



Prospectus

Quest Minerals Limited ACN 062 879 583 (Subject to Deed of Company Arrangement)

ASX Code: QNL

This Prospectus is for (on a post-Consolidation basis):

1. an offer of 91,000,000 Shares at an issue price of \$0.02 per Share to raise \$1.82m;
2. an offer of 32,500,000 Options (each to be issued 1 Share with an exercise price of \$0.03 and an expiry date of 30 September 2020); and
3. the purpose of having the Company's Shares reinstated to trading on ASX.

IMPORTANT NOTICE

This Prospectus is dated 15 November 2016 and was lodged with ASIC on that date. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Application will be made for listing of the Company's securities offered by this Prospectus to the ASX within 7 days after the date of this Prospectus. The fact that the ASX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.

The ASX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus. ASIC takes no responsibility for the contents of this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it should not be lawful to make such an offer. No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

Web Site – Electronic Prospectus

A copy of this Prospectus is available and can be downloaded from the ASX platform at www.asx.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company. If you have received this Prospectus as an electronic Prospectus,

please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

Suitability of Investment & Risks

Before deciding to invest in the Company, prospective investors should read entirely this Prospectus and, in particular, the summary of the Company's projects in section 3 and the risk factors in section 4. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest. Any investment in the Shares of the Company should be regarded as speculative.

Definitions

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

Consolidation

The Company is seeking Shareholder approval to undertake a share Consolidation on the basis of 1 new Share for every 300 existing Shares held. References to Shares in this Prospectus are on a post-Consolidation basis.

Exposure Period

This Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, any applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on applications received in the exposure period and all applications received during the exposure period will be treated as if they were simultaneously received on the opening date.

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Corporate Directory

Directors

Mr Paul Piercy (Non Exec. Chairman)
Mr Jerome Vitale (Managing Director)
Dr Dennis Gee (Non Exec. Director)

Company Secretary

Mr Stuart Third

Registered and Business Office

Suite 1, 467 Scarborough Beach Road
Osborne Park WA 6017

Tel: +61 8 9217 9800
Fax: +61 8 9217 9899
Email: admin@winduss.com.au

Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009
Tel: +61 8 9389 8033
Fax: +61 8 9262 3723

Lead Manager

CPS Capital Group Pty Ltd
Level 45, 108 St Georges Terrace
Perth WA 6000
Tel: +61 8 9223 2222

Solicitors to the Offer

Mills Oakley
Level 2, 225 St Georges Terrace
Perth, WA 6000

Independent Account

Grant Thornton Corporate Finance Pty Ltd
Level 1, 10 Kings Park Road
West Perth WA 6005

Auditor*

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth WA 6005

*This party is named for informational purposes only and was not involved in the preparation of this Prospectus

Indicative Timetable

Prospectus lodged with ASIC and ASX	15 November 2016
Effective date for Consolidation	16 November 2016
Record date for Consolidation	17 November 2016
Issue of holding statements following Consolidation	24 November 2016
Opening Date of the Offer	22 November 2016
Closing Date of the Offer	9 December 2016
Complete issue of securities under the Recapitalisation	16 December 2016
Payments to Deed Administrator, Deed of Company Arrangement effectuated and Deed Administrator retires	16 December 2016
Reinstatement to quotation and trading of Shares on the ASX	19 December 2016

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.

Key Offer terms¹

	Shares	Partly Paid Shares
Shares on issue (post Consolidation)	2,397,511	56,600
Shares offered at \$0.02 per Share under the Offer	91,000,000	
Shares to be issued for corporate advisory services	10,000,000	
Shares to be issued to related parties at \$0.02 per Share ²	4,000,000	
Total Shares on issue following Offers	107,454,111	56,600
Gross proceeds from the Offers	\$2,100,000	
New Options at an issue price of \$0.00001 per Option	32,500,000	

¹ On a post-Consolidation basis.

² On 14 November 2016 Shareholders approved:

- (a) for the purposes of Listing Rule 7.1, for the issue of up to 10,000,000 Shares at an issue price to be determined, but no less than 80% of the 5 day volume weighted average market price for Shares recorded before the day on which the issue is made. The approval is valid for 3 months, or such later date that ASX may agree to.
- (b) for the purposes of Listing Rule 10.11, the issue of 4,000,000 Shares and 2,500,000 Performance Rights to related parties. The approval is valid for 1 month, or such later date that ASX may agree,

³ This includes 2,500,000 Options to be issued to Jerome Vitale.

1 CHAIRMAN'S LETTER

Dear Investor

On behalf of the Directors of Quest Minerals Limited (the **Company** or **Quest**), I am pleased to invite you to subscribe for Shares at an issue price of \$0.02 each under the Prospectus.

The Company is seeking to raise \$1,820,000 (before costs) through the issue of 91,000,000 Shares at an issue price of \$0.02 each. You may apply for Shares using the Application Form attached to this Prospectus.

Funds raised from the Offer will be applied to conduct an exploration and drilling programme at the Company's Victory Bore Gold Project located in the Sandstone area in the eastern goldfields of Western Australia, fulfil the Company's obligations to former creditors pursuant to a Deed of Company Arrangement established on 18 August 2014 (**DOCA**), and to provide working capital.

The Company has previously announced a titanium/vanadium resource at Victory Bore. However the Directors believe the project may also be prospective for gold, and the initial exploration focus will be on gold.

Trading in the Company's securities has been suspended from trading on ASX since 31 October 2013. The Company was under voluntary administration from 9 May 2014 to 18 August 2014 when the Company's creditors approved the DOCA. Under the terms of the DOCA the Directors agreed to use their best endeavours to recapitalise the Company with a view to maximising a cash contribution to a Creditors Trust from the proceeds of the Recapitalisation for the benefit of pre-DOCA creditors.

The Directors have reached agreement with the proponents of a Recapitalisation proposal put forward by CPS Capital Group Pty Ltd such that upon completion of this Offer, up to \$331,032 will be paid to the Creditors Trust and the Company released from any further obligations to the Creditors Trust or under the DOCA. In order to meet the conditions imposed by ASX for reinstatement of the Company's securities for quotation, this sum may be reduced as required to ensure that after all costs associated with the Recapitalisation process are accounted for, the Company is left with a minimum of \$1.0m in cash after all costs net of all liabilities.

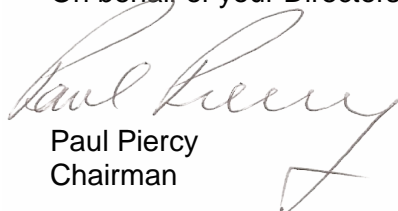
The completion of the capital raising pursuant to this Offer is a key condition of reinstatement of trading in the Company's shares on ASX.

Shareholders have approved the Recapitalisation, however it remains subject to a number of conditions prior to ASX reinstating the Company's Shares to trading. If these conditions are not satisfied then, all Application Monies will be returned in accordance with the Corporations Act.

Details of the Company's key asset, the Victory Bore Gold Project, located in the established gold mining area of Sandstone in Western Australia, are contained in the independent Geologist's Report at section 6 of this Prospectus.

Investors are encouraged to read the contents of this prospectus in their entirety, in particular the risks section contained at section 4.

On behalf of your Directors,



Paul Piercy
Chairman

2 INVESTOR OVERVIEW

This information is a selective overview only and is not intended to provide full information for investors intending on applying for Shares offered under this Prospectus. Prospective investors should read the Prospectus in full, including the experts' reports in this Prospectus before deciding to invest in Shares.

Question	Response	Section
Introduction		
Who is issuing this Prospectus?	Quest Minerals Limited (ACN: 062 879 583), a company incorporated in Australia (Company or Quest).	3.1
What is Quest and what does it do?	Quest was incorporated on 11 January 1994 and is a mineral explorer in Western Australia with a focus on gold exploration.	3.1
What is the Company's capital structure prior to and following the completion of the Offers?	The Company proposes to conduct a Consolidation of the existing Shares on issue prior to the Offers. Please refer to section 3.11 for details of the Company's capital structure prior to and following completion of the Offers.	3.10
What is the purpose of this Prospectus?	The purposes of the Offer are to: <ul style="list-style-type: none"> ▪ Complete the Recapitalisation proposal and contribution to the Creditors Trust established under the DOCA so that the DOCA can be terminated wholly effectuated with no further financial obligation to the Creditors Trustee; ▪ comply with ASX's conditions to reinstate the Company's Shares to trading on ASX; ▪ provide working capital to enable the Company to continue exploration on the Victory Bore Project; and ▪ raise funds for the purposes set out in section 3.6. 	10.4
Our Projects		
Victory Bore	The Company's wholly owned subsidiary Acacia Mining Pty Ltd holds E57/1036 located in the East Murchison Mineral Field in Western Australia. The licence was issued on 1 July 2016 by the Department of Mines and Petroleum. This area is considered to be prospective for gold mineralisation. The Company has identified a number of gold targets based on historical anomalies that the Directors consider warrant follow up drilling. A work program for the first year to 30 June 2017 comprising 1,400 metres of air	6

Question	Response	Section
	<p>core drilling is planned to confirm historic anomalies with a two stage follow up program of 6,800 metres of RC (Reverse Circulation) drilling in the second year.</p> <p>Details of the project are contained in the Independent Geologist's Report at section 6 of this Prospectus.</p>	
<p>How will the funds be raised and used?</p>	<p>The Company intends to use the funds raised under the Offer to:</p> <ul style="list-style-type: none"> ▪ payment to the Creditor's Trust; ▪ pay for the costs associated with the Recapitalisation process; ▪ undertaking further exploration; and ▪ general working capital. 	<p>3.6</p>
<p>What are the Offers?</p>	<p>The Company is undertaking to offer the following Shares and Options to related and unrelated parties:</p> <ul style="list-style-type: none"> ▪ 91,000,000 Shares at an issue price of \$0.02 per Share offered to clients and nominees of CPS Capital Group Pty Ltd; ▪ 10,000,000 Shares issued at a deemed issue price of \$0.02 per Share and offered as follows in satisfaction for services rendered in relation to the Recapitalisation of the Company; ▪ 30,000,000 Options offered to clients and nominees of CPS Capital at an issue price of \$0.00001 per Option; ▪ 2,500,000 Options offered to a related party at an issue price of \$0.00001 per Option; and ▪ 4,000,000 Shares offered in satisfaction of fees payable to Directors and Officers of the Company accrued since the date the DOCA was executed on 18 August 2013 and 2,500,000 Performance Rights issued to a related party as an incentive payment in relation to the successful Recapitalisation of the Company. 	<p>10.1</p>
<p>What are the conditions to the Offers?</p>	<p>The Offer is conditional upon the Company satisfying the conditions required by ASX for the Company's Shares to be reinstated to trading on ASX.</p>	<p>10.3</p>
<p>Recapitalisation Proposal</p>		
<p>Why is the Company subject to a Deed of</p>	<p>The Company was under voluntary administration from 9 May 2014 to 18 August 2014 when the</p>	<p>3.1 and 3.8(a)</p>

Question	Response	Section
Company Arrangement?	<p>Company's creditors approved the DOCA. Under the terms of the DOCA the Directors agreed to use their best endeavours to achieve the Recapitalisation of the Company with a view to maximising a cash contribution into a special purpose Creditors Trust from the proceeds of the Recapitalisation for the benefit of creditors.</p> <p>The Directors have agreed with the proponents of a Recapitalisation proposal such up to \$331,132 will be paid to the Creditors Trust from the proceeds of the Offer and the sale of forfeited partly paid shares, whereupon the DOCA will be effectuated and there will be no further obligation on the Company to the eligible participating creditors.</p>	
What is the Recapitalisation proposal	The Recapitalisation proposal the Consolidation and raising sufficient funds so that the Company will satisfy ASX's conditions for the reinstatement of the Company's Shares to trading on ASX.	3.2
What are the key terms of the Recapitalisation proposal?	<p>The Recapitalisation provides for:</p> <ul style="list-style-type: none"> ▪ a Consolidation of existing Shares and Partly Paid Shares, resulting in the Company having 2,397,511 Shares and 56,600 Partly Paid Shares on issue; ▪ placements of 91 million Shares with clients or nominees of CPS Capital at an issue price of \$0.02 per Share to raise \$1.82 million and 10.0 million Shares to unrelated advisers at a deemed issue price of \$0.02 to satisfy corporate advisory and lead manager fees in respect of the placement to effect the Recapitalisation of the Company; ▪ the issue of 4 million Shares to Directors in lieu of Directors' fees; ▪ the issue of 32.5 million Options exercisable at \$0.03 by 30 September 2020 at an issue price of \$0.00001 per Option, including 2.5 million Options to be issued to a related party; and ▪ the grant of 2.5 million Performance Rights (each vesting for one Share in the event the Company's Shares are reinstated to trading by 4 January 2017). 	3.2
What material contracts has Quest entered into?	<p>Quest has entered the following material contracts:</p> <ul style="list-style-type: none"> ▪ the DOCA; ▪ Creditor's Trust Deed; and ▪ Lead manager mandate with CPS Capital 	3.8

Question	Response	Section
	Pty Ltd.	
Is the Offer underwritten?	No. The Offer is not underwritten.	10.10
What are the tax implications of investing in the Shares?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	11.6
What rights and liabilities attach to the securities being offered?	Please refer to section 10.18 for the rights and liabilities to the securities being offered.	10.16
Will the securities issued under the offers be listed?	The Company will apply to ASX no later than 7 days from the date of this Prospectus for official quotation of the Shares on ASX.	10.11
Will the Company pay dividends?	<p>The Company's focus will be on generating capital growth through exploration activities designed to identify and measure commercially exploitable mineral resources. The Company has no immediate plan to declare or distribute dividends.</p> <p>As the Company is a mineral exploration company and is not mining, generating revenue or making profits, the Directors do not anticipate that the Company will pay dividends in the immediate future.</p>	3.13
<p>Key risks</p> <p>There are a number of risks associated with investing in the share market generally and in the Company specifically. The following is a summary of the key risks that may affect the financial position of the Company, the value of an investment in the Company, as well as the Company's operations. Full details of these risks are set out in section 4 of this Prospectus.</p> <p>Please consider the risks described below and the information contained in other sections this Prospectus. You should also consider consulting with your professional advisers before deciding whether or not to apply for the Shares.</p>		
Management	If the Company cannot secure external technical expertise (for example to carry out certain aspects of its exploration program including drilling), this may affect the Company's ability to achieve its objectives either fully or within the timeframes and the budget the Company has decided upon.	4.1(b)
Commodity Prices	Commodity prices including the gold price fluctuate and are affected by numerous factors beyond the control of the Company.	4.1(c)
Resource estimate	Resource estimates are expressions of judgment based on knowledge, experience and industry	4.1(d)

Question	Response	Section
	practice. Estimates, which were valid when made, may change significantly when new information becomes available.	
Non-renewal of title	Mining tenements are governed by the respective State legislation and each tenement is for a specific term and carries with it annual minimum expenditure and reporting commitments as well as other conditions requiring compliance.	4.1(e)
Exploration and operating risks	<p>The Company's sole project Victory Bore has been subject to limited exploration, as set out in the independent geologists' report. Whilst the Directors believe the project is prospective for gold, there are significant risks around greenfield exploration.</p> <p>The current and future operations of Quest, including exploration, appraisal and possible production activities may be affected by a range of exploration and operating factors.</p>	4.1(e), 4.3
Native title	A Heritage Protection Agreement was executed by the Company's subsidiary Acacia Mining Pty Ltd prior to the grant of EI 57/1036 on 1 July 2016 with the Wutha People in respect of access for exploration purposes. The main requirement for access agreed by the parties is that if requested, an anthropological study be completed over the ground to be disturbed to ensure any known sacred sites are not disturbed.	4.4
General risks	Economic risks, commodity prices, environment, mining tax and royalties, encumbrances on title, funding and unforeseen risks.	4.1, 4.2

Directors and Management

Who are the Directors of the Company and what benefits are being paid to Directors?

Directors Designation	& Benefits
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Jerome G Vitale (Managing Director)	2.5 million Shares in satisfaction of directors fees from 18 August 2014 to date of this Prospectus, 2.5 million Performance Rights and offer to participate in purchase of 2.5 million options offered under this Prospectus at a price of \$0.00001 per option as an incentive to complete Recapitalisation of
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Question	Response	Section
	<p data-bbox="874 248 1002 277">Company</p> <p data-bbox="528 297 847 409">Paul Piercy (Non Executive Chairman)</p> <p data-bbox="528 483 847 595">Dennis Gee (Non – Executive Director)</p>	<p data-bbox="874 297 1193 461">500,000 Shares in satisfaction of Directors fees from 18 August 2014 to date of this Prospectus</p> <p data-bbox="874 483 1193 645">500,000 Shares in satisfaction of Directors fees from 18 August 2014 to date of this Prospectus</p>
Who are the management consultants of the Company?	<p data-bbox="528 667 1206 869">The Company's affairs have been managed by the Directors since the establishment of the DOCA. Except for external tenement management consultants and accounting and book-keeping services the Company has not engaged external consultants or contractors.</p>	5.4
Miscellaneous		
How do I apply for Shares?	<p data-bbox="528 938 1206 1072">Applications for Shares under the Offer can be made by completing the Application Form accompanying this Prospectus in accordance with the instructions relating to it.</p>	10.6
What are the costs of the Offer and who is paying for them?	<p data-bbox="528 1095 1206 1252">Assuming the Offer is fully subscribed, the total cost of the Offer (including expert's fees, legal and accounting costs, ASIC and ASX fees) is estimated to be approximately \$230,000 and will be paid directly by the Company.</p>	10.18
How can I obtain further advice?	<p data-bbox="528 1274 1206 1341">By speaking to your accountant, stockbroker or other professional advisor.</p> <p data-bbox="528 1364 1206 1453">If you require assistance or copies of the Prospectus, please contact the Company on +61 8 9217 9800.</p>	

3 COMPANY AND PROJECT OVERVIEW

3.1 Introduction

The Company was registered on 11 January 1994, and listed on the ASX on 13 February 1995, with a focus on mineral exploration and project evaluation in Australia.

The Company's assets are the Victory Bore tenement, the details of which are set out in section 6.

The Company's Shares were suspended from trading on 1 October 2013 due to the failure to lodge its 2014 annual report, and subsequently as a result of the Directors advising ASX of historical breaches of ASX Listing Rules (as set out in the Company's Annual Report for the year ended 30 June 2014 and subsequent reporting.

Despite numerous attempts to take corrective action as required by ASX, the Company was unable to do so which in turn impacted its ability to raise capital, and on 9 May 2014, the Directors of the Company resolved to appoint the Deed Administrator as voluntary administrator of the Company.

On 18 August 2014 the Company's creditors adopted a deed of company arrangement (**DOCA**) which resulted in the Company being released from its then debts, and creditors' claims being replaced with claims against a creditors' trust. Control of the Company, with a liability free balance sheet was returned to the Directors following the execution of the DOCA. Under the terms of the DOCA, the Directors have an obligation to seek recapitalisation proposals under which a portion of any funds raised by the Company is to be earmarked as a dividend to be paid into a second creditors trust for the benefit of creditors.

On 7 October 2016 the Company announced a recapitalisation proposal, which includes the issue of 91m Shares to raise \$1.81m, reinstatement of the Company's Shares to trading on ASX and a funded exploration program for Victory Bore. The purpose of this Prospectus is to offer securities under the proposal.

3.2 Recapitalisation

On 7 October 2016, the Company announced that it had negotiated a proposal with a number of investors including CPS Capital as lead manager to recapitalise the Company (**Recapitalisation**).

