winter Drilling Program at the Project. The goal of the Program is to convert the historical resource estimate into a JORC Compliant Inferred Resource.

The Consolidated Entity is planning to systematically test the pegmatite to follow much of the historic drilling. The Company is targeting drill holes which will test the extent of the mineralization of the previously intersected zones and possibly also test for down dip extension. It is anticipated that this drilling will allow an initial JORC Compliant Inferred Resource to be calculated for the Project.

Preliminary drill targets have been identified using historic drill hole information. The plan is to prepare pairs of drill holes along a series of section lines to intersect the pegmatite at varying depths along the strike length. Drill holes will step out 100 metres apart along section lines spaced 100 metres apart running northwest-southeast. The Program is to comprise sixteen NQ diamond drill holes along the approximately 800m strike of known mineralisation for a total of 3,200m of drilling.

Drill holes will be systematically geologically and geotechnically logged and assayed. Final data compilation, database creation, geological interpretation, and resource modelling will be completed in accordance with JORC regulations. A JORC compliant Technical Report will be completed which will include the data from the 2017 Program.

Activities Report

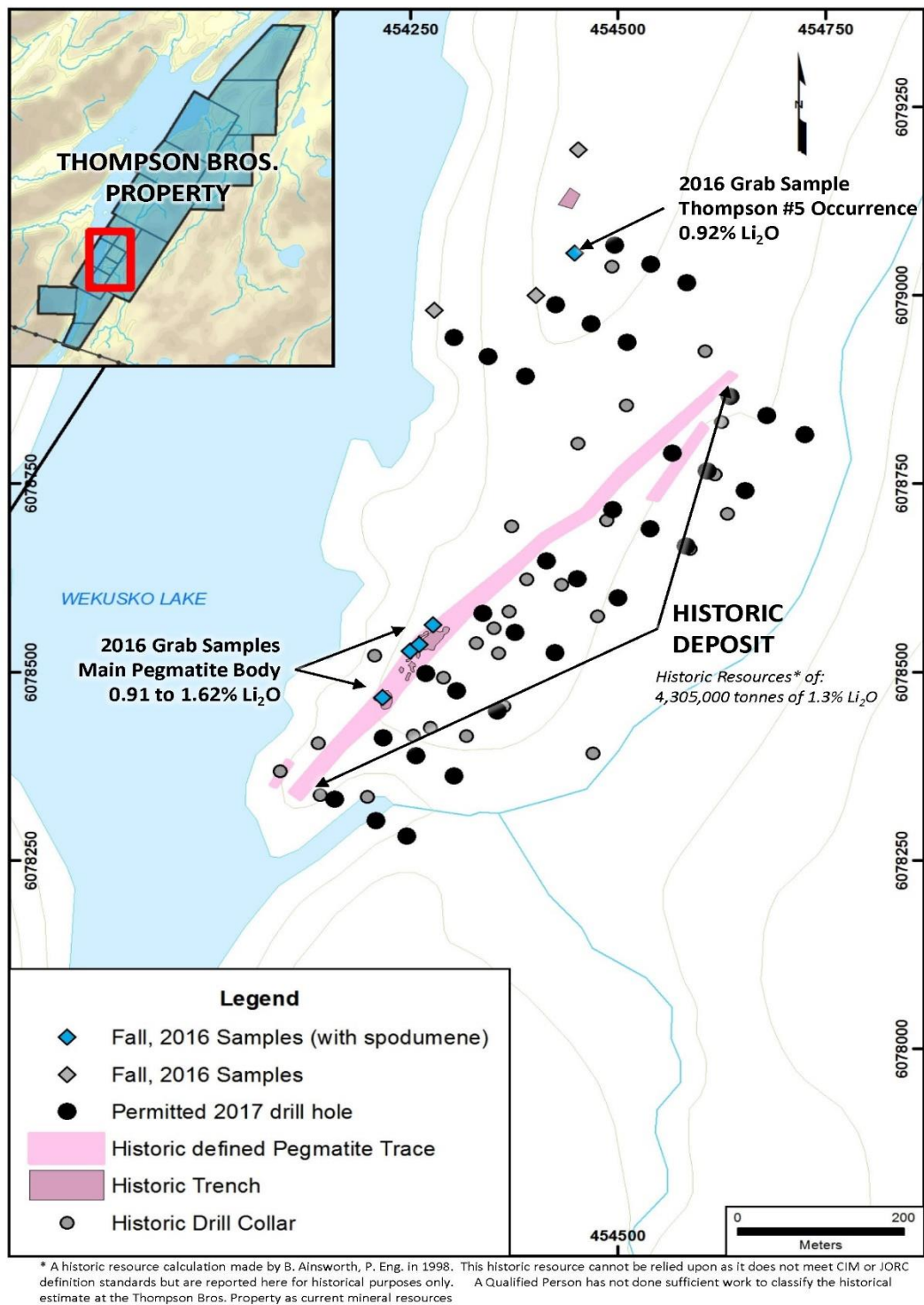


Figure One: 2017 Winter Drilling Program – Proposed Drilling Map

Activities Report

Ice Road and Lead Items

The Consolidated Entity will utilise a forestry and mining winter road to get the majority of the distance to the Project area. From there it is planned to reactivate the old drill road used by the 1997 drilling company. Other alternatives such as using the lake to mobilize to the Project area were dismissed due to the potential for thin ice.

The Consolidated Entity has completed building of the ice road to the Project site. Building of the road have now been completed to sufficiently prepare for the planned drilling.

The construction and drill crews will be based out of the local Tawow Lodge at the south end of Wekusko Lake. The lodge can accommodate large groups and has a logging shack ready to receive drill core from the Project. Following completion and assessment of the ice road, drilling operations are scheduled to immediately commence as the crews can be quickly mobilised to the Project.

(See Figure Two Overleaf)

Activities Report

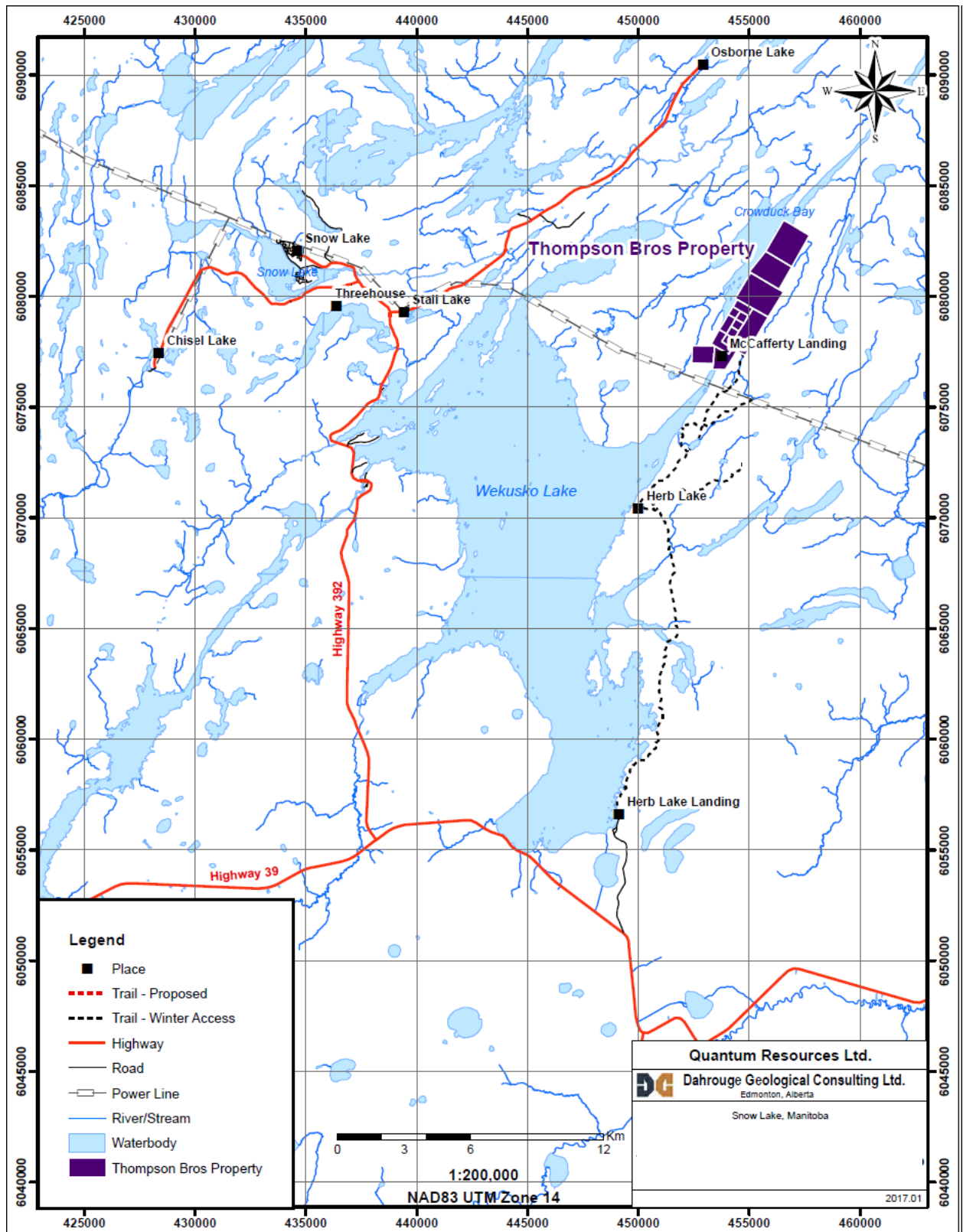


Figure Two. Thompson Bros Property Location Map with Proposed Trails and Winter Roads

Activities Report

The Consolidated Entity is pleased to commence the next stage of its development strategy to follow up on its previous encouraging results and to rapidly advance the Project. QUR looks forward to further updates on what promises to be an exciting period of development for shareholders.

TELFER PROJECT (Quantum 100%)

The Consolidated Entity's Telfer Project comprises a single exploration licence in a tightly held area 6km from the Telfer Gold Mine within the world class Paterson Province in Western Australia, which is host to significant deposits of various styles of mineralisation including the Telfer Mine, O'Callaghans tungsten and base metals skarn deposit, the Kintyre uranium deposit and the Nifty copper deposit. The Telfer deposit is one of Australia's largest deposits with a reported Ore Reserve of 6.3 million ounces of gold and 0.295 million tonnes of copper within a Mineral Resource of approximately 15 million ounces of gold (December 2013). The O'Callaghan's ore body, 10km south east of Telfer mine, is also owned by Newcrest and hosts significant resources of tungsten, copper, lead and zinc.