The Recapitalisation provides for:

- (a) a 1 for 300 Consolidation of existing Shares and Partly Paid Shares, resulting in the Company having 2,397,511 Shares and 56,600 Partly Paid Shares on issue (**Consolidation**);
- (b) placements of 91 million Shares with clients or nominees of CPS Capital at an issue price of \$0.02 per Share to raise \$1.81 million (**Capital Raising**) and 10.0 million Shares to unrelated advisers at an issue price of \$0.02 to satisfy corporate advisory and lead manager fees in respect of the placement to effect the Recapitalisation of the Company;
- (c) the issue of 4 million Shares to Directors and the Company Secretary in lieu of fees accrued since 18 August 2014;
- (d) the issue of 32.5 million Options exercisable at \$0.03 by 30 September 2020 at an issue price of \$0.00001 per Option clients or nominees of CPS Capital; and

- (e) the grant of 2.5 million Performance Rights (each vesting for one Share in the event the Company's Shares are reinstated to trading by 4 January 2017).

The Recapitalisation is conditional upon the Company satisfying the conditions required by ASX for the reinstatement of the Company's Shares to quotation, including the following:

- (a) Shareholders ratifying prior breaches of the Listing Rules (this has occurred);
- (b) Shareholders approving the Recapitalisation (this has occurred); and
- (c) the Company complying with the Listing Rules.

3.3 Reinstatement of the Company's Shares to trading

As noted in section 3.1, the Company Shares have been suspended from trading pending re-compliance with the Listing Rules. The conditions ASX require to be satisfied for reinstatement to trading are set out in annexure D of the Notice of Meeting, a copy of which is available from asx.com.au or by contacting the Company.

At the General Meeting held on 14 November 2016 Shareholders approved the following resolutions:

- (a) **Approval of transactions:** the approval of transactions with Corporate Admin Serves Pty Ltd and Mutual Holdings Pty Ltd.
- (b) **Consolidation:** the approval to consolidate the Company's existing Shares on a 1 for 300 basis.
- (c) **Issue of Shares & Options to unrelated parties:** the issue of Shares and Options to clients or nominees of CPS Capital, and unrelated corporate advisers and investors.
- (d) **Issue of Shares & Options to related parties:** the issue of Shares and Options to the Directors and Company Secretary of the Company.

The requirement that Shareholders approve transactions with Corporate Admin Services Pty Limited and Mutual Holdings Pty Limited is set out in section 2 of the notice of Extraordinary General Meeting held on 14 November 2016.

In accordance with Listing Rules 9.4 and 15.12.3 and clause 24.3 of the Company's constitution, the Chairman of the meeting held on 14 November 2016 excluded 77,000,000 Shares held by entities controlled by Mr Vladimir (Roger) Nikolaenko (**Restricted Securities**) from voting at the meeting. Mr Nikolaenko's lawyer objected to the exclusion and advised that proceedings would be commenced as result. As at the date of this prospectus no proceedings have been served on the Company.

A further condition of reinstatement is that the Company obtain signed restriction agreements with respect to the Restricted Securities. Mr Nikolaenko has refused to sign any restriction agreements, and the Company's deed administrator, Mr Adam Shephard is proposing to make an application to the Court for orders that the Restricted Securities are transferred to him so that he can sign restriction agreements, with the Restricted Securities restricted for the period required by the Listing Rules and then returned to Mr Nikolaenko's entities. That application will be made shortly.

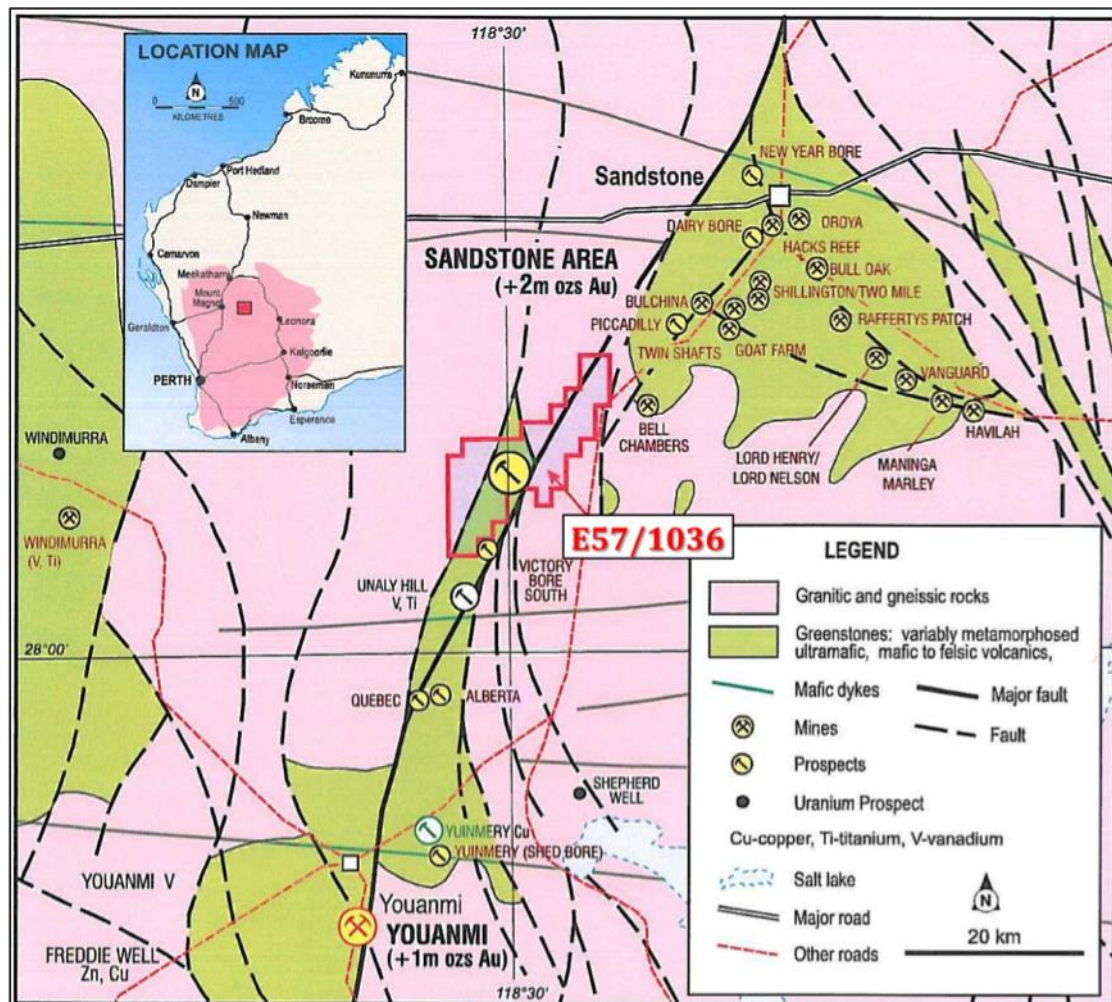
3.4 Victory Bore Gold Project

The Victory Bore Gold Project comprises Exploration Licence E57/1036 granted on 1 July 2016 covering 39 km² is situated in the Mid-West Region of Western Australia, near the town of Sandstone, 560 km north east of Perth. There is good bitumen road access to the area from both Perth and the port of Geraldton. The Midwest gas pipeline traverses the project area. There are several gold processing facilities close to the licence. The Sandstone area is recognised as a gold producing area in Western Australia. For more information please refer to the Independent's Geological Report in section 6.

TENEMENT SCHEDULE

EL	Holder	Status	Area km ²	Grant Date	Expiry Date
E57/1036	Acacia Mining Pty Ltd ¹	Granted	39	1-Jul-16	30-Jun-21

¹ wholly owned subsidiary of Quest Minerals Limited



Victory Bore Project Location and Regional Geology

3.5 Competent Person's Statement

Please refer to page 15 of the Independent's Geological Report for the Competent Person's Statement.

3.6 Use of funds raised under the Offers

The Capital Raising will result in the following cash funds becoming available to the Company:

Cash on hand at 30 June 2016	\$10,600
91,000,000 Shares issued at \$0.02 per share	\$1,820,000
32,500,000 Options issued at a price of \$0.00001 per Option	\$320
56,600 Partly Paid Shares – proceeds from sale of Partly Paid Shares at \$0.02 per Partly Paid Share	\$1,132
TOTAL CASH FUNDS ON HAND AT 30 JUNE 2016 PLUS NEW FUNDS RAISED	\$1,832,052

These funds will be applied as follows:

Payment to the Creditors' Trust (including proceeds from sale of partly paid shares) (up to)		\$331,132
Creditors and accruals at 30 June 2016 including accounting and audit fees		\$109,857
Repayment of Borrowings at 30 June 2016		\$10,600
Payment of Directors fees		\$40,000
Cash costs of the Recapitalisation, consisting of:		
Capital raising commissions	109,000	
Legal costs	85,000	
Independent experts costs (includes costs incurred for reports in the Notice of General Meeting held on 14 November 2016)	26,000	
Other estimated costs registry, printing and mailing, preparation of notice of meeting and, ASIC prospectus lodgement fee	70,000	\$290,000
Cash available from capital raising after payment of liabilities at 30 June 2016, contribution to Creditors Trust, and costs of Recapitalisation		\$1,050,0463
To be applied as follows:		

<p>Exploration on Victory Bore, consisting:</p> <p>YEAR 1:</p> <ul style="list-style-type: none"> • the re-interpretation of recently available aeromagnetic data; • geological mapping; • re-examination of historic drill hole material; • anthropological survey (required under access agreement with traditional land-owners); • further surface rock chip sampling; infill detailed soil sampling within the defined gold-in-saprolite anomaly; and • detailed planning and contractor costing for RC drilling program in year 2. • 1,400 metres of Air Core drilling to confirm historic anomalies 		\$200,250 ¹
<p>YEAR 2:</p> <ul style="list-style-type: none"> • initial 10-hole angled RC program totaling 1,000 metres with grid spacing approximately 40m by 80m. • follow up 5,800 metre RC drilling program. • drill rig and camp mobilisation, RC drilling, chemical analyses, planning and program administration and management, demobilisation 		\$350,300 ¹
Working capital after funds set aside for 2 year exploration programme		\$489,913
Applications of net cash available after costs of Recapitalisation and payment of all post DOCA creditors at 30 June 2016)		<u>\$1,050,463</u>

¹ This figure is derived from the proposed work program. Please see section 3.7 for detailed information on the work program.

In the event that the costs of Recapitalisation exceed \$290,000 the amount to be contributed to the Creditors Trust will to be reduced so that the Company has at least \$1.0 million in net cash in order to satisfy the specified minimum cash condition imposed by ASX for reinstatement.

The use of funds set out above represents the Company's current intentions based upon the present plans and business conditions in the resources sector. The amounts and timing of the actual expenditures may vary significantly and will depend upon numerous factors, including the timing and success of the Company's exploration efforts, the price of gold and equity market conditions for junior explorers.

3.7 Proposed Work Program

The proposed work program, which is intended to focus on the gold potential within the tenement, is set out below:

(a) Year 1 Program:

The review and assessment of past exploration data involving:-

- (i) the re-interpretation of recently available aeromagnetic data;
- (ii) geological mapping;
- (iii) re-examination of historic drill hole material;
- (iv) anthropological survey (required under access agreement with traditional land-owners);
- (v) further surface rock chip sampling; infill detailed soil sampling within the defined gold-in-saprolite anomaly; and
- (vi) detailed planning and contractor costing for RC drilling program in year 2.
- (vii) 1,400 metres of Air Core drilling to confirm historic anomalies.

The initial 10-hole angled AC program totalling 1,400 metres is designed to validate the best historical hits within the gold-in-saprolite anomaly. The grid spacing for this in-fill drill program would be approximately 40m by 80m.

The Company is budgeting expenditure for Year 1 program of approximately \$200,000 significantly more than the minimum expenditure requirement by the DMP.

(b) Year 2 Program:

A 6,800 metre follow up RC drilling program will test and evaluate the results from the initial AC program.

Program expenditures will include mobilisation, RC drilling, chemical analyses and geological management, with an estimated total cost of up to approximately \$350,000. The estimated year 2 program cost will significantly exceed the DMP minimum tenement expenditure requirement.

The DMP approved a program of works covering this drill program in January 2014, valid until 27 January 2018. The Company has also reached agreement with the traditional land owners, namely the Wutha People on the conditions for access to conduct exploration. Accordingly the Company does not foresee any obstacles in proceeding with the program.

3.8 Material contracts to our business and operations

Quest is a party to the following contracts which are material to it:

(a) The DOCA

On 18 August 2014 the Company's creditors resolved that the Company execute the DOCA.

The material terms of the DOCA are as follows:

- (i) Until the termination of the DOCA, the Company shall return to the control of the Directors, who shall be responsible for the day to day management, control, supervision and administration of the Company's business, property and of the Company, and subject to the Deed Administrator's right and entitlement (in the Deed Administrator's discretion) exercise all or any of the powers conferred under the DOCA to the exclusion of the powers of the Company or the Directors.
- (ii) Without limiting the powers set out in the Corporation Regulations 2001 (Cth), the Deed Administrator also has power under the DOCA:
 - (A) to provide information concerning the Company's affairs to the Creditors as he sees fit;
 - (B) to do anything that is incidental to exercising a power set out in the DOCA;
 - (C) to do anything else that is necessary or convenient for the purpose of exercising his powers to administer the DOCA;
 - (D) at such time, and in such manner as he sees fit, gain access to the Company's books and records and require such information and documents as he sees fit from the Company's Directors, officers and employees;
 - (E) to remove any Director and appoint a new director or directors where the Deed Administrator determines (acting reasonably) that would be in the best interest of the admitted creditors;
 - (F) to make any application under s444GA of the Corporations Act; and
 - (G) to bring any action on behalf of the Company arising prior to the appointment 9 May 2014 (being the date the Company went into voluntary administration).
- (iii) The Deed Administrator will establish 2 trust funds for the benefit of the creditors as soon as practicable after the commencement date of the DOCA under the terms of the Creditor's Trust Deed.
- (iv) The trust fund shall comprise all cash and cash equivalent assets held by the Deed Administrator as at the commencement date of the DOCA.
- (v) The Company is released from all creditors' claims arising prior to the date the Administrator was appointed (9 May 2014).
- (vi) The DOCA will terminate wholly effectuated upon the Deed Administrator certifies in writing that the DOCA has been wholly effectuated and lodge with ASIC a notice of termination of the DOCA.

The DOCA is otherwise on standard terms.

A copy of the DOCA is available from the Company upon request.

- (b) Creditors' Trust Deed

The Company is a party to a creditors trust deed. The deed provides for the establishment of creditors' trusts, and the process and priority for payment of funds to creditors. A copy of the trust deed is available from the Company upon request.

(c) **Lead Manager Mandate with CPS Capital Group Pty Ltd**

For the purposes of the Recapitalisation, the company has entered into a lead manager mandate with CPS Capital Group Pty Ltd.

The material terms of the lead manager mandate are as follows:

- (i) CPS Capital will co-ordinate and manage the Company's proposed capital raising for the Offers.
- (ii) CPS Capital will provide the services under the mandate on a best endeavours basis.
- (iii) CPS will be paid:
 - (A) a placing fee of 6%, plus GST, where applicable, for funds raised via the Offer; and
 - (B) a fee of \$200,000 to be satisfied by the issue of 10,000,000 shares at a deemed issue price of \$0.02 per share.
- (iv) CPS Capital may terminate the mandate if:
 - (A) if the Company commits or allows to be committed a material breach of any of the terms or conditions of this mandate; or
 - (B) if any warranty or representation given or made by the Company is not complied with or proves to be untrue in any respect; or
 - (C) Other than the DOCA entered into on 18 August 2016, if the Company becomes insolvent, has a receiver, administrative receiver or manager or administrator appointed over the whole of or any of their assets, enters into any composition with creditors generally or has an order made or resolution passed for it to be wound up; or
 - (D) if a court makes an administration order with respect to Company or any composition in satisfaction of its debts of or a scheme of arrangement of the affairs of Company.
- (v) The Company may terminate the agreement with 7 days notice to CPS Capital in which on termination, any outstanding expenses will be immediately payable.

3.9 Sufficiency of working capital

The Directors are of the opinion that the Company will have enough working capital to carry out its business objectives as described in this Prospectus.

3.10 Capital structure

On 11 November 2016 the Company completed a placement to 93,810,000 Shares to a sophisticated investor at a price of \$0.0000667 per share to raise \$6,250. These funds are to be applied for payment of ASIC lodgement fee in respect of this Prospectus and other costs associated with the Recapitalisation process. For more

information please refer to the announcement on the ASX Platform at www.asx.com.au.

The Company's capital structure prior to the Consolidation, post Consolidation and following the Recapitalisation will be as follows:	Fully Paid Ordinary Shares		Forfeited Partly Paid shares		Options
Existing Shares on Issue as at 30 September 2016 and, prior to the Consolidation	719,253,285	100%	16,980,000	100%	-
Existing Shares on issue following the Consolidation	2,397,511	2.23%	56,600	100%	
Placement at \$0.02 per Share to unrelated parties to raise \$1,181,000	91,000,000	84.69%	-	-	
Issue at \$0.02 per Share to related parties	4,000,000	3.72%	-	-	
Issue of Shares at \$0.02 per share in satisfaction of fees to unrelated lead manager and corporate advisers	10,000,000	9.31%	-	-	
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)					32,500,000
Conversion of forfeited Partly Paid Shares (to be offered under Prospectus)	56,600	0.05%			
On Issue at completion of proposed Consolidation and Recapitalisation	107,454,111	100%	-	-	32,500,000

Details of Directors' holdings are set out in section 5.2.

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

3.11 Substantial Shareholders

The following are substantial shareholders (as defined in the ASX Listing Rules) of the Company as at the date of this Prospectus:

Shareholders	Number of Shares	%
Droxford International Ltd	98,686,092	13.72%
Ausgold Resources Pty Limited	93,810,000	13.04%
Maxillion Limited	82,313,908	11.44%
KHV Holdings Pty Ltd	70,000,000	9.73%

3.12 Employee Share and Option Plan

The Company does not presently have an employee share and option plan but may consider implementing one following reinstatement of its securities.

3.13 Dividend policy

The Company does not intend to pay dividends on securities for the financial year ending 30 June 2017.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors. However, given that the Company is engaged in exploration activities and does not presently have an income from mineral production, the Directors do not foresee that the Company will be in a position to pay dividends in the foreseeable future.

3.14 Company tax status and financial year

The Company will not carry on business in, or operate with management control out of, Australia. Hence, the Directors expect the Company to be considered a tax resident in Australia.

The financial year of the Company ends on 30 June annually.

3.15 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus and other than as set out elsewhere in this Prospectus, the Company or its subsidiary or its controlled entity is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company, its subsidiary or its controlled entity.

4 RISK FACTORS

An investment in the securities offered under this prospectus is highly speculative. Interested investors should read the entire Prospectus, consider the risks described below and the information contained in other sections of this Prospectus. Investors should consider the following risk factors in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding whether to apply for the Shares offered under this Prospectus.

This section identifies the areas the Directors regard as major risks which may affect the value of an investment in the Company as well as the Company's operations. This list is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

4.1 Specific Company and Industry risks

Quest's Victory Bore gold exploration project represents the main business activity and focus of the Company. Risks specific to Quest's circumstances include the following:

(a) Exploration

The Company's sole project is Victory Bore. Whilst the Company has announced an inferred resource of titanium/vanadium for the project, the Company's further exploration activities will initially be focused on gold.