Quantum considers a re-evaluation of the potential of the Chicken Ranch prospect to host economic mineralisation is warranted.

TANAMI (OFFICER HILLS JV) PROJECT (Quantum 100%, Newmont Option to earn up to 75%)

The Officer Hill JV Project is located within the Tanami geological province, which hosts world class orogenic gold deposits including the Granites gold deposits and the operating Callie Gold Mine owned by Newmont Mining (Figure 2). The Consolidated Entity holds a single Exploration Licence located 34 kilometres southwest of the Callie Gold Mine, which at the end of 2013 had 3.01 million ounces of gold reserves. The licence was granted on 29 July 2013 for a period of six years.

During the half year, the Consolidated Entity re-negotiated terms under the joint venture whereby Newmont are earning a 70% interest (previously 75% interest) by spending \$500,000 within three years. Under the terms of the agreement Newmont must spend \$100,000 within the first 12 months.

Newmont advised that no field work was completed during the quarter.

Quantum's Tenement Holdings as at 31 December 2016:

| PROJECT | TENEMENT NUMBER | CONSOLIDATED ENTITY'S BENEFICIAL INTEREST | CURRENT AREA (KM ²) | CURRENT HOLDER | COUNTRY / STATE |
|------------------------------|-----------------|---|--|----------------|-----------------|
| Telfer | E45/2401 | 100% | Due to compulsory partial surrender, the tenement has reduced to 6.36KM ² | Quantum | WA |
| Tanami (Officer Hill) | EL23150 | 100%* | 206.08 KM ² | Quantum | NT |

**Quantum 100%, Newmont Option to earn up to 70% under farm out arrangement*

Activities Report

In addition, MMPL, a 100% subsidiary of Quantum, holds rights to earn up to a 95% ownership interest in the Thompson Brothers Lithium Property in Wekusko Lake, Manitoba, Canada

Corporate

Funding

During the half year, the Company successfully completed a non-renounceable pro-rata rights issue of 1 new Share for every 5 Shares at an issue price of 1.6 cents (\$0.016) per new Share together with 1 free-attaching new unlisted option, exercisable at 3.25 cents (\$0.0325) and expiring on 31 August 2020, for every new Share issued raising \$989,000 before costs of the issue.

In February 2017, the Consolidated Entity completed a placement of 60 million fully paid ordinary shares at an issue price of \$0.011 (1.1 cents), raising \$660,000 before associated costs. Each two shares placed comes with one free attaching option exercisable at 3.25 cents on or before 31 August 2020. (Placement).

The Placement has been offered to sophisticated investors under s708 Corporations Act (Cwth) 2001 and pursuant to Chapter 7.1 and 7.1A of ASX Listing Rules.

The capital raisings have placed the Consolidated Entity in a well-funded position for its anticipated 2017 exploration program at the Consolidated Entity's advanced Manitoba Lithium Project (including the current 2017 Winter Drilling Program), the further development of the Consolidated Entity's existing exploration assets, and otherwise applied to the working capital and administrative costs of the Consolidated Entity.

Shareholders meeting

On 30 November 2016, the Consolidated Entity held its 2016 Annual General Meeting of shareholders. Shareholders approved all resolutions without amendment.

It is anticipated that the Consolidated Entity will hold a general meeting of shareholders on 6 April 2017.

Competent Person

The geological information in this report that relates to Australian exploration results is based on information previously compiled by Dr DS Tyrwhitt who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr DS Tyrwhitt is a consulting geologist employed by DS Tyrwhitt & Associates Pty Ltd. Dr DS Tyrwhitt has 50 years' experience in the industry and has more than 5 years' experience which is relevant to the style of mineralisation being reported upon to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Tyrwhitt has previously consented to the inclusion of the matters based on the information in the form and context to which it appears.

The geologic information in this report that relates to the Canadian exploration results Results is based on information compiled by Mr Olaf Frederickson. Mr Frederickson is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Frederickson is a consultant to Quantum Resources Limited. Mr Frederickson consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

Directors' Report

The Directors of Quantum Resources ('the company' or 'Quantum') present their report on the consolidated entity ('the group'), consisting of Quantum Resources Limited and the entities it controlled at the end of, and during the financial half year ended 31 December 2016 (**Half Year**).

Directors

The Directors of the consolidated entity at any time during or since the Half Year are:

| | |
|------------------|------------------------|
| Eliahu Bernstein | Non-Executive Chairman |
| Avi Kimelman | Managing Director/CEO |
| Ari Herszberg | Non-Executive Director |

Review and Results of Operations

The principal activity of the Consolidated Entity during the financial half year was mineral exploration. The Company is a progressive explorer with projects in Western Australia and the Northern Territory. The projects are all located on granted titles and are prospective for gold and base metals. In addition to the Australian assets, the Company acquired the rights to earn an interest of up to 95% in the Thompson Brothers Lithium Project in Manitoba, Canada. As an exploration company, Quantum does not have an ongoing source of revenue. Its revenue stream is normally from ad-hoc tenement disposals, sale of fixed assets and interest received on cash in bank.

The results of operations for the Half Year were a loss of \$911,773 (2015: \$1,166,499). Exploration expenditure written off during the half year was \$10,992 (2015: \$574). Administration expenses for the six months ended 31 December 2016 were \$312,796 (2015: \$255,788). At 31 December 2016, the Consolidated Entity had cash at bank of \$890,473 (June 2016: \$70,814).

Events During the Half Year

- In October 2016, the Consolidated Entity advised that it had completed the acquisition of the rights to earn an interest in up to 95% of the Thompson Bros Lithium project in Manitoba, Canada
- In October 2016, the Consolidated Entity undertook a non-renounceable pro rata Rights Issue of 1 new share for every 5 shares held on the Record Date at an issue price of 1.6 cents (\$0.016) per New Share, with 1 free-attaching unlisted option for each New Share issued, to raise up to approximately \$989,000 before costs of the issue. Each New Option will have an exercise price of 3.25 cents (\$0.0325), expiry date of 31 August 2020 and will, upon exercise, entitle the holder to one ordinary fully paid share in the Company. The capital raising was successfully completed (entitlement and shortfall) in December 2016.

Events Subsequent to Balance Date

In February 2017, the Consolidated Entity completed a placement of 60 million fully paid ordinary shares at an issue price of \$0.011 (1.1 cents), raising \$660,000 before associated costs. Each two shares placed comes with one free attaching option exercisable at 3.25 cents on or before 31 August 2020. The Placement has been offered to sophisticated investors under s708 Corporations Act 2001 and pursuant to Chapter 7.1 and 7.1A of ASX Listing Rules.

On the 16 March 2017, the Board approved a change in the remuneration conditions of Mr Avi Kimelman. In effect, Mr Kimelman has moved from a consultant to an employee of the Company whereby his salary is \$195,000 per annum plus superannuation and statutory entitlements. The Company may terminate the contract by providing three months' notice.

Directors' Report

Events Subsequent to Balance Date (cont'd)

Other than the matters listed above, no other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Consolidated Entity, the result of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the Directors:



Avi Kimelman
Director

Dated at Melbourne this 16th March 2017

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF QUANTUM RESOURCES LIMITED

As lead auditor of Quantum Resources Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Quantum Resources Limited and the entities it controlled during the period.



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 16 March 2017

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 31 December 2016**

| | <i>Note</i> | 2016 \$ | 2015 \$ |
|---|-------------|--------------------|--------------------|
| Revenue | | 9 | 22 |
| Expenses | | | |
| Exploration Costs | 3 | (10,992) | (574) |
| Contractors & Consultants | 2 | (147,759) | (500,005) |
| Administration Expenses | | (312,796) | (255,788) |
| Option Fee | 4 | - | (250,000) |
| Share Based Payments | 8 | (440,185) | (160,000) |
| Finance expense | | (50) | (154) |
| Loss before income tax expense | | (911,773) | (1,166,499) |
| Income tax expense | | - | - |
| Loss after income tax expense for the half-year | | (911,773) | (1,166,499) |
| Other comprehensive income for the half-year, net of tax | | | |
| Revaluation of available for sale investment | | 129,217 | - |
| Total comprehensive income for the half - year attributable to the owners of Quantum Resources Limited | | (782,556) | (1,166,499) |
| <i>Items that may be reclassified to profit and loss in the future</i> | | | |
| Loss for the half-year attributable to owners of Quantum Resources Limited | | (782,556) | (1,166,499) |
| Total comprehensive income for the half-year attributable to owners of Quantum Resources Limited | | (782,556) | (1,666,499) |
| Basic loss per share (cents per share) | | (0.36) | (1.83) |
| Diluted loss per share (cents per share) | | (0.36) | (1.83) |

The accompanying notes form part of these half year financial statements.

**Consolidated Statement of Financial Position
As at 31 December 2016**

| | <i>Note</i> | 31 December 2016 \$ | 30 June 2016 \$ |
|--|-------------|------------------------------------|----------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 890,473 | 70,814 |
| Available for sale Investments | 10 | 51,390 | - |
| Receivables and other assets | 5 | 32,182 | 103,468 |
| Total current assets | | 974,045 | 174,282 |
| Non-current assets | | | |
| Available for sale investments | 10 | 205,510 | - |
| Exploration and evaluation expenditure | 3 | 2,391,289 | - |
| Total non-current assets | | 2,596,799 | - |
| Total assets | | 3,570,844 | 174,282 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 255,383 | 175,327 |
| Total current liabilities | | 255,383 | 175,327 |
| Total liabilities | | 255,383 | 174,327 |
| Net Asset/(Liabilities) | | 3,315,461 | (1,045) |
| Equity | | | |
| Issued Capital | 6 | 62,393,104 | 59,014,227 |
| Reserves | 7 | 949,402 | 100,000 |
| Accumulated losses | | (60,027,045) | (59,115,272) |
| Total Equity/(Deficiency) | | 3,315,461 | (1,045) |

The accompanying notes form part of these half year financial statements.