Whilst exploration by the Company and others who previously held the ground at Victory Bore justifies further exploration, the Company's tenements carry exploration risk.

Exploration is a high risk undertaking. While the Company has identified gold anomalies from historical drilling by previous explorers that justify follow up exploration, there is no assurance that further drilling and exploration at Victory Bore will result in the identification of economically recoverable reserves or lead to successful mining and economic exploitation.

(b) Management

As a small company with limited management resources, the ability of the Company to achieve its objectives depends on the availability and retention of key external contractors who constitute its technical panel and provide technical expertise. If the Company cannot secure external technical expertise (for example to carry out certain aspects of its exploration program including drilling), this may affect the Company's ability to achieve its objectives either fully or within the timeframes and the budget the Company has decided upon.

Whilst the ability of the Company to achieve its objectives may be affected by the matters mentioned above, the Directors believe that appropriately skilled and experienced professionals are generally available in the market to provide technical services to the Company at competitive market rates.

(c) Commodity prices

Commodity prices including the gold price fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for commodities,

general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. In terms of potential future Australian dollar income, the value and fluctuation of the Australian dollar can also materially impact on future revenue of the Company. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to raise funds to implement those plans and activities.

(d) Resource estimate

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should Quest encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have either a positive or negative effect on Quest's operations.

(e) Title Risk

Mining tenements are governed by the respective State legislation and each tenement is for a specific term and carries with it annual minimum expenditure and reporting commitments as well as other conditions requiring compliance. There is a risk that the Company could lose title to one or more of its tenements if tenement conditions or annual expenditure commitments are not met.

(f) Exploration and Operating Risks

The current and future operations of Quest, including exploration, appraisal and possible production activities may be affected by a range of exploration and operating factors, including:

- (i) geological conditions;
- (ii) limitations on activities due to seasonal weather patterns;
- (iii) alterations to program and budgets;
- (iv) unanticipated operational and technical difficulties encountered in geophysical surveys, drilling, metallurgical laboratory work and production activities;
- (v) mechanical failure of operating plant and equipment; adverse weather conditions, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- (vi) industrial action, disputation or disruptions;
- (vii) unavailability of transport or drilling equipment to allow access and geological and geophysical investigations;
- (viii) failure of metallurgical testing to determine a commercially viable product;
- (ix) unavailability of suitable laboratory facilities to complete metallurgical testwork investigations;
- (x) shortages or unavailability of manpower or appropriately skilled manpower;

- (xi) unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- (xii) prevention or restriction of access by reason of inability to obtain consents or approvals.

(g) Environment

The projects are subject to Western Australia and Federal laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, the projects would be expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

Quest intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by Quest's activities are rehabilitated as required by applicable laws and regulations.

Ground disturbance during exploration on the exploration licence that comprises the Victory Bore project require that the Company adhere to the Program of Works approved by the Department of Minerals and Petroleum (DMP) to ensure operations are consistent with responsible and ecologically sustainable exploration. The Company follows all procedures and regulations prescribed by DMP.

(h) Mining Tax and Royalties

There is a risk that the Commonwealth or Western Australia Governments may seek to introduce further, or increase existing, taxes and royalties.

(i) Encumbrances on Title

Quest may at a future date be required to encumber part or all of its tenure to expedite future commercial transactions.

(j) Funding

At the date of this prospectus, Quest has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cashflow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration, after the expenditure of the net proceeds raised under the offer in this prospectus. Neither Quest nor any of the Directors or any other party can provide any guarantee or assurance that if further funding is required, such funding can be raised on terms acceptable to Quest.

Any additional equity funding will dilute existing Shareholders. Also, no guarantee or assurance can be given as to when a project can be developed to the stage where it will generate cashflow. As such, a project would be dependent on many factors, for example exploration success, subsequent mine development, commissioning and operational performance.

Quest may not be able to earn or maintain proposed equity interests in its tenements if it fails to meet the ongoing expenditure commitments. Accordingly, Quest may potentially lose entitlement or rights to interests in the tenements and projects.

(k) Liquidity Risk

The market for the Company's Shares may be illiquid. As a consequence investors may be unable to readily exit or realise their investment.

(l) Unforeseen Risks

There may be other risks which the Directors are unaware of at the time of issuing this Notice and Prospectus which may impact on Quest and its operations, and on the valuation and performance of Quest's Shares.

(m) Litigation

As set out in section 3.3, there is a risk that the Company may be exposed to the following litigation:

- (i) The lawyer for Mr Nikolaenko has threatened proceedings against the Company as a result of the decision by the Company's Chairman to exclude from voting 77,000,000 Shares held by entities controlled by Nikolaenko. As at the date of this prospectus no proceedings have been served. There is a risk that proceedings could be commenced and that they may have an adverse effect on the Company.
- (ii) To satisfy ASX conditions and without the cooperation of Mr Nikolaenko, the DOCA administrator will be required to make an application to the Court. Whilst the application will be made by the DOCA administrator, there is a risk that the Company may be involved and that this may have adverse consequences.

4.2 General Economic Risks and Business Climate

Share market conditions, may affect the listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) movements in or outlook on interest rates and inflation rates;
- (c) currency fluctuations;
- (d) commodity prices;
- (e) changes in investor sentiment towards particular market sectors; and
- (f) the demand and supply for capital.

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which Quest may have an interest.

4.3 Exploration, Development, Mining and Processing Risks

The business of mineral exploration, project development and mining by its nature contains elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- (a) the discovery and/or acquisition of economically recoverable ore reserves;
- (b) successful conclusions to bankable feasibility studies;
- (c) access to adequate capital for project development;
- (d) design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (e) securing and maintaining title to tenements and compliance with the terms of those tenements;

- (f) obtaining consents and approvals necessary for the conduct of exploration and mining; and
- (g) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

Mining is an industry which has become subject to increasing legislative regulation including but not limited to environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of Quest.

4.4 Native Title and Compliance Conditions for Access

Prior to the grant of EI 57/1036, Acacia Mining Pty Ltd (a wholly owned subsidiary of the Company) and the Wutha People signed a Heritage Protection Agreement in respect of access for exploration purposes. The main requirement for access agreed by the parties is that if requested, an anthropological study be completed over the ground to be disturbed to ensure any known sacred sites are not disturbed. Previous anthropological studies covering the area have not identified any such sites. The Company must ensure Acacia complies with these requirements in order to have access to conduct its planned exploration activities.

In broader terms, the Native Title Act 1993 (Cth) recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on Quest's operations and future plans.

Native title can be extinguished by valid grants of land or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost their connection with the relevant land or waters. Native title is not extinguished by the grant of mining leases, as they are not considered to be grants of exclusive possession. A valid mining lease prevails over native title to the extent of any inconsistency for the duration of the title.

For tenements to be validly granted (or renewed) after 23 December 1996 the special "right to negotiate" regime established by the Native Title Act must be followed.

It is important to note that the existence of a native title claim is not an indication that native title in fact exists to the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

Quest must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of exploration and mining operations.

5 DIRECTORS AND CORPORATE GOVERNANCE

5.1 Directors

Quest's Board consists of the following:

- (a) Paul Piercy (appointed 22 April 2013) – Non – executive Chairman

Mr Piercy is a metallurgist with wide operational mining experience who has held senior management and technical positions within the Rio Tinto Limited group, including General Manager of Hamersley Iron's Dampier port and the rail operations and Managing Director of WesTrac Equipment before playing an integral role in the successful establishment of WesTrac China as its Chairman/CEO based in China.

- (b) Jerome Vitale (appointed 22 April 2013) – Managing Director & executive Director

Mr Vitale is an experience mining company executive with wide ranging experience in project development and finance. His achievements in the gold sector include the acquisition, construction and operation of the Mckinnons Gold project in Cobar NSW (a 50,000 oz pa low cost open cut operation), execution of numerous gold project financing transactions as project finance specialist with Standard Chartered Bank group and senior executive responsibilities with the Normandy Mining group prior to its acquisition by Newmont Mining Corporation.

Mr Vitale's other appointments have included senior roles with a copper production and exploration company, a privately held mining reagents business and as principal of a specialist mining corporate advisory consultancy and corporate turnaround situations. He has extensive experience and conducting resource project evaluation and feasibility studies in numerous commodities as head of multi-disciplinary technical teams and has acted as lead advisory to Chinese SOE's and private sector investment houses in relation to non-ferrous metals project opportunities in Australian and internationally.

- (c) Dennis Gee (appointed 15 June 2010) – Non – executive Director

Dr Dennis Gee is an eminent Australian geologist with vast experience in the mining industry, government service and research management. In the latter part of his career he was Chief Executive Officer of the Cooperative Research Centre for Landscape Environments and Mineral Exploration attached to CSIRO. This involved a large research team working on geochemical, biological and hydrological process in the regolith. Previous he was the Director of Northern Territory Geological Survey, and successfully implemented a new strategic plan to stimulate mineral exploration in the Northern Territory of Australia. Prior to that, he was Regional Manager within MIM Exploration and Exploration Manager for Reynolds Australia Metals. Both Reynolds and MIM were top-ranking mining companies in Australia, with world-class gold and base-metal production. He served as Deputy Director of the Geological Survey of Western Australia, and supervised the completion of 1:250,000 scale regional mapping of the State.

Dr Gee commenced his career with the Tasmanian Mines Department. He is a graduate of the University of Tasmania with BSC (Hons and PhD. He is a former President of Geological Society of Australia. He has widespread exploration experience in mineral and energy commodities throughout

Australia, South America and Africa. He is a Member of the Australian Institute of Geoscientists, and Graduate Member of the Australian institute of Company Directors.

5.2 Directors' holdings

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

Directors	Directly Held	Indirectly Held
Paul Piercy	-	500,000
Jerome Vitale ¹	-	2,500,100
Dennis Gee	1,275,080	-

¹ Following approval by Shareholders on 14 November 2016, Mr Vitale is entitled to be issued with 2,500,000 Performance Rights which will vest upon the Company's Shares being reinstated for trading on ASX. Please refer to section 11.3 for more information.

5.3 Remuneration of the Directors and their related entities

Benefits accrued to be paid to the Directors in the previous two years prior to the date of this Prospectus and the remuneration the Directors will be paid by the Company are as follows:

Directors	Annual Director's fee	Wages, salaries and/or bonuses	Benefits accrued in the previous two years
Paul Piercy	23,665	-	46,413
Jerome Vitale	59,163	-	116,063
Dennis Gee	26,965	-	49,773

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise provides services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

5.4 Management and Consultant

Stuart Third – Company Secretary

Mr Stuart Third is a Chartered Accountant and a Chartered Tax Advisor, and holds a Bachelor of Business and Master of Taxation, who has been involved in professional accounting in public practice for over 15 years. He undertook roles in corporate management, finance and corporate governance matters including ASX and ASIC compliance. Winduss and Associates, a firm of which Mr Third is a partner, provides bookkeeping, accounting services and makes Mr Third available to the Company to provide company secretarial services. The services are provided on arms length commercial terms on a monthly retainer basis and may be terminated at any time with one month's notice on either side.

5.5 Executive service agreement

The Company is not a party to any executive service agreements.

5.6 No other Directors Interests

Other than as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer; and

no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

5.7 Corporate Governance Statement

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Company is committed to administering these policies and procedures with openness and integrity upon Recapitalisation. The Company will, as soon as practicable (and subject to shareholder approval on the change of the Company's name), release the Company's Corporate Governance Statement on the ASX platform.

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals. Disclosure of these corporate governance practices will be given in accordance with the Listing Rules.

To the extent applicable, given the Company's size and nature, the Company has adopted the principles and recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**CG Recommendations**). The CG Recommendations are not prescriptive, but guidelines.

Under the Listing Rules the Company will be required to provide a corporate governance statement in its annual report disclosing the extent to which it has followed the CG Recommendations in the reporting period. Where the Company does not follow a CG Recommendation, it must identify the relevant recommendations or principles that have not been followed and give reasons for not following them.

Disclosure of these corporate governance practices will be given in accordance with the Listing Rules.

6 INDEPENDENT GEOLOGICAL REPORT



Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
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Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

22 September 2016

The Directors
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Dear Sirs,

**RE: INDEPENDENT VALUATION OF THE VICTORY BORE TENEMENT HELD BY QUEST
MINERALS LIMITED in WESTERN AUSTRALIA**

Agricola Mining Consultants Pty Ltd (“Agricola”) was commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd (“the Client”) to provide a Mineral Asset Valuation Report (“Report”) of the exploration assets of Quest Minerals Limited (“Quest” or “the Company”) in Western Australia. This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The valuation of the Project is assessed at the following dates:

- E57/550 as at October 2009; and
- E57/1036 as at September 2016.

The present status of the tenements is based on information made available by the Company. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

Scope of the Valuation Report

A valuation report expresses an opinion as to monetary value of a mineral asset but specifically excludes commentary on the value of any related corporate Securities. Agricola prepared this Report utilizing information relating to operational methods and expectations provided to it by various sources. Where possible, Agricola has verified this information from independent sources. This Report has been prepared for the purpose of providing information

to the Company but Directors of Agricola accept no liability for any losses arising from reliance upon the information presented in this Report.

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer Test* after the Australian High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its “highest and best use”.

Applying the *Spencer Test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

The findings of the valuation Report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk). A range of values (high, low and preferred) has been determined and stated in the Report to reflect any uncertainties in the data and the interaction of the various assumptions made.

The main requirements of the Valuation Report are:

- Prepared in accordance with the VALMIN Code 2015
- Experience and qualifications of key personnel to be set out
- Details of valuation methodologies
- Reasoning for the selection of the valuation approach adopted
- Details of the valuation calculations
- Conclusion on value as a range with a preferred value

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment and valuation in accordance with the “Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports” (the VALMIN Code 2005 Edition) and the “Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets” (the VALMIN Code, 2015 Edition) as appropriate), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112, March 2011).

Where exploration results and mineral resources have been referred to in this report, the information was prepared and first disclosed under the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"), prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia 2012.

Under the definition provided by the VALMIN Code, the mineral projects are classified as 'advanced exploration projects' where Mineral Resources have been identified. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. Agricola has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to the Company, along with a written request to identify any material errors or omissions in the technical information prior to lodgment.

In compiling this report, Agricola did not carry out a site visit to the project areas. Based on its professional knowledge, experience and the availability of extensive databases and technical reports made available by various Government Agencies and the early stage of exploration, Agricola considers that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. Agricola has no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

Malcolm Castle has over 40 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical audits in many countries. He has completed numerous Independent Geologist's Reports and Mineral Asset Valuations over the last decade as part of his consulting business.

Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Declaration – VALMIN Code: The information in this report that relates to Technical Assessment and Valuation of Mineral Assets reflects information compiled and conclusions derived by Malcolm Castle, who is a Member of The Australasian Institute of Mining and Metallurgy. Malcolm Castle is not a permanent employee of the Company.’

Malcolm Castle has sufficient experience relevant to the Technical Assessment and Valuation of the Mineral Assets under consideration and to the activity which he is undertaking to qualify as a Practitioner as defined in the 2015 edition of the ‘Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets’. Malcolm Castle consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.’

Competent Persons Statement – JORC Code: The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

Agricola or its employees and associates are not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the projects. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees of \$6,000 plus GST based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

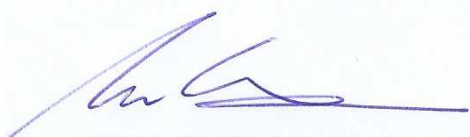
Valuation Opinion

Based on an assessment of the factors involved the estimate market value for Exploration Licence E57/550 in October 2009 to be in the range A\$0.46 million to A\$0.57 million with a preferred value of A\$0.52 million.

Based on an assessment of the factors involved, the estimate of market value for Exploration Licence E57/1036 in September 2016 is in the range of A\$0.51 million to A\$1.41 million with a preferred value of A\$0.96 million.

This valuation was prepared on 22 September 2016.

Yours faithfully



Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)
Agricola Mining Consultants Pty Ltd

TENEMENT SCHEDULE

EL	Holder	Status	Area km ²	Grant Date	Expiry Date
E57/550	Victory Bore Pty Ltd	Granted	85	23-Aug-06	22 Aug-14
E57/1036	Acacia Mining Pty Ltd	Granted ¹	39	1-Jul-16	30-Jun-21

E57/550 was reduced to 27 blocks (85km²) on 8 July 2009 and then to 13 blocks (39 km²) on 21 August 2013. The tenement was surrendered on 21 August 2014. The same ground was applied for and granted in 1 July 2016.

The status of the tenements has been verified based on a recent independent inquiry of the Department of Mines and Petroleum, WA database by Agricola, pursuant to section 7.2 of the Valmin Code, 2015. The tenements are believed to be in good standing. Some future events such as the grant (or otherwise) of expenditure exemptions and plaintiff action may impact of the valuation and may give grounds for a reassessment.

PROJECT REVIEW – VICTORY BORE

The Victory Bore Project is situated in the Mid-West Region of Western Australia, near the town of Sandstone, 560 km north east of Perth and 450 km east of the shipping port of Geraldton. There is good bitumen road access to the area from both Perth and Geraldton. The Midwest gas pipeline traverses the project area. On 20/3/09, the Western Australian Government for a new, deep water shipping port at Oakajee, 20 km north of Geraldton, signed an agreement. This \$3.5 billion port and rail development will be purpose built to service the iron ore deposits of Western Australia's Mid-West Region. There are several gold processing facilities close to the licence.

The Sandstone area has been a major historical producer of gold with an estimated total of about 730,000 ounces of gold won between 1895 and 1915 and a further 585,000 ounces to 1984. The majority of this production has come from the Oroya Mine and Hacks Reef within the immediate vicinity of the Sandstone township. Hacks Reef produced 206,000 ounces from 260,000 tonnes of ore at an average grade of 24g/t gold. Oroya Mine produced 220,000 ounces from 420,000 tonnes at 16.5g/t gold. The largest regional tenement holder until 1999 was Herald Resources NL. Herald had been actively mining for nearly twenty years producing over 250,000 ounces of gold. It sold all of its Sandstone interests including its Twin Shafts treatment plant to Troy Resources NL who commenced open pit mining of the newly discovered Bulchina orebody in August 1999. Around 50,000 ounces of gold per year have been produced. The operation closed and moved to care and maintenance in September 2010 quarter

Several promising gold deposits have been recently located including the Two Mile Hill Deposit and the Phoenix Prospect (up to 7m @ 6.31g/t Au and 15m @ 1.91g/t Au) on ground held by Troy Resources NL. In early 2004 two further new gold discoveries, the Lord Henry and Lord Nelson deposits, were found near the old gold mining centre of Maninga Marley about 30km southeast of the Bulchina Mine. These discoveries demonstrate that the Sandstone Belt was and is underexplored and may host more substantial gold deposits.