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2016

| | NOTE | Issued Capital \$ | Reserves \$ | Accumulated losses \$ | Total equity/ (deficiency) \$ |
|---|------|-------------------------|----------------|-----------------------------|--|
| Balance at 1 July 2015 | | 56,658,826 | - | (57,052,273) | (393,447) |
| Loss for the period | | - | - | (1,166,499) | (1,166,499) |
| Other comprehensive income for the period, net of tax | | - | - | - | - |
| Total comprehensive income for the period, net of tax | | - | - | (1,166,499) | (1,166,499) |
| Transactions with owners in their capacity as owners | | | | | |
| Issue of shares | | 2,013,176 | - | - | 2,013,176 |
| Share based payment | | - | 180,000 | - | 180,000 |
| Share Issue Expense | | (110,801) | - | - | (110,801) |
| Balance at 31 December 2015 | | 58,561,201 | 180,000 | (58,218,772) | 522,429 |
| Balance at 1 July 2016 | | 59,014,227 | 100,000 | (59,115,272) | (1,045) |
| Loss for the period | | - | - | (911,773) | (911,773) |
| Other comprehensive income for the period, net of tax | | - | 129,217 | - | 129,217 |
| Total comprehensive income for the period, net of tax | | - | 129,217 | (911,773) | (782,556) |
| Transactions with owners in their capacity as owners | | | | | |
| Shares issued for acquisition | 9 | 2,000,000 | - | - | 2,000,000 |
| Shares issued for services | | 20,000 | - | - | 20,000 |
| Shares issued for conversion of convertible notes | | 400,000 | - | - | - |
| Issue of shares | | 969,230 | - | - | 1,369,230 |
| Share based payment | | - | 300,000 | - | 300,000 |
| Share option | | - | 420,185 | - | 420,185 |
| Share issue expense | | (10,353) | - | - | (10,353) |
| Balance at 31 December 2016 | | 62,393,104 | 949,402 | (60,027,045) | 3,315,461 |

The accompanying notes form part of these half year financial statements.

Consolidated Statement of Cash Flows
for the half year ended 31 December 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Payments to suppliers and employees (inclusive of GST) | (422,849) | (856,038) |
| Interest Received | 7 | 22 |
| Bank Charges | (50) | (154) |
| Refunds received | 22,324 | 10,716 |
| Net cash used in operating activities | (400,568) | (845,454) |
| Cash flows from investing activities | | |
| Payments for exploration expenditure | (16,653) | (15,398) |
| Heads of Agreement / Option Payment | - | (500,000) |
| Payments for available for sale financial asset | (127,681) | - |
| Net cash as used in investing activities | (144,335) | (515,398) |
| Cash flows from financing activities | | |
| Proceeds from Issue of Shares | 1,364,562 | 1,902,776 |
| Net cash provided by financing activities | 1,364,562 | 1,902,776 |
| Net increase in cash and cash equivalents | 819,659 | 541,924 |
| Cash and cash equivalents at 1 July | 70,814 | 8,946 |
| Cash and cash equivalents at 31 December | 890,473 | 550,870 |

The accompanying notes form part of these half year financial statements.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

1. Basis of preparation

Quantum Resources Limited (the 'consolidated entity') is a group domiciled in Australia. These interim financial statements were approved by the Directors on the date of this financial report.

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards (AASBs) including AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Except as described below, these interim financial statements have been prepared by a for profit entity on the basis of accounting policies and methods of computation consistent with those applied in the 30 June 2016 annual financial statements contained within the Annual Report of the Company.

The half year financial report does not include notes of the type normally included in the annual financial report and shall be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Going concern

The Consolidated Entity had incurred a loss after tax for the half year ended 31 December 2016 of \$911,773 and had net cash outflows from operating activities of \$400,568. The ability of the consolidated entity to continue as a going concern is dependent upon successful raising of additional capital by the consolidated entity. This condition indicates a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern. The financial statements have been prepared on the basis that the Consolidated Entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- As at 31 December 2016 the Consolidated Entity had cash and cash equivalents of \$890,473 and net assets \$3,315,461.
- In February 2017, the Consolidated Entity completed a placement of 60 million fully paid ordinary shares at an issue price of \$0.011 (1.1 cents), raising \$660,000 before associated costs. Each two shares placed comes with one free attaching option exercisable at 3.25 cents on or before 31 August 2020. (Placement). The Placement was offered to sophisticated investors under s708 Corporations Act 2001 and pursuant to Chapter 7.1 and 7.1A of ASX Listing Rules.
- The Board is confident of raising further capital through equity if necessary.
- The Directors have prepared budgets which demonstrate that, based on the above factors the Consolidated Entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing this report.

Notes to the Interim Financial Statements
for the half year ended 31 December 2016

Going concern (cont'd)

Should the Consolidated Entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Quantum Resources Limited and its subsidiaries.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Asset Acquisition

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in an asset acquisition are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as capitalised exploration and evaluation expenditure. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

Asset Acquisition

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Segment Reporting

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses. They are reported in a manner consistent with the internal reporting to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors ("Board").

Share-based payments

During the period the Company issued shares and share options to advisors and key management personal as compensation for their services. The shares and share options constitute equity-settled transactions in accordance with AASB 2 Share Based Payments. The cost of the equity-settled transactions (shares and share options) is determined by their fair value at the date when the grant was approved using the VWAP or market price, as applicable for the shares and an appropriate valuation model for the options issued respectively in accordance with AASB 2. The cost is recognised together with a corresponding increase in equity over the period in which the services were received.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The carrying amount of other current receivables, other assets, prepayment and current payables are assumed to approximate their fair value values due to their short term nature.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

Critical accounting judgements and key sources of estimation uncertainty:

Management is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The Consolidated Entity makes certain estimates and assumptions concerning the future. Estimates and assumptions have been utilised for the impairment testing of exploration assets. Actual results may differ from estimates. By their nature, these estimates incorporate inherent risks as they are based on future events which could have a material impact on the value of assets and liabilities in this financial year.