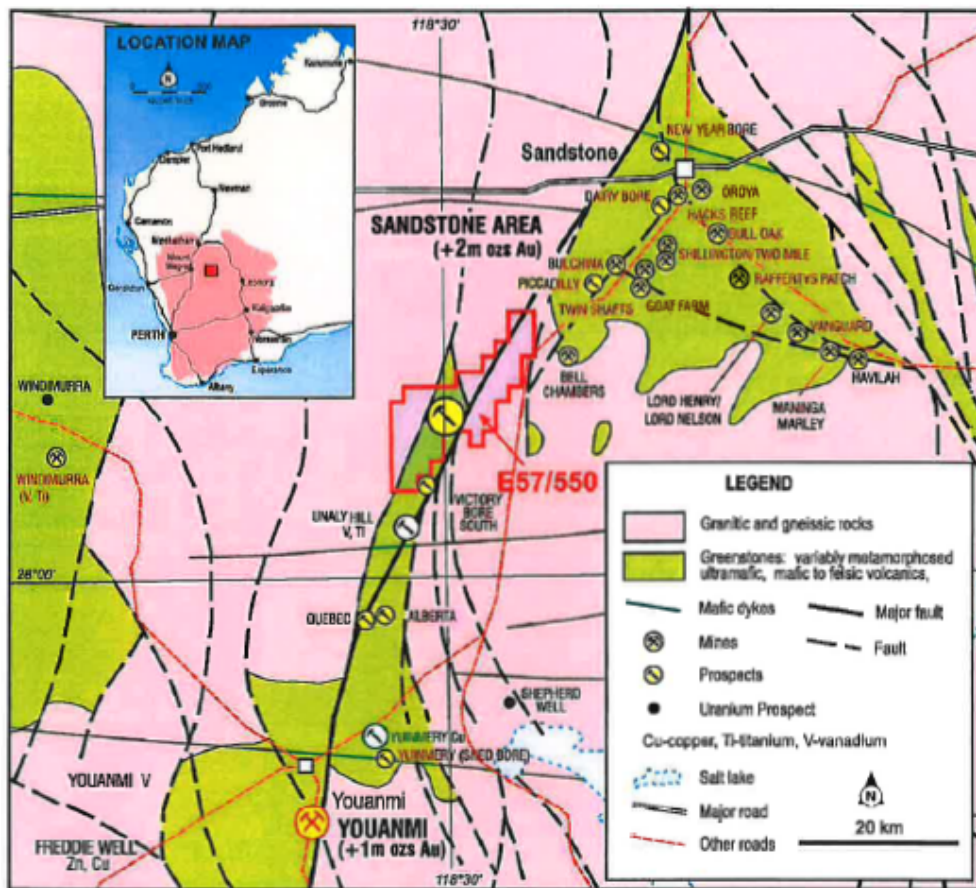


Figure 1 Victory Bore Project Location & Regional Geology

Previous Exploration

Between 1979 and 1998, gold-specific exploration, including rotary air blast (RAB) and RC drilling, was carried out in the broader area by Battle Mountain Gold, a Canadian company. This work confirmed the potential of the area and in particular the Youanmi Fault Zone, a major mineralized structure that strikes through the centre of the tenement area over a distance of one kilometre.

Within the tenement E57/550, adjacent to this fault, 5 anomalous gold values have been recognised. Within this zone, folding, thrust and cross faults, together with rock contact zones provide available, and likely, conduits for mineralised deposits, especially gold bearing.

In 1998, a review of all previous exploration data concluded that the tenement was prospective, with large tracts of extensive greenstones underexplored by modern methods and advanced targets exhibiting encouraging results, which warranted further exploration. Beneath a predominantly depositional regolith (covering alluvium and weathered material) are extensive RAB anomalies with sporadic primary gold mineralisation, which are considered to be a strong focus for exploration.

A further assessment was carried out in the same year that concluded that the exploration to date had lacked focus due to a poor understanding of controls on mineralisation and a concentration on geochemistry to develop targets. The assessment also concluded that the project remained highly prospective for a significant discovery and mapping and aeromagnetic interpretations be conducted to generate a more refined exploration model.

Iron/vanadium

There have been several phases of modern exploration since 1981. The potential of the area to host an iron deposit was first indicated from aeromagnetic surveys, to be later confirmed by detailed ground magnetics and diamond drilling. While more work is required to delineate a resource, the combination of geological and geophysical interpretation, as well as follow-up diamond and reverse circulation drilling (RC), has clearly demonstrated the potential of the area to host iron/vanadium deposit(s) of significant size. Very preliminary metallurgical assessment is encouraging in terms of the processing potential of the deposit.

A major aeromagnetic anomaly associated with the regional scale Youanmi Fault, extends in a SW-NE direction for more than 22km, including 11km through the western half of the Victory Bore licence. Magnetic trends within this anomaly probably represent magnetite layers in the basal part of the Atley layered mafic/ultramafic intrusion. To date, 3 diamond drill holes and 4 RC holes have targeted some of these magnetic trends.

Indications of a Mineralised Zone, 2009

Interpretation of the drilling and detailed magnetics, indicates that there are at least 4 zones up to 30m thick and 4km long, which appear to represent magnetite bodies. The drilling has shown that two of these zones are magnetite horizons, which extend to at least 100m below surface. The other 2 zones have yet to be tested by drilling.

The Barrambie Vanadium Deposit announced an Indicated Resource of 49.2Mt at 0.82% V₂O₅ and an Inferred resource of 16.0Mt at 0.81% V₂O₅ (Reed Resources Annual Report, 2009). The nearby Windimurra Vanadium Deposit announced in April 2012 Measured Resources of 49.7Mt at 0.48% V₂O₅, Indicated Resources of 142.1Mt at 0.49% V₂O₅ and Inferred Resources of 50.8Mt at 0.46% V₂O₅ (Atlantic Limited Annual Report 2014).

A project review in March 2009 (Jones, 2009) estimated the true thickness of the zones range from 25-30m for each zone and an exploration target for all 4 zones over a 4km strike length to a depth of 100m is 60 to 70 million tonnes for the two zones tested. Grades were estimated at approximately 25% to 30% iron and 0.4% to 0.5% vanadium based on the

previous drilling and surface sampling. As the suggested tonnage and grades are consistent with the various other iron and iron/vanadium deposits in the region, these figures were considered to be realistic. The two untested zones have not been included in the exploration target due to lack of substantial information.

While the Company remained optimistic that it will report resources and reserves in the future, any discussion in relation to exploration targets or resource potential is only conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

There is additional, untested potential to the north, where the magnetic bodies are located in what appears to be the hinge of an anticline structure. The overburden ratio is likely to be significantly reduced in that area, thereby reducing mining costs. No detailed work had been carried out over the magnetic anomaly where it traverses the southern half of the licence, where there is also the potential for magnetite horizons.

Estimate of Mineral Resource, 2011

In March 2011, a Maiden Initial Mineral Resource of 151Mt at 0.44% V₂O₅, 25% Fe and 6.73% TiO₂ was established by independent geological consultants CSA Global Pty Ltd, Perth (CSA) in accordance with JORC Code.

Category	Tonnes	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %	P %
Inferred	151,000,000	0.44	25.0	6.73	28.6	14.8	0.56	0.013

Inferred Mineral Resource for Victory Bore Project

The information in this report that relates to in-situ Mineral Resources is compiled by David Williams of CSA Global Pty Ltd. David Williams is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Mr Williams consents to the inclusion in this report of the matters based on the information compiled by him, in the form and context in which it appears.

The information contained in this Mineral Resource summary replicates information contained in the Company's Announcement "Maiden 151Mt JORC Reported Magnetite Vanadium Resource at Victory Bore" and released to the ASX on 4 March 2011.

The author of this Report is not aware of any new information or data that materially affects the information included in the ASX release dated 4 March 2011 and, in the case of mineral resources, that all the material assumptions and technical parameters underpinning the estimates in the ASX release dated 4 March 2011 continue to apply and have not

materially changed. The form and context in which the findings of CSA Global and Mr Williams are presented have not been materially modified.

Competent Persons Statement – This Report

The information in the Independent Geological Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy (“AusIMM”). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken 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” (JORC Code). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Financial Modeling of the Mineral Resource, 2012

Promet Engineers were asked to prepare an independent review of the Victory Bore Vanadium Project in June 2012 based on earlier studies by METS and Cube. The main findings of that report are included below.

Financial modelling on the process plant using the CAPEX and OPEX provided in the METS report illustrates the sensitivity of the process plant project to product price but suggests that the process plant project may be viable considered on its own; if the CAPEX can be substantially reduced from the Base Case of \$520M. Unfortunately this conclusion is not supported by:

- The capital recovery costs for the provision of a gas pipeline and associated equipment (in the vicinity of \$180-\$220 million) have not been included in the OPEX.
- The power requirement of the process plant is believed to be in error and underestimated by between 30% to 40%.
- No provision been made for the acquisition of water of which a net input of 260 m³ per hour is required.

The Cube report observed that “the optimization results show that ... the resource as supplied would not support an economically viable option, with an indicative cash flow of less than \$30M excluding any allowances for capital costs”. Cube’s observations are understandable when one considers that:

- The Victory Bore mine has a grade averaging around 0.44% V₂O₅ and a strip ratio averaging around 6.6:1.
- In comparison, the Windimurra Project has, according to Atlantic Ltd’s 2011 annual report, a grade averaging around 0.47% V₂O₅ and a strip ratio averaging around 0.7:1.

This is a very significant difference and whilst the lower grade at Victory Bore does have an impact, it is the very high strip ratios at Victory Bore that really negatively impact the viability of the project.

Whilst there are other methods of open pit mining that can reduce the cost of mining, e.g. Split Shell Open Pit Design, it is highly unlikely that this would alter the conclusion arrived at by Cube on the viability of the project.

In its present format as it is now proposed ProMet cannot advise positively on further investment in the Victory Bore Project.

Agricola has reviewed the reports of METS, Cube Consulting and Promet Engineers and agrees that the Mineral Resource estimated at Victory Bore has little value under the proposed scoping study scenario.

Gold

In 1997 Battle Mountain Gold (BMG) entered into a farm-in to ELs held by Gindalbie Gold in the Youanmi – Sandstone area. BMG undertook extensive RAB and RC drilling of gold-in-soil anomalies, including a prospect near Victory Bore on the then E70/228. This subsequently was covered by Quest's E70/1036.

Extensive vertical RAB drilling on a 200x100m pattern defined a gold-in-saprolite anomaly 600x4000m at the 10ppb Au contour, in an area just south of the identified magnetite lenses.

At the main anomaly, the depth of oxidation is shallow in the west (<10m) increasing to 40m over the magnetite mineralised zone. Battle Mountain state that “supergene mineralisation occurs in the saprolite. In section view the supergene saprolite mineralisation forms a classic mushroom dispersion pattern over the primary mineralization”. This would indicate the presence of strong depletion in gold in the saprolite, which could give false results in RAB drilling.

In a follow-up RC program, primary ore grade gold mineralisation was intersected. The mineralised horizon appears to strike 020⁰ and dips 60⁰ west. It occurs in medium to coarse grained gabbro with moderate silica-carbonate alteration noted in YR875. The mineralised horizon is open along strike in both directions. Two km to the south is another RAB anomaly. It is likely the gold mineralized zone extends this far south. Review of structural data suggests the mineralization may be in cross-cutting fractures that intersect the gabbro lenses, or the Younami Fault.

From aeromagnetic studies, it can be seen that the northeastern tip of an anticlinal structure (including the aeromagnetic anomaly) has been both offset and rotated. Furthermore an east-west trending structure appears to intersect the Youanmi fault zone at this point. Such major intersections provide ideal structural settings for gold mineralisation.

Gold mineralization is likely to occur along splay faults to the major shear zone, and other dilational structures such as dilational jogs and pull-aparts associated with strike-slip movement along the Youanmi fault.

Nickel/Platinum Group Elements (PGE)

Layered mafic/ultramafic intrusions can host nickel and/or PGE deposits. The basal parts of the intrusions, where magnetite and chromite horizons also occur, are the areas most likely to host economic concentrations of these metals. As yet, there has been no serious assessment by a nickel/platinum specialist, of the potential for the Atley Layered Intrusion to host nickel and/or PGE deposits. However, preliminary work in similar mafic/ultramafic intrusive rocks on Trot Resources ground along strike to the north has delineated several target areas for followup.

Source:

Castle, M., 2013, QUEST MINERALS LIMITED, The VICTORY BORE GOLD PROJECT, E57/550. Information Memorandum dated 18 March 2013

Cube Consulting, 2012, Victory Bore Project – Preliminary Open Pit Optimisation” April 2012

Jones, G, 2009, “Report on the iron/vanadium and gold potential of the Victory Bore licence ES7/SS0” Unpublished, 31 March 2009

Quest Minerals Limited, 2011, “Maiden 151Mt JORC Reported Magnetite Vanadium Resource at Victory Bore”, ASX Release 4 March 2011.

Quest Minerals Limited, 2013, Activities Report for the Period ended 31 December 2012”, ASX Release 31 January 2013.

Promet Engineers, 2012, “Victory Bore Vanadium Project Independent Project Review” for Quest Minerals Ltd, June 2012

Barrambie: Reed Resources Ltd, 2009, “Annual Report, 2009”

Windimurra: Atlantic Limited, 2014, “Annual Report 2014”.

VALUATION ASSESSMENT

Three widely accepted Valuation Approaches are:

(a) Market-based, which is based primarily on the notion of substitution. In this Valuation Approach the Mineral Asset being valued is compared with the transaction value of similar Mineral Assets under similar time and circumstance on an open market (*Comparable Transactions, \$ per metal unit*).

(b) Income-based, which is based on the notion of cashflow generation. In this Valuation Approach the anticipated benefits of the potential income or cash flow of a Mineral Asset are analyzed (*Discounted Cash Flow*).

(c) Cost-based, which is based on the notion of cost contribution to Value. In this Valuation Approach the costs incurred on the Mineral Asset are the basis of analysis and an assessment of prospectivity (*Prospectivity Exploration Multiplier and Geo-factor Rating, \$ per sq. km.*).

Details of the assessment criteria are included in the notes attached to this Report.

The **Company's Projects** are classed as '*advanced exploration projects*' and inherently speculative in nature. Several methods of valuation are available for such projects where a material Inventory has been estimated. These include the use of Market-based valuations. The Comparable Transactions is appropriate for exploration ground with estimates of Mineral Resource estimates and supporting Scoping Studies.

VALUATION AT OCTOBER 2009

The **Victory Bore project** consisted of one Exploration Licence and was classed as an exploration project. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for "similar" projects. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating (*Geo-factor Rating*) is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The 'Geo-factor Rating' method of valuation for exploration tenements is the preferred valuation method for the Company's current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses and grades of four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title,

environment) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor then multiplied serially to the BAC. The 'Base Value is multiplied by the prospectivity rating (the assessment of prospectivity factors multiplied together) to establish the overall technical value of each mineral property.

Where exploration expenditure has produced documented results a PEM can be derived which take into account the valuer's judgment of the success of the previous exploration techniques and results.

GEO-FACTOR RATING METHOD, OCTOBER 2009

The Exploration potential of the Victory Bore project is based on the potential for gold, nickel and vanadium mineralisation within the tenement.

Base Value

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre and annual rent of \$43.50. A 10% administration fee is taken into account to imply a BAC of \$400 to \$450 per square kilometre.

The Company has 100% equity in the granted tenement, E57/550.

$$Base\ Value = [Area] * [Grant\ Factor] * [Equity] * [Base\ Acquisition\ Cost]$$

Quest Resources Limited					
Date	Tenement	Equity	Km²	Status	Grant
Oct-09	E57/550	100%	85	Granted	100%

Prospectivity Assessment Factors

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology	
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)

Assessments in each category are based on a set scale (see above and Appendix 1) and are multiplied together to arrive at a “prospectivity index”.

$$Prospectivity\ Index = [Off\ Site\ Factor] * [On\ Site\ Factor] * [Anomaly\ Factor] * [Geology\ Factor]$$

Quest Resources Limited		Prospectivity Factors							
		Off Site		On Site		Anomaly		Geology	
		Low	High	Low	High	Low	High	Low	High
Oct-09	E57/550	3.00	3.05	1.50	1.55	2.50	2.55	1.50	1.55

A higher Geology rating is applied to the current valuation as it is assumed that lower value blocks were voluntarily relinquished, leaving the most prospective blocks within the tenement.

Technical Value October 2009

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

Quest Resources Limited		Technical Value		
		Low	High	Preferred
Oct-09	E57/550	574,000	715,000	644,500

The lower valuation at the current date is mainly based on the lower area of the tenement due to the voluntary relinquishment.

Exploration Tenements – Alternative Valuation Methods:

There is a preference for the use of more than one valuation methodology for the same tenements expressed in Paragraph 65 of Regulatory Guide 111. An alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result indicated by the Prospectivity Enhancement Multiplier (PEM).

PEM Range	Criteria
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed

Complete records of past expenditure for the Projects are not available from the previous explorers. The project has been extensively explored in the past with mapping, satellite imagery, geophysics, surface geochemistry and historical drilling forming part of the data base.

It is considered reasonable to suggest that the current value of these work elements would be as shown in the following table. This is considered speculative (but plausible) and the successful results of the work indicate that detailed drilling has defined targets with potential economic interest with the potential to contain medium sized deposits and small Inferred Resources may be estimated. This would attract Prospectivity Enhancement Multipliers as set out below.

Project		PEM			Technical Value		
	Expenditure	Low	High	Low	High	Preferred	
Oct-09	E57/550	250,000	1.75	2.00	437,500	500,000	468,750

Expenditure leading to the estimate of the Mineral Resource is considered to be encapsulated in the value estimated for the resource.

This method does not consider the area of the tenement. In view of the discrepancy between valuation methods, the reduction in total area, which suggests part of the earlier expenditure was unsuccessful, and the uncertainty of previous exploration expenditure, the Geoscientific Rating method is preferred.

Market Value October 2009

In arriving at a fair market value for a particular exploration tenement, I have considered the current market for exploration properties in Australia and overseas in October 2009 and at the current date. It is considered appropriate to apply a significant discount to the technical value of the exploration potential of the tenements.

I have considered the Country risk and current market for exploration properties in Australia. An assessment of country risk and business climate have been provided by a specialist firm (source: www.coface.com). The rating for Australia is 'A1' for country risk and 'A1' for business climate, which are considered to be low. This rating will affect the market factor in assessing market value.

Variations in the gold price and Commodity Metals Price Index have been considered as a proxy for market sentiment. In October 2009 the average monthly gold price was US\$1,040 per ounce and in October 2013 the average monthly gold price was US\$1,320.

The 2009 market value for mineral projects in Australia is considered to be depressed and a market discount factor of **20%** in October 2009 has been applied to the technical value.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

Quest Resources Limited		Market Value			
Project	Market Factor	Low	High	Preferred	
Oct-09	E57/550	80.0%	459,000	572,000	515,500

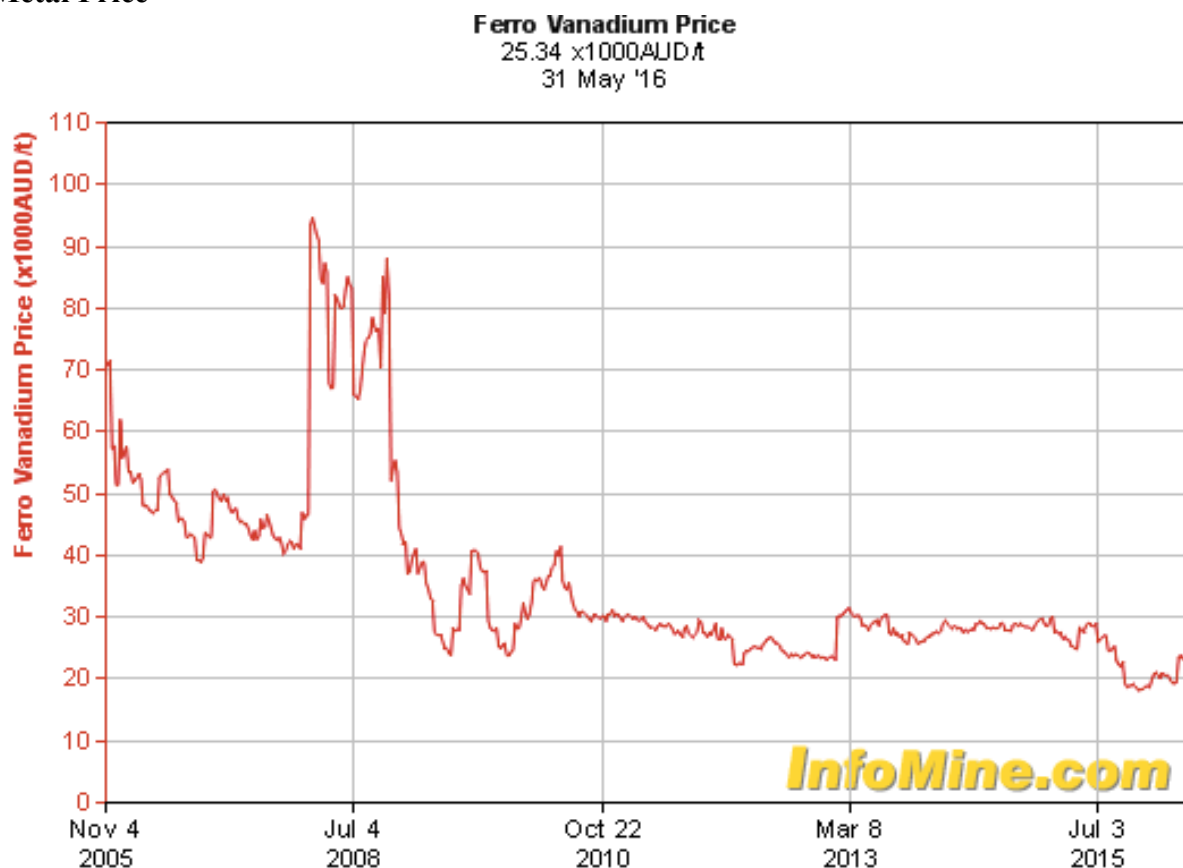
VALUATION AT SEPTEMBER 2016

COMPARABLE TRANSACTIONS

An estimate of the vanadium resources at the Victory Bore Project has been compiled by the Company and is accepted here for the purpose of the valuation. Agricola considers it is appropriate to estimate the value the mineral resources based on the comparative transactions method.

The method requires allocating a dollar value to the mineral resources in the ground and applying appropriate discounts for JORC Category, modifying factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorized under the JORC code. An additional risk weighting may be appropriate in these circumstances. Further details of the valuation approach are included in the notes attached to this Report.

Metal Price



Vanadium is becoming essential for the production of steel as aircraft and automotive manufacturers address demand for lighter and tougher materials, which contribute to reducing fuel consumption and reduce emissions. Steel companies are now offering high strength low alloy steels which the fastest growing segment of the steel market and vanadium is key for its production. China is another important driver of vanadium demand because of its use in high strength steel for construction. In fact, rising consumption of vanadium began

in 2004, driven by China, which began to use it to construct more structurally sound buildings, after a series of devastating earthquakes in the country.

The growing demand for efficient batteries will also have a favorable impact on vanadium demand thanks to such innovations in technology as the vanadium-redox battery, which shall make it possible to store energy produced from wind turbines. In 2014, vanadium prices and demand were stable but prices did not increase as expected because of excess inventory and the pressure continued and growing Chinese steel producers that are suffering because of the low prices of the metal. However, considering the overall downward pressure in metals prices overall in 2014, vanadium has emerged in much better shape than most. Currently the prices of vanadium are in the neighborhood of USD\$ 11/kg and some analysts predict demand growing by 8% in 2015, which is not surprising given that in 2008 vanadium hit a price of USD\$ 70/kg in following a devastating earthquake in China.

The dramatic Sichuan earthquake of 2008, which killed more than 68,000 people, has highlighted the importance of vanadium for the construction of more resistant buildings. Earthquakes can cause buildings to catch fire, which heats the metal structures to melting point causing them to collapse. Metal structures alloyed with vanadium do not suffer from this problem. China now uses about 40% of all the vanadium produced in the world and the trend is heading for further growth. Analysts consider the current price of vanadium pentoxide to be very low. In the next year or two, prices are projected to reach USD\$ 14/kg – and this before any considerations about the possible impact of political tensions in Russia, a world leader in the production of vanadium. Apart from increased demand from the battery industry, western economic sanctions could cut off supplies of Russian vanadium, sending prices higher and faster than expected.

Current Ferro Vanadium price is between AU\$20,000 and AU\$30,000 per tonne. Vanadium pentoxide is sold for a discount to ferro vanadium. In the light of low current prices, for the purpose of the current valuation a price of **AU\$15,000** per tonne is considered appropriate.

Mineral Resources, 2011

In March 2011, a maiden initial Mineral Resource of 151Mt at 0.44% V₂O₅, 25% Fe and 6.73% TiO₂ was established by independent geological consultants CSA Global Pty Ltd, Perth in accordance with JORC Code.

Category	Tonnes	V ₂ O ₅ %	Fe %	TiO ₂ %	SiO ₂ %	Al ₂ O ₃ %	LOI %	P %
Inferred	151,000,000	0.44	25.0	6.73	28.6	14.8	0.56	0.013

Inferred Mineral Resource for Victory Bore Project

Agricola is not aware of any new information or data that materially affects the information included in the Victory Bore Resource and, in the case of mineral resources, that all the material assumptions and technical parameters underpinning the estimates in the

Victory Bore Resource continue to apply and have not materially changed. The form and context in which the findings are presented have not been materially modified.

Base Value

A discount factor is applied to the contained value to recognize the JORC category and allow for resource risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

Allowances for modifying factors are also included in the assessment.

Modifying Factors		
Estimated Mass Recovery	84%	Est based on beneficiation
Mining	75%	At least 4 pits
Processing	75%	Magnetite - Fine grained
Rail	50%	Relies on infrastucture yet to be build
Port	50%	Relies on gaining port space
Capex	50%	Normal
Marketing	75%	Normal
Total Modifying Factor	4%	

The base value for the project is estimated by multiplying the contained value by the discount factors.

$$Base\ Value = [Contained\ Value] * [Resource\ Discount] * [Modifying\ Factors]$$

Base Value A\$M	
Measured	-
Indicated	-
Inferred	265
Exploration Target	
Total	265

Average Acquisition Cost

A range of average acquisition cost (“AAC”) percentages are estimated based on a database of Merger and Acquisitions activity for the period 2006 to 2015. The percentage represents the amount paid for deposits compared to the current metal price.

The AAC for projects lies in the range of 1.8% to 5.1% with a preferred value of 3.1% of the Base Value. The data set does not differentiate between resource categories and operational factors and this has been taken into account with risk related discounts applied to

the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles 2006 - 2015 - Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	1.28%	1.75%	3.10%	5.10%	5.89%
AAC Percentiles 2006 - 2014 - Producing Assets					
Percentile	10%	25%	50%	75%	90%
AAC	8.06%	9.36%	11.20%	12.40%	13.05%

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value.

Technical Value, September 2016

Technical Value is an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

An estimate of technical value has been compiled for the tenements based on the Comparative Transactions database and current commodity price.

$$Technical\ Value = [Base\ Value] * [Average\ Acquisition\ Cost\%]$$

Victory Bore Deposit Technical Value, A\$M	
Low	4.64
High	13.51
Preferred	8.21
% of contained value	0.08%

Market Value, September 2016

Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion. Market Value may be higher or lower than Technical Value.

Choice of discount rates is based on experience in the current resources market in 2016. While there is some investment interest it is almost exclusively directed towards advanced projects with a short-term path to development.

Agricola has reviewed the reports of METS, Cube Consulting and Promet Engineers and agrees that the Mineral Resource estimated at Victory Bore has low value under the proposed scoping study scenario and a **market discount of 90%** has been applied to the technical value.

However, the project area holds some exploration potential for gold and nickel and this has been valued separately.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

Victory Bore Deposit Market Value, A\$M	
Low	0.46
High	1.35
Preferred	0.91
% of contained value	0.01%

GEO-FACTOR RATING METHOD – EXPLORATION POTENTIAL SEPTEMBER 2016

The Exploration potential of the Victory Bore project (E57/1036) is based on the potential for gold, nickel and vanadium mineralisation within the tenement. The valuation of the Vanadium resource is considered to be additional to the exploration potential value.

Base Value

This represents the exploration cost for the current period of the tenement. The current Base Acquisition Cost (BAC) for exploration projects or tenements at a similar stage is considered to be the average expenditure for the first year of the licence tenure. This is considered to be a BAC of \$400 to \$450 per square kilometre.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

Quest Resources Limited						Base Value, A\$	
Project		Equity	Km²	Status	Grant	Low	High
Victory Bore	E57/1036	100%	39.00	Granted	100%	15,600	17,550

Prospectivity Assessment Factors

An assessment of the prospectivity of tenements was compiled. Details of the geo-factors are included in the notes attached to the Report. This includes a consideration of:

- Regional mineralization, old and current workings and the validity of conceptual models.

- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

Assessments in each category are based on a set scale (see above and notes) and are multiplied together to arrive at a “prospectivity index.

$$Prospectivity\ Index = [Off\ Site\ Factor] * [On\ Site\ Factor] * [Anomaly\ Factor] * [Geology\ Factor]$$

Quest Resources Limited Prospectivity Factors Project	Off Site		On Site		Anomaly		Geology	
	Low	High	Low	High	Low	High	Low	High
E57/1036	1.00	1.05	1.00	1.05	2.50	2.55	1.50	1.55

Technical Value September 2016

Technical Value is an assessment of a Mineral Asset’s future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

$$Technical\ Value = [Base\ Value] * [Prospectivity\ Index]$$

Quest Resources Limited, AS Project	Technical Value		
	Low	High	Preferred
E57/1036	59,000	76,000	67,500

Comparison with Yardstick (Rule of Thumb) Method

A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above \$2000 per square kilometre

- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range \$1200 to \$2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of \$700 to \$1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometre when granted.

Based on the values estimated in this report, the granted exploration ground at the advanced projects falls in the range \$1,700 to \$1,800 per square kilometre which is consistent with the geological setting, results and stage of exploration.

Market Value September 2016

Market Value is the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion. Market Value may be higher or lower than Technical Value.

The projects are considered to be at a relatively early stage with some encouragement from early surface sampling and drilling at several projects. Prospectivity is estimated from geological information including drill holes, outcrops and geological information.

Choice of discount rates is mainly based on experience in the current resources market in early 2016. While there is some investment interest it is almost exclusively directed towards advanced projects with a short-term path to development. The attitude of market sentiment is apparent in the 10 year Commodity Metals Price Index (*source: www.indexmundi.com*) shown above.

A combination of early stage and the general malaise of the mining sector suggest a market **discount of 20%** should be applied to the technical value of the exploration potential of the project.

$$\text{Market Value} = [\text{Technical Value}] * [\text{Adjusted Market Factor}]$$

Quest Resources Limited, A\$				
Project	Market Factor	Market Value		
		Low	High	Preferred
E57/1036	80.0%	47,000	61,000	54,000

Alternative Valuation Methods

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). The method set out in this report is considered appropriate for valuation of mineral resources.

The acquisition of the Company may include many commercial aspects, which do not directly relate to the mineral asset and may not be the same for another independent purchaser

Alternative methods such as Market Capitalisation (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others which are independent of mineral asset values.

Valuation Summary – September 2016

Victory Bore Deposit Mineral Resource Market Value, A\$M	
Low	0.46
High	1.35
Preferred	0.91
% of contained value	0.01%

Quest Resources Limited Exploration Potential Market Value, A\$				
Project	Market Factor	Market Value		
		Low	High	Preferred
E57/1036	80.0%	47,000	61,000	54,000

VALUATION OPINION

Based on an assessment of the factors involved the estimate market value for Exploration Licence E57/550 in October 2009 to be in the range A\$0.46 million to A\$0.57 million with a preferred value of A\$0.52 million.

Based on an assessment of the factors involved, the estimate of market value for Exploration Licence E57/1036 in September 2016 is in the range of A\$0.51 million to A\$1.41 million with a preferred value of A\$0.96 million.

This valuation was prepared on 22 September 2016.

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices (if appropriate) are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).



MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS

M. Castle – Updated 1 August 2016

Agricola Mining Consultants Pty Ltd (“Agricola”) has prepared these notes as background to the Independent Valuation Report. The notes are general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola’s experience in many areas of Australia and elsewhere. Parts of these notes may be repeated for clarity in the main report.

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The Meaning of Value – Scope of the Report

A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being

conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

Judicial interpretation

The High Court cast light on the ordinary meaning of 'market value' in 1907 in [Spencer v. The Commonwealth of Australia](#). In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

... the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?

Isaacs J subsequently expanded on the concept (page 441):

... to arrive at the value of the land at that date, we have ... to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (*Spencer v Commonwealth* (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party's point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of “special value” of particular property has often been raised in cases. However in reality this is only part of the *Spencer* test that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its “highest and best use”.

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during ‘bust’ conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

These principles apply equally to mineral assets

Regulatory Authorities

Mineral asset valuations are prepared in accordance with the *Australasian Code for Public Reporting of Technical Assessment and Valuation of Mineral Assets (the “VALMIN Code”, 2015 Edition)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), as well as the rules and guidelines issued by the Australian Securities and Investments Commission (“ASIC”) and the ASX Limited (“ASX”) which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where exploration results or mineral resources have been referred to in this report, the classifications are consistent with the *“Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”)*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

The VALMIN Code, 2015

The main requirements of the *Valuation Report* are

- *Prepared in accordance with the VALMIN code.*
- *Details of valuation methodologies*
- *Reasoning for the selection of the valuation approach adopted*
- *Details of the valuation calculations*
- *Conclusion on value*
- *Experience and qualifications of key personnel to be set out*

Competence - Competence or being Competent requires that the Public Report is based on work that is the responsibility of a suitably qualified and experienced person who is subject to an enforceable professional Code of Ethics. The Expert or Specialist must be competent at doing

valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity.

Materiality - Materiality or being Material requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

Transparency - Transparency or being Transparent requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information. The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the expert or specialist.

Reasonableness – Reasonableness requires that an assessment that is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for an expert or specialist to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof.

Independence - Independence or being Independent requires that there is no present or contingent interest in the Mineral Asset(s), nor is there any association with the Commissioning Entity or related parties that is likely to lead to bias.

The Expert or Specialist must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the Expert or Specialist must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of

the Valuation, which is likely to create an apprehension of bias. The concepts of “Independence” and “Independent” are questions of fact. For example, where an E’s fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Expert or Specialist is not Independent.

Methodology - The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

- (a) the purpose of the Valuation;
- (b) the development status of the Mineral or Petroleum Assets;
- (c) the amount and reliability of relevant information;
- (d) the risks involved in the venture; and
- (e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

Regulatory Guides RG111 and RG112, March 2011

It is not the Australian Securities and Investment Commission – ASIC’s role or intention to limit the expert’s exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

- (a) the discounted cash flow method;
- (b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

- (a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
- (b) the current market value differs materially from that derived by the chosen method.

The JORC Code, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

Changes to the JORC Code 2012

- Table 1 reporting on an 'if not, why not?' basis.
- Competent Person Attributions – Clause 9
- Exploration Targets – Clause 17
- Pre-Feasibility required for Ore Reserves – Clause 29
- Technical Studies definitions – Clause 37-40
- Annual Reporting – Clause 15
- Metal Equivalent – Clause 50
- *In situ* values – Clause 51
- Additional guidance on reporting in Table 1

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Fair Market Value of Mineral Assets

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification

Early stage exploration areas	<p>Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.</p> <p><i>Valuation Methods: Geoscience Factor, Prospectivity Enhancement Multiplier, Yardstick (Rule of Thumb).</i></p>
Advanced exploration areas	<p>Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates. Additional value for exploration potential in the immediate area is not considered to be warranted.</p> <p><i>Valuation Methods: Comparable Transactions. Yardstick (Rule of Thumb)</i></p>
Pre-development projects	<p>A positive development decision has not yet been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the JORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors.</p> <p><i>Valuation Methods: Comparable Transactions, Discounted Cash Flow (if Ore Reserves have been estimated)</i></p>
Development projects	<p>Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with</p>

	supporting technical studies. <i>Valuation Methods: Discounted Cash Flow.</i>
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production. <i>Valuation Methods: Discounted Cash Flow.</i>

Agricola's preferred valuation method is shown in bold type.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Expert or Specialist, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models

- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value (“NPV”) of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier (“PEM”) is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

Contemporaneous transactions in the asset

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today’s market. Complicating

matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

DCF value

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated. ***(DCF Method – see below)***

Contemporaneous transactions in comparable assets

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. ***(Comparable Transactions Method – see below)***

Potential for Further Discoveries

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defensible manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC"), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical

value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. ***(Geoscientific Factor Method – see below)***

Past Expenditure

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. ***(Prospectivity Enhancement Method – see below)***

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km² or per ha). It is probably the most difficult comparative tool to justify.

Share market trading in companies holding comparable exploration interests

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km² of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: MCap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say *nothing* about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

Valuation of Development Projects by Discounted Cash Flow Methods

Agricola believes that the Discounted Cash Flow/Net Present Value method should never be applied to the valuation of a Mineral Property that is only at an exploration stage, based on the hypothetical cash flows from a postulated exploitation scenario. Valuers tend to consider before or after tax values only in the context of the DCF/NPV Method, with a general preference for determinations of after-tax value.

Of course, some owners can use tax losses and structure their affairs to minimise the impact of corporate taxes, but others cannot do so. Hence, it should be clearly stated on what taxation basis the fair market value is determined. This is another reason why care must be taken when using project sales data as a comparable basis for assessing value. The 'comparable' projects may be in different places subject to different taxation regimes, in any event.

Discounted cash flow analysis

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value ("NPV") of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

In terms of cash flow analysis, the DCF valuation technique is the most commonly used valuation tool. The technique has specific strengths over the methods considered in the market and cost approaches. These include its ability to consider the effects of royalties, leases, taxation and financial gearing on the resulting cash flow. In addition, the beneficial impact of unredeemed capital balances, assessed losses, depreciation and amortization on free cash flows can also be modelled.

Compiling cash flows on resources categorized as inferred, or those with even less geoscientific confidence (which in some cases are referred to as inventory), is prohibited by some international codes. It is only under exceptional circumstances that many securities exchanges will accept such cash flows and the effect of cash flow contributions from inferred resources on project performance should be demonstrated separately from those derived from other resource and reserve categories.

The DCF method is used to produce numerous quantitative results. On its own and as an investment tool, it is based on the principle that for any initial investment, the investor will look to the future

cash flows of that entity to provide a minimum return. This return will be at least a predetermined return over the investor's hurdle rate for that investment. The hurdle rate represents the minimum return of a project, below which the decision to invest or develop a new project will be negative, and above which the project will be developed. The hurdle rate should always be greater than the cost of capital for the investor.