Financial Instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Financial instruments are subsequently measured at fair value. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Available-for-sale investments

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

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

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

With the exception of AASB 9 Financial Instrument which has been early adopted any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Contractors and Consultants

| | 2016 | 2015 |
|-----------------------------|----------------|----------------|
| | \$ | \$ |
| LogiTag related expenditure | - | 313,185 |
| Corporate advisory | - | 59,200 |
| Corporate overheads | 147,759 | 127,620 |
| | 147,759 | 500,005 |

3. Exploration and evaluation expenditure

| | 31 December | 30 June 2016 |
|---|--------------------|---------------------|
| | 2016 | \$ |
| | \$ | |
| Balance at beginning of period | - | - |
| Expenditure incurred during the period | 2,402,281 | 15,566 |
| Amount written off during the period | (10,992) | (15,566) |
| Carrying amount at end of period | 2,391,289 | - |

The ultimate recovery is dependent upon various factors including the discovery and/or acquisition of economically recoverable reserves, access to adequate capital for project development and maintaining rights to the interest. For further information on the asset acquisition please refer to note 9.

4. LogiTag Option Agreement

In consideration for LogiTag granting the exclusive Call Option to Quantum, Quantum paid a non-refundable option fee of \$250,000 to LogiTag. This transaction was terminated on 18 April 2016.

Notes to the Interim Financial Statements
for the half year ended 31 December 2016

5 Receivables & Other Asset

| | 31 December 2016 \$ | 30 June 2016 \$ |
|-----------------------------------|---------------------------|-----------------------|
| Receivables | 34,182 | 13,468 |
| Part Payments Lithium Project (a) | - | 90,000 |
| Total current payables | 34,182 | 103,468 |

- (a) The Balance relates to a \$90,000 share based payments to Bull Run Capital as part of a finder fee relating the asset acquisition on Manitoba Minerals Pty Ltd details are set out in the Directors Report. The amount was classified as other current assets at 30 June 2016 as settlement for the acquisition of Manitoba Mining Pty Ltd had not occurred. At 31 December 2016 the balance has been reclassified to exploration and evaluation on the settlement of the asset acquisition.

6 Issued Capital

| | 31 December 2016 \$ | 31 June 2016 \$ |
|--|---------------------------|-----------------------|
| | 62,415,104 | 59,014,227 |
| | 62,393,104 | 59,014,227 |

| Ordinary share capital | 31 December 2016 | | 30 June 2016 | |
|---|--------------------|-------------------|--------------------|-------------------|
| | \$ | | \$ | |
| | No. | \$ | No. | \$ |
| At the beginning of the period | 189,139,826 | 59,014,227 | 856,703,218 | 56,658,826 |
| Shares issued during the period | | | | |
| - Shares issued prior to consolidation | - | - | 1,017,114,182 | 1,044,676 |
| - Consolidation of share – (1) | - | - | (1,729,677,574) | - |
| - Shares issued post consolidation | - | - | 45,000,000 | 1,427,099 |
| - Shares issued for cash | 60,578,793 | 969,230 | | |
| - Shares issued for services (note 8) | 1,250,000 | 20,000 | | |
| - Shares issued for conversion of convertible notes | 20,000,000 | 400,000 | | |
| - Shares issued for acquisition (note 9) | 100,000,000 | 2,000,000 | | |
| Share issue costs | - | (10,353) | - | (116,374) |
| At the end of the period | 370,968,619 | 62,393,104 | 189,139,826 | 59,014,227 |

- (1) On 28 September 2015 the Company completed a share consolidation on a 13:1 basis.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

7 Reserves

The reserves are used to record the value of equity instruments issued to advisors and key management personnel as part of compensation for their services. Details of the share based payments are in Note 8.

| | 31 December 2016 \$ | 31 June 2016 \$ |
|---------------------------------------|------------------------------------|--------------------------------|
| Share Based Payment (1) | 300,000 | - |
| Option Reserve (2) / (note 8) | 520,185 | 100,000 |
| Available for sale reserve/ (note 10) | 129,217 | - |
| | 949,402 | 100,000 |

- (1) The reserve is used to record the value of 2.5 million QUR shares per year for 5 years issued to Bull Run Capital Inc. upon, or before, the annual anniversary of the execution of the Option (i.e. a total of up to 12.5 million QUR shares) under the terms of its arrangement with Bull Run Capital. If Quantum Resources withdraws from the project and elects not to pursue its earn-in rights its obligation to issue any unissued tranches of shares to Bull Run shall terminate. The shares to be issued to Bull Run Capital have been valued in accordance with the requirements of AASB2 Share Based Payments. The shares have been valued using the spot rate of \$0.0024 per share being the fair value of the shares at the date of settlement and completion of the service.
- (2) The reserve is used to record the value of options issued directors and advisors as part of compensation for their services. Details of the share based payments are in Note 8

8 Share Based Payments

| | 31 December 2016 \$ | 30 June 2016 \$ |
|-------------------|------------------------------------|--------------------------------|
| Issued Shares (1) | - | 80,000 |
| Issued Shares (2) | - | 90,000 |
| Issued Shares (3) | 20,000 | - |
| Options Granted | 420,185 | 100,000 |
| | 440,185 | 270,000 |

Issued Shares

- (1) At an EGM dated 21 September 2015 the shareholders granted approval of the issue of 4,000,000 shares to advisors as compensation for their services in lieu of fees. The VWAP was of \$0.02 per share giving rise to a total transactional value of \$80,000. The price was based upon VWAP on 21 September 2015 being the grant date as per AASB 2.
- (2) On the 17 May 2016 5,000,000 QUR shares were issued to Bull Run Capital Inc in connection with the introduction and implementation of the proposed asset acquisition of Manitoba Minerals Pty Ltd. The issue price was \$0.018 per share giving rise to a transactional value of \$90,000. The amount has been capitalised at 30 June 2016 as part of the asset acquisition cost.
- (3) On the 23 December 2016 1,250,000 QUR shares were issued to advisers in lieu of fees. The issue price was \$0.016 per share giving rise to a transactional value of \$20,000.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

8 Share Based Payments (cont'd)

Options Granted

| | 31 December 2016 \$ | 30 June 2016 \$ |
|---------------------|------------------------------------|--------------------------------|
| Granted options (1) | - | 100,000 |
| Granted options (2) | 247,860 | - |
| Granted options (3) | 98,325 | - |
| Granted options (4) | 74,000 | - |
| | 420,185 | 100,000 |

- (1) At an EGM dated 21 September 2015 the shareholders granted approval of the issue of 20,000,000 options to advisors as compensation for their services in lieu of fees. The fair value of the options granted was estimated at the date of grant being 21 September 2015 using the Black Scholes pricing method, taking into account the terms and conditions under which the options were granted. The contractual life of each option granted is three years. The grant date fair value of the options granted was \$0.005 per option giving rise to a total transactional value of \$100,000.
- (2) At an EGM dated 7 September 2016 the shareholders granted approval of the issue of 17,000,000 options to directors and advisors as compensation for their services in lieu of fees. The fair value of the options granted was estimated at the date of grant being 7 September 2016 using the Black Scholes pricing method, taking into account the terms and conditions under which the options were granted. The contractual life of each option granted is three years. The grant date fair value of the options granted was \$0.01458 per option giving rise to a total transactional value of \$247,860.
- (3) At an EGM dated 7 September 2016 the shareholders granted approval of the issue of 7,500,000 options to advisors as compensation for their services in lieu of fees. The fair value of the options granted was estimated at the date of grant being 7 September 2016 using the Black Scholes pricing method, taking into account the terms and conditions under which the options were granted. The contractual life of each option granted is three years. The grant date fair value of the options granted was \$0.01311 per option giving rise to a total transactional value of \$98,325.
- (4) At the AGM dated 30 November 2016 the shareholders granted approval of the issue of 10,000,000 options to directors and advisors as compensation for their services in lieu of fees. The fair value of the options granted was estimated at the date of grant being 30 November 2016 using the Black Scholes pricing method, taking into account the terms and conditions under which the options were granted. The contractual life of each option granted is three years. The grant date fair value of the options granted was \$0.0074 per option giving rise to a total transactional value of \$74,000.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

8 Share Based Payments (cont'd)

The fair value of options granted during the period was estimated using the following assumptions:

| | Granted options (1) | Granted options (2) | Granted options (3) | Granted options (4) |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Grant date | 21/09/2015 | 7/09/2016 | 7/09/2016 | 30/11/2016 |
| Strike price (\$) | 0.0325 | 0.0325 | 0.02 | 0.0325 |
| Market rate (\$) | 0.01 | 0.021 | 0.021 | 0.014 |
| Expected volatility (%) | 108 | 100 | 100 | 100 |
| Risk-free interest rate (%) | 2 | 1.71 | 1.64 | 1.91 |
| Days to expiration (days) | 1095 | 1426 | 1060 | 1375 |
| Years to expiration | | 3.91 | 2.90 | 3.77 |
| Fair value | 0.005 | 0.01458 | 0.01311 | 0.0074 |
| Total transactional value (\$) | 100,000 | 247,860 | 98,325 | 74,000 |

Set out below is a summary of the options granted:

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited /other | Balance at end of year |
|-------------------|--------------------|-----------------------|---|----------------|------------------|----------------------------------|-------------------------------|
| 21/09/2015 | 17/11/2018 | 0.0325 | 20,000,000 | - | - | - | 20,000,000 |
| 7/09/2016 | 31/08/2020 | 0.0325 | - | 17,000,000 | - | - | 17,000,000 |
| 7/09/2016 | 31/08/2019 | 0.02 | - | 7,500,000 | - | - | 7,500,000 |
| 25/11/2016 | 31/08/2020 | 0.0325 | - | 19,556,051 | - | - | 19,556,051 |
| 30/11/2016 | 31/08/2020 | 0.0325 | - | 10,000,000 | - | - | 10,000,000 |
| 23/12/2016 | 31/08/2002 | 0.0325 | - | 42,262,742 | - | - | 42,262,742 |

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

9 Asset Acquisition

Summary of acquisition

On 6th of October 2016, Quantum Resources Limited acquired 100% of the issued shares of Manitoba Mining Pty Ltd through the issue of 100,000,000 shares at \$0.02. Manitoba Mining Pty Ltd is an unlisted private company that was incorporated in Australia. Manitoba Mining Pty Ltd holds the rights to earn up to a 95% interest in the Thompson Brothers Lithium Project through its agreement with Ashburton Ventures Inc a company incorporated in Canada.