For a mining project, in a macroeconomic environment that is sufficiently favourable and stable for this method to be applied, the critical input data will generally be incorporated in a life of mine (LoM) plan. The LoM plan, such as that accompanying a pre-feasibility, feasibility or a bankable feasibility study, will include:

- ▶ reserve and resource estimates in accordance with the JORC Code
- ▶ forecast mining schedules of tonnage on a daily, monthly or annual basis
- ▶ forecast grade profiles and associated recoveries from a processing facility. This, together with the tonnage profile, allows the valuer to calculate the volume of saleable product
- ▶ estimated working costs, preferably unitized to either an amount per tonne mined or milled or an amount per unit of metal or product sold
- ▶ forecast capital expenditure profiles over the life of the operation, including ongoing or sustainable capital expenditure amounts and
- ▶ rehabilitation liabilities or trust fund contributions, retrenchment costs, plant metal lock-up and any other specific factor that will impact on costs or revenue.

Changes in working capital balances are generally calculated based on historical balance ratios, applied to forecast revenues and working costs. They impact on short term cash flows and therefore must be modelled into the cash flows. Naturally, any working capital locked up during the life of the operation will be released at the end of this life.

Once the economic inputs have been assumed, the DCF can be determined. This is often stated as EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and is frequently taken as the technical value of the project, subject to a consideration of sensitivity to the assumptions.

The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared with the value or returns the market attributes to the operation, if it is a listed entity, or compared with other investment opportunities in order to optimize investment or development schedules.

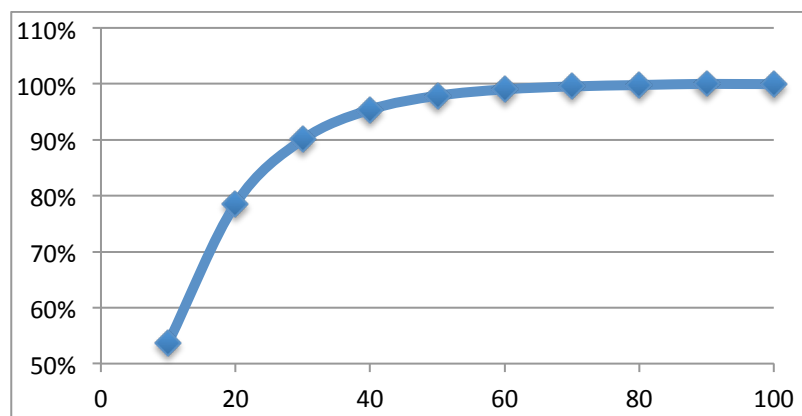
In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values derived from two similar cash flows will be quite different. The unredeemed capital balance will last longer in the real terms case, incorrectly enhancing the value of the same project. The real

cash flow lines in Table X must be compared to recognize the impact of taxation on real and nominal cash flows.

As a result of the difficulty in obtaining agreement on appropriate inflation forecasts to use in the specific valuation of a project, valuers often exclude a forecast on inflation rates. This in itself may be construed as an inflation assumption, in that inflation is taken to be zero per cent per year. However, this reflects an ideal world, which is unrealistic.

The resulting 'classical' NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, assumption into the future which cannot be verified with any confidence and limited mine life. However the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

As example of the shortcomings of the DCF Method a conceptual cash flow was modeled and NPV estimated at 8% over different time periods with the following outcome over 100 years:



Percent of maximum NPV from 10 to 100 years.

The estimated NPV reached a maximum value in 60 years and no amount of future income adds to this value.

Valuation of Resources by Comparable Transactions

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is inappropriate because there is no Pre Feasibility or Feasibility Study available and no Ore Reserves has been (or can be) estimated under the JORC Code. The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources.

The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuations.

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value by applying appropriate discounts for uncertainty relating to resource categorisation and operational issues (modifying factors) discount factors to the contained value. This is consistent with the JOC Code relating to contained values

JORC Code clause 51, page 24

The publication of in situ or 'in ground' financial valuations breaches the principles of the Code (as set out in Clause 4) as the use of these terms is not transparent and lacks material information. It is also contrary to the intent of Clause 28 of the Code. Such in situ or in ground financial valuations must not be reported by companies in relation to Exploration Results, Mineral Resources or deposit size.

The use of such financial valuations (usually quoted in dollars) has little or no relationship to economic viability, value or potential returns to investors.

These financial valuations can imply economic viability without the apparent consideration of the application of the Modifying Factors, (Clause 12 and Clauses 29 to 36), in particular, the mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, and governmental factors.

The contained value is modified for the JORC resource category on the basis the Measured Resources will command a higher price than Inferred Resources or Exploration targets. Different operational issues have been considered to do with the individual projects. This might include higher discounts for stranded iron ore deposits, underground versus open cut mining for gold and base metals, processing difficulty, high operating and capital costs transport issues and marketing.

There is a wide variety of things to consider but to bring this down to something manageable and this has been condensed this into a single table. These discounts or modifying factors can be combined with the spread of values from the gold sales database (the AAC) to give an indication of what a purchaser would be prepared to pay for a particular mineral asset.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	45%

An example of appropriate discounts for operational factors is included below but these must be considered on a case-by-case basis.

Modifying Factors		Base Metals	Iron Ore	Coal	Gold	Rare Earths
Recovery		75%	75%	70%	95%	60%
Mining		75%	90%	75%	90%	100%
Processing		80%	70%	70%	95%	50%
Rail		80%	90%	70%	95%	75%
Port		80%	90%	50%	100%	90%
Capex		80%	70%	75%	90%	50%
Marketing		75%	80%	75%	100%	75%
Total	Operating	17%	21%	7%	69%	7%
Discount						

Mergers and Acquisitions Activity

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

Merger and Acquisitions Activity (CAD)										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Gold Price	\$700	\$785	\$1,021	\$1,081	\$1,311	\$1,488	\$1,552	\$1,195	\$1,290	\$1,387
Producing Assets*	\$74	\$94	\$115	\$89	\$207	\$202	\$200	\$121	\$120	\$138
Percent of Price	10.57%	11.98%	11.26%	8.23%	15.78%	13.57%	12.88%	10.12%	9.30%	9.95%
Exploration Assets*	\$54	\$28	\$31	\$29	\$71	\$90	\$47	\$23	\$17	\$16
Percent of Price	7.71%	3.57%	3.04%	2.68%	5.41%	6.05%	3.03%	1.92%	1.32%	1.15%

*Estimated price paid per ounce of gold in the ground, updated December 31, 2015

Source: <http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/>

The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 - 2015 - Exploration Assets					
Percentile	10%	25%	50%	75%	90%
AAC	1.30%	2.11%	3.03%	4.95%	6.21%
AAC Percentiles 2006 - 2014 - Producing Assets					
Percentile	10%	25%	50%	75%	90%
AAC	9.20%	10.00%	10.92%	12.66%	13.79%

The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided \$/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of metal value so it can be related to current metal prices in other metals. The quoted prices are based on enterprise value (EV - Market Capitalisation plus debt minus cash) so they cannot be directly compared to technical value. A "top-down" approach is often taken to determine technical value (for example for stamp duty assessment) where company specific elements such as cash, debt, goodwill, database value etc are deducted from the EV. Agricola prefers a "bottom-up" approach in this Report where discount factors for resource category and operating factors are assessed for each deposit.

This, of course, is a subjective decision and AAC percentiles are used in conjunction with the resource category discounts and operational factors to "normalise" the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (the combination of AAC, discounts and Operational factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 through a period of boom and bust and the valuation method is realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

Sensitivity to Metal Price

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).



Description: Commodity Metals Price Index, 2005 = 100, includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead, and

The chart represent the Commodity Metal Price index over the last fifteen years and shows a marked decline in 2008/09 (GFC) and a similar decline in recent years.

There is an obvious need for reassessment of value if there is a significant change in metal/oxide prices.

Geoscience Factor Method

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

Agricola Mining Consultants prefers the Geoscientific Factor method (potential for further discoveries) for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola uses Past Expenditure and yardstick (Rule of Thumb) methods as an appropriate way of cross checking the reasonableness of the valuation.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola Mining Consultants prefers the Geoscience Factor approach because it endeavours to implement a system that is systematic and defensible. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL.

It has also been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the valuer.

Area

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and consistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres. at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre).

Basic Acquisition Cost

The Basic Acquisition Cost ("BAC") is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees for a first stage exploration tenement such as an Exploration Licence (the first year holding cost).

The notes are general in nature and references to Western Australia are an example of exploration expenditures. they are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere.

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of \$300 per square kilometre per year with a minimum of \$20,000 and annual rent of \$46.80. A 15% administration fee is taken into account to imply a holding cost of \$400 per square kilometre. A similar approach based on expenditure commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014). The Benchmark minimum expenditure for Exploration Licences in the Northern Territory is \$10,000 plus \$150 per block.

The BAC was originally based on calculations of exploration expenditures and other costs for Western Australia. Agricola's experience has confirmed this range to be appropriate for other parts of the world where exploration or valuations have been carried out.

Many overseas jurisdictions do not specify a minimum expenditure commitment but require that sufficient work be completed in the first year to allow granting of the tenement into the second year. This usually requires preparation of a report with results of exploration carried out. For example with a grass roots portfolio 500 square kilometres in the first year the expenditure (BAC) would be \$200,000 to \$225,000 which is appropriate for early work of desktop studies, field visits rock chip sampling and general research. Agricola believes an Australian company would consider this reasonable for the first phase of work in any country.

A company may well choose to spend more than that and budgets of \$0.5 to \$1.0 million are not uncommon but these budgets are usually based on significant previous encouragement such as scout drilling, aeromagnetic targets etc. The BAC is designed for grass roots projects where no earlier work is available and only regional selection information is available.

Where the Company in earlier work programs has received encouragement from earlier work then that aspect is addressed in the geofactors, which tend to upgrade the BAC based on earlier results and perceived prospectivity.

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal or a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals

located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

The Mineral Resources are assumed to encapsulate all the value for the tenements or prospects on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground. The possibility of undrilled extensions to mineral resources may be considered in the market factor assessment.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where only exploration results are available. These tenements should be considered on the basis of a **BAC of \$400 to \$450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

Tenement Status

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

Equity

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

Geoscience Factors

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

$$\text{Base Value} = [\text{Area}] * [\text{Grant Factor}] * [\text{Equity}] * [\text{Base Acquisition Cost}]$$

$$\text{Prospectivity Index} = [\text{Off Site Factor}] * [\text{On Site Factor}] * [\text{Anomaly Factor}] * [\text{Geology Factor}]$$

$$\text{Technical Value} = [\text{Base Value}] * [\text{Prospectivity Index}]$$

$$\text{Market Value} = [\text{Technical Value}] * [\text{Market Premium/Discount Factor}]$$

GEO-FACTOR RATING CRITERIA - GUIDELINES					
	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
	0.75				Unfavourable lithology over >50% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50-60%)
	2	Significant RC drilling leading	RAB &/or RC Drilling with	Several well defined surface	Exposed favourable

		to advance project status	encouraging intercepts reported	targets with some RAB drilling	lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (80 - 100%)
	3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	

Prospectivity Enhancement Multiplier (“PEM”)

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity

1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km² or per ha). It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

In Australia, many State jurisdictions grant large exploration tenements (say 300km² maximum) on a graticular block system. This means a tenement is usually larger than geometrically necessary to cover the specific geologically prospective terrane. Also, most jurisdictions here require periodic significant reductions in the tenement's size, so it is common to apply for more area than is actually needed to provide for this obligatory reduction. The sale of exploration tenements to third parties is discouraged (although sales, particularly if interests, certainly occur) because the basis of grant is that the applicants will carry out the granted tenement's exploration obligations themselves. The State sees itself as the centralised, timely distributor of exploration rights, not the free market.

That said, some valuers still attempt to use this Rule-of-Thumb (based upon area) in Australia with an emphasis on market value. A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into four groups:

- Advanced exploration areas located in a well mineralised area near existing mineral deposits with significant potential attract values well above \$2000 per square kilometre
- Exploration areas along strike or structurally related to estimated mineral resources. Such areas attract values in the range \$1200 to \$2000 per square kilometre.
- Exploration areas in known mineral fields. Such areas attract values in the range of \$700 to \$1300 per square kilometre.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of \$400 to \$800 per square kilometre.

Adjustments to the Technical Value – Market Value

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount rate parameters, which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

Agricola has reviewed alternative comparative valuation methods as set out in Regulatory Guide 111: Content of expert reports (RG 111) at RG 111.65, which considers that "an expert should, where possible, use more than one valuation methodology. We consider this reduces the risk that the expert's opinion is distorted by its choice of methodology. We also consider that an expert should compare the figures derived from using the different methodologies and comment of any differences".

Agricola considers that the expectation of future gain is the main driver for mineral asset valuation of exploration projects as it endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation (the Spencer Test). The method set out in this report is considered appropriate for valuation of mineral resources.

The acquisition may include many commercial aspects, which do not directly relate to the mineral asset and may not be the same for another independent purchaser

Alternative methods such as Market Capitalisation (MCap) and Enterprise Value (EV) are not prohibited by RG111 to form the basis of comparable transaction analysis both MCap and EV include elements relating to corporate valuation such as cash and debt levels, management skills and reputation and many others which are independent of mineral asset values.

In conclusion, given the state of the market at the valuation date and current events, the best and appropriate method to determine a market value of the mineral assets was in accordance with the recommendations. "Observable market values" currently reflect many distortions that make it difficult to apply a reasonable or appropriate valuation to the relevant assets.

Boom and Bust Markets

Investment in the mining sector is cyclical, and sector valuation fluctuations between boom and bust are evident over time in share prices and index prices for miners. Mining is a capital intensive business, so the cycle is driven by liquidity – the availability of investment funding. Liquidity is the product of sentiment, which swings between greed and fear. While the shape of historic cycles reflected in share prices of miners differs from cycle to cycle, indicators of liquidity follow a similar pattern of evolution through each cycle.

Most recently, the mining sector has experienced a bust that produced sustained share price declines across most of the sector, starting in mid-2011. All busts end, and since mid-2013 there has been strengthening signals that a change in sentiment towards miners is underway.

In 2011, 2012 and most of 2013, miners fell whilst the rest of the equity market was positive. 2014 saw stabilisation in miners' equity performance and in 2015 miners have remained weak, but for the first time this has been against a falling broader market. The correlation between miners and the rest of the market for Australia's ASX200 index (ie Resources vs Industrials) was negative during calendar years 2011-14. Year to date in 2015 the correlation is strongly positive ($r^2 = 0.72$), signifying that miners are no longer 'falling out of bed'. Combined with signals from liquidity indicators, there is a very strong sense that the sentiment of a bust is now passed. Although it is too early yet to call

the next boom, this shift in sentiment strongly suggests the mining sector is now passing through the base of the cycle.

GLOSSARY OF TERMS

‘Minerals Industry’ (also Extractive Industry) – Defined as encompassing those engaged in exploring for, extracting, processing and marketing **‘Minerals’**.

‘Price’ – The amount paid for a good or service and it is a historical fact. It has no real relationship with **‘Value’**, because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.

Personal Property – Covers all items other than **‘Real Estate’** and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

‘Real Property’ – A non-physical, legal concept and it includes all the rights, interests and benefits related to the ownership of **‘Real Estate’** and normally recorded in a formal document (eg, deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

‘Real Estate’ – A physical concept, including land and all things that are a natural part of the land (eg, trees and Minerals). In addition it includes all things effectively permanently attached by people (eg, buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground.

VALUATION AND VALUE

‘Value’ (also Valuation which is the result of determining ‘Value’) - The estimated likely future **‘Price’** of a good or service at a specific time, but it depends upon the particular qualified type of value (eg **‘Market Value’**, **‘Salvage Value’**, **‘Scrap Value’**, **‘Special Value’**, etc). There is also a particular value for tax and rating, or insurance purposes.

‘Market Value’ (IVS Definition) – The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not **‘Value-in-Use’** set by the market place. It is the *“estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion”*.

‘Fair Value’ (IVS definition) – An accountancy term used for values envisaged to be derived under any and all conditions, not just those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict **‘Market Value’** definition. Commonly, it reflects the service potential of an asset ie, value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the *“amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction”*.

‘Highest-and-Best-Use’ – for physical property, it is the reasonably probable and legal use of

property, which is physically possible, appropriately supported and financially feasible, that results in the highest value. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.

'Value-in-Use' – in contrast to **'Highest-and-Best-Use'**, it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a **'Going Concern Valuation'**). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the **'Market Value'** for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its useful life (**'Scrap Value'**). At the **'Valuation Date'**, there must be recognition of its existing use by a particular user. This is in contrast to the alternative reasonable use to which an asset might be put by unspecified owner(s).

'Going Concern Value' – A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (ie one that is expected to continue operating) as a whole and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for **'Market Value'**.

'Forced Sale Value' (Liquidated Value) – The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the 'Market Value' definition. This definition requires a reasonable marketing time, having taken into account the asset's nature, location and the state of the market). Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.

'Market Capitalization' - The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market Cap" or MCap

'Enterprise Value - EV' - A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.

'Market Premium' - A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.

'Investment Value' (Worth) – this is the value of a specific asset to a specific investor(s) for

identified investment objectives or criteria. It may be higher or lower than 'Market Value' and is associated with 'Special Value'.

'Property-with-Trading-Potential' – refers to the valuation of specialised property (eg, hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that assets other than land and buildings are to be included in the 'Market Value' and it is often difficult to separate the component values for land and property.

'Special Value' – An extraordinary premium over and above the 'Market Value', related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of 'Going Concern Value' or 'Investment Value' since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by 'Value –in–Use'.

'Salvage Value' – The expected value of an asset at the end of its economic life (ie, being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it contains, rather than for its continued use, without special repairs or adaptation.

'Scrap Value' (Residual Value) – The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.

'Valuation Date' - Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code,).

'Valuer' (also Valuer [Canada] or Appraiser [USA]) – Either the 'Expert' or 'Specialist' (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the 'Fair Market Value' after consideration of the technical assessment of the 'Mineral Asset' and other relevant issues. They must have demonstrable 'Competence' (and 'Independence', when required).

JORC CODE

'Competent Person' - A 'Competent Person' is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant

experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (JORC 2012)

‘Independent/Independence’ – Means that the person(s) making the Valuation have no **‘Material’** pecuniary or beneficial (present or contingent) interest in any of the **‘Mineral Assets’** being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the **‘Mineral Asset’** (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on this concept. (JORC 2012)

‘Exploration results’ - Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. (JORC 2012)

‘Exploration Target’ - An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (JORC 2012)

‘Inferred Mineral Resource’ - An ‘Inferred Mineral Resource’ is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. (JORC 2012)

‘Indicated Mineral Resource’ - An ‘Indicated Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be

converted to a Probable Ore Reserve. (JORC 2012)

‘Measured Mineral Resource’ - A ‘Measured Mineral Resource’ is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (JORC 2012)

‘Modifying Factors’ - are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. (JORC 2012)

‘Scoping Study’ - A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (JORC 2012)

‘Pre Feasibility Study’ - A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower confidence level than a Feasibility Study. (JORC 2012)

‘Feasibility Study’ - A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre- Feasibility Study. (JORC 2012)

VALMIN CODE

‘Mineral(s)’ – Any naturally occurring material found in or on the Earth’s crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale and

materials used in building and construction, but excludes crude oil and natural gas (*VALMIN Code*).

‘Mineral Asset(s)’ (Resource Assets or Mineral Properties) - All property including, but not limited to ‘Real Property’, intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as ‘Exploration Areas’, ‘Advanced Exploration Areas’, ‘Pre-Development Projects’, ‘Development Projects’ or ‘Operating Mines’ (*VALMIN Code*).