As the transaction was not deemed a business acquisition, the transaction must be accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

The fair value of the assets acquired at the date of acquisition and share based payments are outlined as follows:

| | 6 October 2016 \$AUD |
|----------------------------------|-------------------------------------|
| Purchase consideration | |
| Shares in lieu of cash | 2,000,000 |
| Total purchase consideration | <u>2,000,000</u> |
| | Fair Value |
| Cash at Bank | 1,000 |
| Deferred exploration expenditure | 2,001,289 |
| Trade creditors | (2,289) |
| Net Identifiable assets acquired | <u>2,000,000</u> |
| Net assets acquired | <u>2,000,000</u> |

The excess allocated to exploration and evaluation expenditure is attributable to the value of the interest in the project held by Strider Resources Limited. It will not be deductible for tax purposes.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

10 Available for sale Investments

| | 31 December 2016 | 30 June 2016 |
|---|-----------------------------|-------------------------|
| Available for Sale Investments | | |
| Current | 51,390 | - |
| Non-current | 205,510 | - |
| | <u>256,900</u> | <u>-</u> |
| Reconciliation | | |
| Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below: | | |
| Opening balance | - | - |
| Additions | 127,683 | - |
| Movement in fair value | 129,217 | - |
| Closing fair value | <u>256,900</u> | <u>-</u> |

As part of the agreement with Manitoba Mining Pty Ltd, Quantum acquired 2,500,000 shares in Ashburton Ventures Inc. These shares have been classified as available for sale as they will be transferred to Strider Resources Limited under the terms of the agreement between Manitoba Mining Pty Ltd and Ashburton Ventures Inc. Quantum are only obligated to transfer the shares to Strider should they continue to take up the option in respect of the agreement with Manitoba Mining Pty Ltd.

The first tranche of 500,000 shares is due to be transferred within 12 months and has been classified as current.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

11 Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability .

| Assets | Level 1 | Level 2 | Level 3 | Total |
|-----------------|----------------|----------------|----------------|--------------|
| | \$ | \$ | \$ | \$ |
| Ordinary shares | 256,900 | - | - | 256,900 |
| Total assets | 256,900 | - | - | 256,900 |

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. There were no transfers between levels during the financial half-year.

12 Controlled entities

| Subsidiary Entities Consolidated | Country of Incorporation | Class of Shares | Percentage Owned 2016 | Percentage Owned 2015 |
|---|---------------------------------|------------------------|------------------------------|------------------------------|
| Manitoba Mining Pty Ltd | Australia | Ordinary | 100% | - |

13 Segment reporting

Operating segment information is disclosed on the same basis as information used for internal reporting purposes by the board of Directors. At regular intervals, the board is provided with management information for the Consolidated Entity's cash position, the carrying values of exploration permits and a cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

All operating revenue has been derived in Australia.

14 Contingent liabilities

There are no contingent liabilities at 31 December 2016.

**Notes to the Interim Financial Statements
for the half year ended 31 December 2016**

15 Commitments

Under the terms of the agreement with Manitoba Mining Pty Ltd and Ashburton Ventures Inc, Quantum Resources has the following commitments at 31 December 2016

| | 31 December 2016 \$ | 30 June 2016 \$ |
|---------------------------------|------------------------------------|--------------------------------|
| - No later than 12 Months | 51,380 | - |
| - Between 12 months and 5 years | 436,726 | - |
| - Later than 5 years | - | - |
| | 488,106 | - |

The above amounts are denoted in AUD translated from Canadian dollars at the closing rate 31 December 2016.

Quantum also has a working capital commitment of \$1,541,390 (\$1.5 Million Canadian Dollars) over a 60 month period. There is no set schedule in relation to the spend.

16 Subsequent events

In February 2017, the Company completed a placement of 60 million shares 60 million fully paid ordinary shares at an issue price of \$0.011 (1.1 cents), raising \$660,000 before associated costs. Each two shares placed comes with one free attaching option exercisable at 3.25 cents on or before 31 August 2020. (Placement). The Placement has been offered to sophisticated investors under s708 Corporations Act 2001 and pursuant to Chapter 7.1 and 7.1A of ASX Listing Rules.

Other than the matters listed above, no other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Consolidated Entity, the result of those operations or the state of affairs of the Consolidated Entity in subsequent financial periods.

Quantum Resources Limited
ACN 006 690 348
Directors' Declaration

In the opinion of the Directors of Quantum Resources Limited (the 'Company'):

1. the financial statements and notes, set out on pages 17 to 33, are 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 the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Avi Kimelman
Director

Dated at Melbourne this 16th March 2017.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Quantum Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Quantum Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 the company 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 internal control 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 half-year financial report based on our review. We conducted our review in accordance with 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 Quantum Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Quantum Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Quantum Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) 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
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership



Wai Aw
Partner

Melbourne, 16 March 2017