‘Operating Mines’ – Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (*VALMIN Code*).

‘Development Projects’ – Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (*VALMIN Code*).

‘Advanced Exploration Areas’ and ‘Pre-development Projects’ – Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made. Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (*VALMIN Code*).

‘Exploration Areas’ – Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (*VALMIN Code*).

‘Fair Market Value’ (Market Value or Value) – The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the ‘Mineral Asset’ should change hands on the ‘Valuation Date’. It must be between a willing buyer and a willing seller in an ‘arm’s length’ transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or ‘Technical Value’ and a premium or discount, relating to market, strategic or other considerations (*VALMIN Code*).

‘Technical Value’ – An assessment of a ‘Mineral Asset’s’ future net economic benefit at the ‘Valuation Date’ under a set of assumptions deemed most appropriate by the ‘Valuer’, excluding any premium or discount to account for market, strategic or other considerations (*VALMIN Code*).

‘Expert’ – Means a ‘Competent’ (and ‘Independent’, where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant ‘Minerals Industry’ experience, using a relevant ‘Specialist’ for specific tasks in which he/she is not ‘Competent’. An ‘Expert’ must be a corporate member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

‘Specialist’ – Means a ‘Competent’ (and ‘Independent’, where relevant) natural person who is retained by the ‘Expert’ to provide subsidiary reports (or sections of the Valuation Report) on matters on which the ‘Expert’ is not personally expert. He/she must have at least 5 years of suitable and preferably recent ‘Minerals Industry’ experience relevant to the subject matter on which he/she contributes. A ‘Specialist’ must be corporate member of appropriate, recognised

professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

‘Material/Materiality’ - with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. **‘Material’** data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants’ Standard AAS5 indicates that **‘Material’** data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is **‘Material’** if it is significant in formulating a decision about whether or not to make an investment or accept an offer (*VALMIN Code*).

‘Transparent/Transparency’ - as applied to a valuation it means, as in the Concise Oxford Dictionary, *“easily seen through, of motive, quality, etc”*. It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (*VALMIN Code*).

‘Competence’ – it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (*VALMIN Code*).

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7 FINANCIAL INFORMATION

7.1 Introduction

The financial information for the Company contained in this Section includes.

Historical financial information for the Company comprising:

- Summary statutory historical consolidated income statements for the 12 months ended 30 June 2014 (“FY2014”), 12 months ended 30 June 2015 (“FY2015”), and 12 months ended 30 June 2016 (“FY2016”) (“Statutory Historical Income Statements”);
- Summary statutory historical consolidated cash flow statements for FY2014, FY2015, and FY2016 (“Statutory Historical Cash Flows”); and
- Statutory historical consolidated balance sheet as at 30 June 2016 (“Statutory Historical Balance Sheet”);

Pro forma historical financial information for the Company comprising:

- The Pro forma historical consolidated balance sheet as at 30 June 2016

together the (“Historical Financial Information”).

All amounts disclosed in this section are presented in Australian dollars, unless otherwise noted.

7.2 Basis of preparation of the Financial Information

Background

The Historical Financial Information included in this section has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Historical Financial Information is presented in an abbreviated form insofar as it does not include all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the *Corporations Act 2001*. Significant accounting policies of the Company relevant to the Historical Financial Information are noted at the end of this section under the heading “Significant Accounting Policies”.

Grant Thornton Corporate Finance Pty Limited has prepared an Independent Limited Assurance Report on the Historical Financial Information which is contained in this section of the prospectus. Investors should note the scope and limitations of the report.

Preparation of the Historical Financial Information

The Historical Financial Information is presented on a statutory basis only.

Statutory Historical Financial Information

The Statutory Historical Financial Information has been derived from the Company’s audited consolidated financial statements for FY2014, FY2015 and FY2016.

The FY2014, FY2015 and FY2016 consolidated financial statements were audited by Grant Thornton Audit Pty Ltd who issued a disclaimer of opinion in FY2014, qualified opinion in FY2015 and unqualified with an emphasis of matter opinion in FY2016, respectively.

The FY2014 audit opinion was disclaimed due to the company recording a loan payable to Haramont Pty Ltd totalling \$812,915, plus accrued interest of \$102,360. These balances include a significant reinstatement of an amount derecognised in the prior financial year. As a result of the matters concerning this debt we were unable to obtain sufficient appropriate audit evidence as to whether this loan and accrued interest were payable at balance date at the amount recorded.

The FY2015 audit report was qualified due to our inability to provide an opinion on the disclaimed FY2014 comparatives and as such did not express an opinion on the comparatives reported.

Investors should note that historical results are not a guarantee of future performance.

Statutory Historical Income Statements

The table below presents the Statutory Historical Income Statements for FY2014, FY2015 and FY2016.

Statutory Historical Income Statements

	2014	Audited 2015	2016
	\$	\$	\$
Continuing operations			
Other income from ordinary activities			
Other revenue	302,900	135,868	-
Financial income	2,989	192	5
Asset & liabilities transferred to Creditors Trust	-	2,757,640	-
Expenses reimbursed by Creditors Trust	-	108,896	38,050
Total other income	<u>305,889</u>	<u>3,002,596</u>	<u>38,055</u>
Expenses from ordinary activities			
Depreciation	(3,570)	-	-
Loss on disposal of Plant and Equipment	(6,588)	-	-
Finance expenses	(285,989)	-	-
Professional fees	(927,879)	(177,510)	(52,183)
Exploration and evaluation expenditure written off	(1,109,023)	(427)	-
Impairment of exploration and evaluation expenditure	(24,642)	(6,011)	(10,067)
Administrative expenses			(29,316)

	(167,294)	(134,456)	
Expenses of Voluntary Administration	(79,898)	(5,739)	-
Reinstatement of Liabilities	(857,158)	-	-
Asset transferred to Creditors Trust	-	-	(131,265)
Total Expenses	(3,462,041)	(324,143)	(222,831)
Loss from ordinary activities before income tax expense	(3,156,152)	2,678,453	(184,776)
Income tax expense	-	-	-
Loss from continuing operations	(3,156,152)	2,678,453	(184,776)
Other comprehensive income			
Total other comprehensive income, net of tax	-	-	-
Total comprehensive loss for the year	(3,156,152)	2,678,453	(184,776)

7.3 Consolidated cash flow statements

Statutory Historical Cash Flows

The table below presents the Statutory Historical Cash Flows for FY2014, FY2015, and FY2016.

Statutory Historical Cash Flows

	2014	Audited 2015	2016
	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	2,989	192	5
Other revenue	302,900	135,883	-
Finance expenses	(151)	-	-
Payment to suppliers and employees	(716,301)	(2,828)	(1,516)
Cash transferred to Creditors Trust	-	(300,806)	(128,652)
Receipts from Taxation	812	-	-
Net cash used in operating activities	(409,751)	(167,559)	(130,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and evaluation expenditures	(122,351)	(6,438)	(2,223)
Net cash used in investing activities	(122,351)	(6,438)	(2,223)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	218,500	-	-
Proceeds from issue of debentures	300,000	-	-

Share issue expenses	(57,652)	-	-
Repayment of borrowings	(4,118)	-	-
Proceeds from borrowings	-	-	10,000
Net cash provided by financing activities	456,730	-	10,000
Net (decrease) in cash held	(75,372)	(173,997)	(122,386)
Cash and cash equivalents at the beginning of financial year	382,355	306,983	132,986
Cash and cash equivalents at the end of financial year	306,983	132,986	10,600

7.4 Management discussion and analysis of the Historical Financial Information

Operating cash flows

The Company has continued to incur corporate operating costs over the Historical Period, with no offsetting operational revenue, which has resulted in operating cash out flows.

Investing cash flows

The Company applied for an exploration Licence over the Victory Bore project area in late 2015. EL 57/1036 was granted by the WA Department of Mines and Petroleum in 1 July 2016. The Company has not made any other investments.

7.5 Consolidated historical balance sheets

Statutory Historical and Pro Forma Historical Balance Sheets

The table below sets out the Audited Historical Balance Sheet, the pro forma adjustments that have been made to the Audited Historical Balance Sheet and the Pro Forma Historical Balance Sheet as at 30 June 2016.

The pro forma adjustments reflect the impact of the Offer as if they had occurred at 30 June 2016.

The Pro Forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its future financial position.

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

	Audited at 30 June 2016 \$	Pro Forma 2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	10,600	1,110,463
Trade and other receivable	9,611	9,611
Total current assets	20,211	1,120,074

Non-current assets		
Exploration and evaluation expenditure	-	-
Total non-current assets	-	-
TOTAL ASSETS	<u>20,211</u>	<u>1,120,074</u>
LIABILITIES		
Current liabilities		
Trade and other payables	236,087	-
Borrowings	10,600	-
Total current liabilities	<u>246,687</u>	-
TOTAL LIABILITIES	<u>246,687</u>	-
NET (LIABILITIES)/ASSETS	<u>(226,476)</u>	<u>1,120,074</u>
EQUITY		
Contributed equity	92,202,237	93,949,689
Reserves	1,356,900	1,356,900
Accumulated losses	(93,785,613)	(94,186,515)
TOTAL EQUITY/(DEFICIENCY)	<u>(226,476)</u>	<u>1,120,074</u>

A reconciliation of cash and cash equivalents and the impact of the pro forma adjustments/ transactions are as follows (refer to Section 3.7 of the Prospectus);

Cash Movements

Audited cash position at 30 June 2016		10,600
Add:		
Gross amount raised from issue of 91.0m shares at 2.0 cents	1,820,000	
Notional cash from issue to directors in lieu of fees, 4.0m at 2.0 cents	80,000	
Issue to satisfy lead manager and adviser fees, 10.0m at 2.0 cents	200,000	
Proceeds from issue of options: 32,500,000 at \$0.00001	320	
Sale of 56,600 forfeited shares at 2.0 cents	1,132	
Total gross cash raised		<u>2,101,452</u>
		2,112,052
Less:		
Payment to Creditors Trust	331,132	

Payment to post DOCA creditors	44,857	
Payment of Borrowings at 30 June 2016	10,600	
Settlement of directors fees - contra 4.0m shares at 2.0 cents	80,000	
Settlement of cash component of directors fees	40,000	
		506,589
Recap costs:		
Placement commissions	109,000	
Lead Manager and advisers fees	200,000	
Legal costs	45,000	
Accounting and audit costs	65,000	
Independent experts costs	26,000	
Other costs	50,000	
Total recapitalisation costs		495,000
Pro forma net cash on Hand at 30 June 2016		1,110,463

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

Significant Accounting Policies

(a) Basis of preparation

The financial information set out in this Prospectus is prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial information containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial information also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial information are presented below and have been consistently applied unless stated otherwise.

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

(b) Basis of consolidation

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

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

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

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

(c) Exploration and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

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

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

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

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

(d) Comparative figures

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

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

(e) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial information based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. If such an indication exists, the recoverable amounts of relevant assets, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expenses to the statement of profit or loss and other comprehensive income.

(f) Cash and cash equivalents

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



Grant Thornton

An instinct for growth™

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14 November 2016

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Dear Directors,

INDEPENDENT LIMITED ASSURANCE REPORT ON THE HISTORICAL FINANCIAL INFORMATION AND THE PRO FORMA HISTORICAL FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

We have been engaged by Quest Minerals Limited ('Quest', or the 'Company') to report on the Historical Financial Information and the Pro forma Historical Financial Information of the Company for inclusion in the Prospectus (the 'Prospectus') to be dated on or about 14 November 2016, relating to the issue of ordinary shares in the Company (the "Offer").

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Grant Thornton Corporate Finance Pty Ltd ('Grant Thornton Corporate Finance') holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Scope

You have requested Grant Thornton Corporate Finance to report on the following Historical Financial Information included in the Prospectus:

Historical Financial Information

The Historical Financial Information, as set out in the Prospectus comprises:

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

'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. Liability is limited in those States where a current scheme applies.

- The summary unaudited historical consolidated income statements for the 12 months ended 30 June 2014 ('FY2014') and summary audited historical consolidated income statements for the 12 months ended 30 June 2015 ('FY2015') and 12 months ended 30 June 2016 ('FY2016');
- The summary unaudited historical consolidated cash flow statements for FY2014, and the summary audited historical consolidated cash flow statements for FY2015, and FY2016;
- The statutory historical consolidated balance sheet as at 30 June 2016; and
- The pro forma consolidated balance sheet at 30 June 2016.

(Hereafter the "Historical Financial Information")

The Historical Financial Information of the Company has been extracted from the audited financial statements which were audited by Grant Thornton Audit Pty Ltd.

As at 30 June 2014, the company has recorded a loan payable to Haramont Pty Ltd of \$812,915 (2013: \$175,000), plus accrued interest of \$102,360 (2013: Nil). These balances included a significant reinstatement of an amount derecognised in the prior financial year. As a result of the matters concerning this debt Grant Thornton Audit Pty Limited were unable to obtain sufficient appropriate audit evidence as to whether this loan and accrued interest were payable at balance date at the amount recorded in the financial report. As a result of the above matters, they were unable to determine whether any adjustments might have been found necessary in respect of the elements making up the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and related notes and disclosures thereto. Accordingly they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, they did not express an audit opinion on the financial report for FY2014 and consequently a qualified audit opinion was issued in FY2015 on the basis of the comparative financial information.

A modified opinion was issued by Grant Thornton Audit Pty Ltd for FY2016 as an emphasis of matter regarding the Consolidated Entity's ability to continue as a going concern, which is dependent upon the successful re-capitalisation of the Company. As this matter has not yet occurred, there exists a material uncertainty which may cast significant doubt about the Company's ability to return to being a going concern and realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the audited 30 June 2016 financial report.

The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in Australia in accordance with the Corporations Act 2001.

This report has been prepared for inclusion in the Prospectus. Grant Thornton Corporate Finance disclaim any assumption of responsibility for any reliance on this report or on the Financial Information to which this report relates for any purpose other than the purposes for which it was prepared. This report should be read in conjunction with the Prospectus.

Directors' Responsibility

The Directors of the Company are responsible for the preparation and presentation of the Historical Financial Information. The Directors are also responsible for the determination of the Pro Forma Transactions set out in **Section 7** 'Financial Information', section and the basis of preparation of the Historical Financial Information.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the directors determine necessary to enable the preparation of the Historical Financial Information that are free from material misstatement.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450: "*Assurance Engagements involving Corporate Fundraisings and/ or Prospective Historical Financial Information*".

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Historical Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently do not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Conclusion

Historical Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information of the Company as described in the 'Financial Information' section of the Prospectus does not present fairly:

- The summary audited historical consolidated income statements for FY2015 and FY2016;
- The summary statutory historical consolidated cash flow statements for FY2015, and FY2016;
- The statutory historical consolidated balance sheet as at 30 June 2016
- The Pro forma historical consolidated balance sheet as at 30 June 2016;

- The Pro Forma Transactions set out in **Section 7** 'Financial Information'

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements under IFRS and as if the Pro Forma Transactions set out in **Section 7** 'Financial Information' had occurred at 30 June 2016.

Restriction on Use

Without modifying our conclusion, we draw attention to the 'Financial Information' section, which describes the purpose of the Historical Financial Information, being for inclusion in the Prospectus. As a result, the Historical Financial Information may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD



Neil Cooke
Partner – Corporate Finance



Michael Hillgrove
Partner – Audit & Assurance

Appendix A (Financial Services Guide)

This Financial Services Guide is dated 14 November 2016.

1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (“Grant Thornton Corporate Finance”) has been engaged by Quest Minerals Limited (the “Company”) to provide general financial product advice in the form of an Independent Limited Assurance Report (the Report) in relation to the offer of fully paid ordinary shares in the Company (the Issue). This report is included in the Prospectus dated on or about 14 November 2016 (the “Prospectus”). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

2 This Financial Services Guide

This Financial Services Guide (“FSG”) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

4 General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail finance product advice directly to retail investors nor does it provide market related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive from the Company a fee of \$4,000 plus GST which is based on commercial rates plus reimbursement of out of pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, and related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receives non-monetary benefits in respect of, or that is attributable to the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance including its Partners, Directors, employees or associates and related bodies corporate, does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licenced to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business. Grant Thornton Audit Pty Ltd is the auditor of the Company.

In the context of the report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint.

If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for the report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

9 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

10 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000

11 November 2016

Your ref:
Our ref: JRAP/MJBP:8019556

The Directors
Quest Minerals Ltd
Level 1, 467 Scarborough Beach Road
Osborne Park WA 6017

All correspondence to:
Perth St Georges Tce Post Shop
PO Box 5784
ST GEORGES TCE WA 6831

Contact
Michael Brady +61 8 6167 8835
Email: mbrady@millsOakley.com.au

Partner
Julian Atkinson +61 8 6167 9858
Email: jatkinson@millsOakley.com.au

Dear Sirs

SOLICITOR'S REPORT ON TENEMENTS – VICTORY BORE PROJECT

1. Introduction

This tenement report (**Report**) is prepared for inclusion in a re-instatement prospectus (**Prospectus**) to be dated on or about 14 November 2016 for issue by Quest Minerals Ltd ACN 062 879 583 (**Company**) for an offer of:

- (a) 101,000,000 Shares at a price of \$0.02 each to raise up to \$2.02 million;
- (b) 4,000,000 Shares to related parties in lieu of Directors' fees; and
- (c) 32,500,000 Options (each to be issued 1 Share with an exercise price of \$0.03 and an expiry date of 30 September 2020).

The Report relates to Western Australian mining tenements (**Tenements**) in which the Company or its wholly owned subsidiary, Acacia Mining Pty Ltd holds an interest.

The Company's rights in respect of the Tenements including, without limitation, to exploit and explore the Tenements, are governed by certain legislation and agreements. Details of those rights and the relevant legislation and agreements are summarised in this Report.

The attached Tenement Schedule (**Schedule**) and notes to the Schedule, contain an overview of the Tenements and form part of this Report.

2. Scope

The scope of our review in this Report is limited to the due diligence investigations conducted upon the publicly available searches and enquiries listed in section 4 below, we have relied solely on the results of those searches and enquiries and we have not been requested by the Company to consider any other matters. In particular, this Report does not consider the commercial viability of the Tenements, all third party rights that may exist in relation to the Tenements or all issues that may arise in respect of the Tenements.

No additional work was performed in preparing this Report, except as specifically stated in this Report and we have not conducted enquiries in relation to legal matters which may impact the Tenements beyond the scope of work described above.

3. Opinion

Based on our searches and enquiries and subject to the scope in section 2 above and the assumptions and qualifications in section 6 below, we confirm at the date of the searches that:

- (a) the details of the Tenements referred to in the Schedule are accurate as to the status and registered holders of those Tenements;
- (b) unless otherwise specified in this Report, the Tenements are in good standing and all applicable rents have been paid;
- (c) none of the Tenements are subject to any unusual conditions of a material nature other than as disclosed in the Schedule;
- (d) this Report provides accurate statements as to third party interests, including encumbrances in relation to the Tenements ascertainable from our searches and the information provided to us;
- (e) subject to the comments below relating to standard, administrative authorisations (which are normally applied for only at the time of finalising the details of individual exploration plans), or as otherwise detailed in this Prospectus, there are no legal, regulatory or contractual impediments to the Company undertaking the proposed exploration on the Tenements as detailed elsewhere in the Prospectus; and
- (f) other than as disclosed in this Report, we did not identify any material issues in respect of the Tenements.

4. Searches and enquiries

For the purpose of this Report, we have conducted the following searches and enquiries:

- (a) searches of the WA Tenements in the mining tenement register (**DMP Register**) maintained by the Department of Mines and Petroleum of Western Australia (**DMP**) pursuant to the *Mining Act 1978 (WA)* and *Mining Regulations 1981 (WA)* (**Mining Act**) conducted on Thursday, 20 October 2016;
- (b) quick appraisal searches of the WA Tenements summarising information obtained online from the 'TENGRAPH' system maintained by the DMP conducted on Thursday, 20 October 2016; and
- (c) general enquiries made with management of the Company on Friday, 21 October 2016.

5. Material agreements

Agreements may have been entered into by the Company in relation to the Tenements which, amongst other things, grant certain rights to third parties. Common agreements relating to mining tenements include, but are not limited to: access, native title, aboriginal heritage, royalty, mortgage, commodity split, tribute, licence or sub-lease arrangements.

The Company has confirmed the existence of the following material agreements in relation to the Tenements and provided us with copies of the same for our review, namely:

- (a) **Aboriginal Heritage Protection Agreement**, undated, between the Company and the Wultha People. We note that the Agreement contains typical co-operation and compensation conditions as well as a requirement for a heritage survey to be conducted prior to exploration activities. For more information in relation to Aboriginal heritage agreements generally, please refer to section 9 of this Report.

Other than the material agreements outlined above, we have not been provided with, instructed to examine, nor are we aware of any other material agreements relating to the Tenements.

6. Assumptions and qualifications

In preparing this Report:

- (a) we have assumed the accuracy and completeness of results of the searches of the register maintained by the DMP and other information obtained from the DMP;
- (b) we have assumed all contracts, agreements or arrangements, material or otherwise relating to the Tenements have been supplied to us and were within the capacity and powers of, and were validly authorised, executed and delivered by and binding on each party to them, and where applicable, duly stamped;
- (c) where any agreement, dealing or act (including disturbing the land for exploration or mining) affecting the Tenements requires an authorisation, approval, permission or consent (**Authorisation**) under the Mining Act, or any other relevant legislation, we have assumed that Authorisation has been or will be granted in due course;
- (d) where any dealing in the Tenements has been lodged for registration but is not yet registered, we express no opinion as to whether the registration will be effected, or the consequences of non-registration;
- (e) we have assumed that the Company has complied with all applicable provisions of the Mining Act and all other legislation relating to the Tenements;
- (f) we have assumed that the Company has disclosed to us all material information it possesses in relation to the Tenements;
- (g) we have not researched the underlying land tenure in respect of the Tenements to determine if native title rights have or have not been extinguished, or the extent of any extinguishment; and
- (h) we have not researched the area of the Tenements to determine if there are any registered or unregistered sites of significance to aboriginal people within the area.

The Schedule sets out a brief description of the Tenements and a summary of any encumbrances. In relation to the Schedule, we make the following comments:

- (a) references to the areas of the Tenements are taken from the details shown on the tenement searches, it is not possible to verify those areas without conducting a survey which has not been undertaken;
- (b) the area of the Tenements as shown in the Schedule might be reduced by the existence of pre-existing mining tenements situated within the boundaries of the relevant Tenement and a subsequent requirement that the area of the earlier mining tenement is excised from the grant of the Tenement; and
- (c) the rights of a holder of a mining tenement are subject to compliance by that holder with the terms and conditions under the Mining Act and the conditions specifically set out in the grant of the Tenements.

If any of the assumptions or qualifications set out above are not correct, this Report will need to be reviewed and may need to be amended.

7. Western Australia Tenements

The Tenements in Western Australia comprise one exploration licence (prefixed "E") and referred to by the Company as the Victory Bore Project.

In accordance with the Mining Act, the holder of a mining tenement is permitted to explore for all minerals including oil shale, but excluding sand or clay occurring on private land. Exploration or mining for iron is also excluded unless it has been authorised by the Minister and endorsed on the mining tenement title. Under the *Petroleum and Geothermal Energy Resources Act 1987* (WA), petroleum and geothermal energy resources are also excluded from the grant of a mining tenement.

In addition to the authorisations and approvals described below, it is a requirement that any ground disturbing work carried out on a mining tenement has been approved by the DMP. Such approvals may involve referral by the DMP to other Government agencies and any approvals given may be subject to special conditions. Approvals are generally required for an exploration program to be undertaken and are submitted to the DMP for approval at an administrative level.

As the Tenements comprise a single granted exploration licence, the summary below is limited to exploration licences.

(a) Exploration Licences

An exploration licence permits the holder to explore over land up to a maximum 200 graticular blocks in designated areas of Western Australia and a maximum of 70 graticular blocks elsewhere. Graticular blocks comprise one minute of longitude by one minute of latitude and therefore range in area from approximately 2.8km² to 3.3 km². There is no limit to the number of exploration licences which may be held by any one person.

An exploration licence authorises the holder to enter land to explore using vehicles, machinery and equipment as may be necessary or expedient for the purpose of exploring for minerals in, on or under the land.

During the first year of grant of an exploration licence, a legal or equitable interest in or affecting the exploration licence cannot be transferred or otherwise dealt with, whether directly or indirectly, without the prior written consent of the Minister.

Significant amendments to the Mining Act (**Amendments**) came into operation on 10 and 11 February 2006. The exploration licence held by the Company was applied for and granted after the Amendments. It was granted with an initial 5 year term. The term of an exploration licence applied for and granted after the Amendments may be extended by one period of five years and then by further two year periods if the Minister is satisfied that a prescribed ground for extension exists.

'Prescribed grounds' for extension include circumstances when the holder experienced difficulties or delays arising from governmental, legal, climatic or heritage reasons, where work carried out justifies further prospecting, or where the Minister considers the land has been unworkable for whole or a considerable part of any year of the term.

Exploration licences are subject to a requirement that the holder relinquishes portions of the licence during its term. Exploration licences applied for and granted after the Amendments carry a requirement that 40% of the tenement area be relinquished at the end of the initial five year period. The Minister may defer the relinquishment requirement for one further year if satisfied that a prescribed ground for deferral exists. No exemption from the relinquishment requirement is available.

Annual rent and shire rates are payable in respect to exploration licences. Exploration licences are subject to minimum annual expenditure requirements which are set out in the Schedule. The holder of an exploration licence may apply for exemption from compliance with minimum expenditure requirements on certain grounds set out in the Mining Act or at the discretion of the Minister. A failure to comply with expenditure requirements, unless exempted, renders the exploration licence liable to forfeiture.

Forfeiture of Exploration Licences

The Minister may make an order for the forfeiture of an exploration licence for any of the following reasons:

- (i) failure to pay rent or royalty;
- (ii) non-compliance with conditions of an exploration licence such as lodgment of a Report as required by the Mining Act;
- (iii) failure to comply with certain provisions of the Mining Act;
- (iv) failure to satisfy expenditure conditions; or
- (v) if the holder is convicted of an offence under the Mining Act.

An application for forfeiture in respect of expenditure conditions must be made during the expenditure year in which there is non-compliance, or within eight months thereafter.

The Minister may only make an order for forfeiture if the Minister is satisfied that non-compliance is of sufficient gravity to justify the forfeiture of the exploration licence.

The Minister may impose a penalty instead of forfeiting the exploration licence. The penalty must not exceed \$10,000 in a case where expenditure conditions have not been complied with, and not exceed \$50,000 in any other case.

Retention Status

The holder of an exploration licence may apply for 'retention status' where a resource has been identified, but is not economic at present, is required to sustain future mining operations or other difficulties exist. This essentially mirrors the retention licence provisions under the Mining Act, but a new title is not required. Only land where the resource has been identified as well as land required for infrastructure may be the subject of conversion of a licence to retention status, and the balance of the licence will expire. The licence retains its identity as an exploration licence, but the prescribed expenditure conditions are not required to be complied with. This obviates the need to convert the licence to a retention licence.

Conversion to mining lease

During the term of an exploration licence, the holder may apply for and have granted subject to the Mining Act, one or more mining leases over any part of land subject to the exploration licence. Where an application for a mining lease is made, and the term of the exploration licence is due to expire prior to the mining lease application being determined, the exploration licence will continue in force over the land subject to the mining lease application pending the outcome of that mining lease application.

Applications for mining leases are not transferable. It is covenant and condition of a mining lease that the lessee not assign, underlet or part with possession of any part of a

mining lease without the prior approval of the Minister or an officer of the relevant department acting on the authority of the Minister.

The grant of mining leases under the Mining Act lies with the Minister on recommendation of the Mining Registrar. From the date of grant, a mining lease remains in force for up to 21 years and the maximum area over which a mining lease may be granted is 10 square kilometres.

8. Rehabilitation levies or securities

In WA a mining rehabilitation levy system applies, although a company may in certain circumstances also be required to lodge a bank guaranteed performance bond to secure the performance of a tenement holders' rehabilitation obligations on a mining tenement. In WA a tenement holder may also be liable to pay a safety levy based on the number of hours spent working on a group of tenements (including all employees or contractors).

9. Native Title

Native Title or claims for native title exist over large areas of Western Australia and will likely affect new mining tenements. The Schedule sets out relevant native title claims (if any) affecting the Tenements. The existence of a lodged claim does not necessarily mean that native title exists over the area claimed, nor does the absence of a claim necessarily indicate that no native title exists in an area. The existence of native title will be established pursuant to the determination of claims by the Federal Court.

The grant of a mining tenement is a 'Future Act' for the purposes of the *Native Title Act 1993* (Cth) (**NTA**). A Future Act is an activity or development on land or waters that affects native title. Native title claimants' gain the 'right to negotiate' in relation to the grant of certain mining tenements if their native title claim is registered at the time the government issues a notice (known as a section 29 notice), stating it intends to do the act (i.e. grant the mining tenement), or if their claim becomes registered within four months after that notice. The right to negotiate applies in the main to the grant of a mining lease and describes a process whereby the tenement applicant and native title claimant must negotiate in good faith to attempt to resolve any potential concerns the native title claimants may have arising from the mining lease application or its grant.

(a) Western Australia

In some cases (especially for exploration or prospecting licences) the Western Australia State Government applies a 'fast track' procedure (the 'expedited procedure') in place of the right to negotiate process. If the proposed grant of a mining tenement is advertised under the expedited procedure, native title parties can lodge an objection to the use of the expedited procedure for the grant of the mining tenement (as opposed to an objection to the grant of the mining tenement). If there is no objection lodged, the mining tenement can be granted. If an objection is lodged, the parties may either negotiate and reach agreement, or apply to the National Native Title Tribunal (**NNTT**) for a determination of the matter.

It is a policy of the DMP to apply the expedited procedure to the grant of exploration and prospecting licences in Western Australia where the applicant has executed a Regional Standard Heritage Agreement (**RSHA**) or has an existing Alternative Heritage Agreement (**AHA**) in place. In the absence of such an agreement applications will be subject to the right to negotiate procedure.

A RSHA or AHA is intended to address potential Aboriginal heritage concerns with respect to work on the area subject to a mining tenement. The agreements generally provide for a native title party to withdraw their objection to the expedited procedure and consent to the grant of the mining tenement upon the terms of the agreement, which include compensation conditions and requirements such as that a heritage survey be conducted prior to exploration activities.

We note that there is a native title claim affecting the land underlying the Tenements. Accordingly, native title issues will need to be considered by the holder of the Tenements.

10. Validity of titles

(a) Right to Negotiate Procedure

Mining tenements granted after 23 December 1996 that affect native title will be valid only if the applicable processes of the NTA have been complied with. Under the right to negotiate procedures, parties are required to negotiate in relation to the grant of the proposed Future Act, eg the grant of a mining tenement. Negotiations are initiated to obtain the agreement of the relevant native title parties to the carrying out of the proposed Future Act on the native title land. The right to negotiate procedure consists of a statutory minimum six month period of negotiation between the relevant government party, the native title party and the grantee, during which time the parties must negotiate in good faith with a view to reaching agreement about the doing of the Future Act.

If parties cannot reach agreement as to the terms of grant, a negotiation party may apply to the NNTT (as the arbitral body) to make a determination as to whether the grant may proceed (and if so, on what conditions).

(b) Compensation

The Mining Act make mining tenement holders liable for any native title compensation that may be payable as a result of the grant of the mining tenement. If the existence of native title is proven over any of the land subject to the Tenements, and the native title holders make an application to the Federal Court for compensation, the tenement holder may be liable to pay any compensation awarded.

(c) Conversion to Mining Lease

In relation to the tenements in Western Australia undergoing a conversion from an exploration licence or prospecting licence to a mining lease over an area where native title claims are lodged and registered, it will be necessary to go through the right to negotiate process, unless the Company has earlier entered into an agreement with the claimants that incorporates such conversion.

11. Aboriginal Heritage

(a) Commonwealth

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)* (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which can affect exploration activities. Compensation is payable by the

Minister to a person who is, or is likely to be, affected by a permanent declaration of preservation.

(b) **Western Australia**

Holders of mining tenements in Western Australia are subject to the *Aboriginal Heritage Act 1972* (WA) (**WA Heritage Act**), which protects sites that may be of spiritual, cultural or heritage significance to Aboriginal people (**Aboriginal Site**). The Western Australia Department of Indigenous Affairs maintains a register of Aboriginal Sites but registration of an Aboriginal Site is not required by the WA Heritage Act.

To alter or damage an Aboriginal Site is an offence under the WA Heritage Act that can lead to prosecution (unless approval has been obtained under the WA Heritage Act). Any party disturbing an area of the State has an obligation to avoid interfering with an Aboriginal Site. To satisfy this obligation, tenement holders commonly undertake Aboriginal heritage surveys which involve the relevant traditional owners and as necessary, an archeologist or anthropologist walking the land identifying sites and discussing the impact of proposed exploration activity. The costs of a heritage survey are met by the tenement holder.

(c) **Aboriginal Sites within the Tenements**

We have not undertaken any searches or investigations as to whether there are or may be any sites protected by the relevant Heritage Act within the area of the Tenements. It is common practice for an explorer to undertake heritage surveys only over areas about to be disturbed and only when work is imminent.

12. Benefit and Reliance

This Report is given solely for the benefit of the Company in connection with the issue of the Prospectus. This Report is not to be relied on used for any other purpose or quoted or referred to in any other public document or filed with any government body or other person without our prior written consent. To the maximum extent permitted by law, Mills Oakley expressly disclaims any liability in respect of this Report to any person other than the Company.

13. Consent

This Report is given on Friday, 11 November 2016 and unless specified to the contrary, speaks only to the relevant laws of Western Australia and the Commonwealth of Australia in force on that date. Mills Oakley has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included and have not withdrawn that consent before the lodgment of the Prospectus with ASIC.

14. Disclosure of Interest

Mills Oakley will be paid normal and usual professional fees for the preparation of this Report and related matters, as set out elsewhere in the Prospectus.

Yours faithfully


MILLS OAKLEY

Schedule 1– Tenements

The below information has been extracted from DMP online tenement searches dated 20 October 2016. Accordingly, the information may not be accurate as at the date of this Report.

#	Tenement number	Tenement holder	Shares	Status	Grant Date (Application Date)	Expiry Date	Area	Rent Commitments	Expenditure Commitments	Notes
Victory Bore Project – Sandstone Shire WA										
1	E57/1036	Acacia	100	Live	01/07/2016 (29/06/2015)	30/06/2021	13 blocks	\$1,683.50 (year end 30/06/2018)	\$20,000.00 (current year 30/06/2017)	1, 2, 3 and 4.

Notes for WA Tenements

The notes below refer to particular conditions and endorsements of the Tenements. It is not an exhaustive list. For all conditions and endorsements attached to the Tenements, a search of the DMP Register should be conducted.

Each of the Tenements are subject to standard conditions that must be complied with including rent payments, annual expenditure requirements and the requirement to lodge annual technical reports. Standard conditions also stipulate that a tenement holder obtain the consent of an officer of the DMP prior to conducting any ground disturbing work, basic environmental and rehabilitation conditions (such as the removal of all waste, capping of drill holes etc) and prohibitions or restrictions on disturbing existing infrastructure such as roads, powerlines, aerial landing ground, airstrips and geodetic survey stations.

In addition to these standard conditions and endorsements, the following applies:

1. This tenement overlies certain waterways and proclaimed groundwater areas. Special conditions attach to the tenement to protect such areas.
2. This tenement overlies large areas of a pastoral lease, namely: N50586 (Atley). The Company has confirmed that no agreement is in place with the lease holder.
3. This tenement is subject to a native title agreement (RSHA or AHA) with the Yamatji Marlpa Aboriginal Corporation on behalf of the Wutha people. The Wutha Native Title Claim has been registered – NTT: WC1999/010; Federal Crt: WAD6064/1998. This agreement does not contain any unusual terms.
4. The grant of this tenement does not include the land the subject of prior exploration licence 57/420. If E57/420 is surrendered or forfeited that land may be included in this tenement.

10 DETAILS OF THE OFFER

10.1 Structure of the Offers

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

The Offers are subject to the applicable conditions set out in section 10.3.

10.2 Offer

Under this Prospectus, the Company is undertaking a conditional offer to clients or nominees of CPS Capital to apply for 91,000,000 Shares at an issue price of A\$0.02 per Share to raise up to A\$1,820,000 (before costs). Shareholders who wish to participate in the Offer may do so by contacting CPS Capital or the Company on +61 8 9217 9800.

The Offer is only open to clients and nominees of CPS Capital and is not open to the public.

10.3 Conditions of the Offers

The Offers made under this Prospectus are subject to the conditions set out below. In the event that any of these conditions are not met within 3 months of the date of this Prospectus (or such later date agreed by ASIC in accordance with the Corporations Act), all Application Moneys will be returned to applicants without interest in accordance with the Corporations Act.

(a) **Minimum Subscription**

The Offers are conditional on the Company achieving a minimum level of subscription for the Offers of \$2,020,000 excluding the related party offers.

(b) **Shareholder approval**

The Offers were approved by Shareholders at a general meeting of Shareholders held on 14 November 2016.

(c) **Satisfaction of ASX requirements**

The Company has received conditional approval from ASX to have its securities reinstated to trading on the ASX subject to satisfying certain conditions, including that the company holds \$1,000,000 in cash, net of all liabilities immediately prior to the Company's reinstatement ASX. The full set of conditions required by ASX for reinstatement is set out in the Notice of Meeting sent to shareholders and published on the ASX announcements Platform on 14 October 2016. The Offers are also conditional upon the Company being reasonably satisfied of its ability to satisfy the requirements of the ASX for reinstatement.

(d) **Termination of the DOCA**

The Offers are conditional upon the Company being reasonably satisfied that the material requirements for the termination of the DOCA as wholly effectuated have been satisfied other than the Company's requirement to issue securities under the Offers. The Directors anticipate that the Company will issue securities under the Offers within 3 business days of the Closing Date, at which time the DOCA will be wholly effectuated and the Deed Administrator will retire. See section 3.8 for a summary of the DOCA.

10.4 Purposes of the Offers

The purposes of the Offers are to:

- (a) Complete the Recapitalisation proposal so that the DOCA can be terminated wholly effectuated and full control of the Company can be returned to the Board;
- (b) comply with ASX's conditions to reinstate the Company on the Official List of ASX, so that the Company's Shares can recommence trading on ASX;
- (c) provide working capital to enable the Company to continue exploration on the Victory Bore Project; and
- (d) raise funds for the purposes set out in section 3.6.

10.5 Opening and Closing Dates of the Offer

The Opening Date of the Offer will be 22 November 2016 and the Closing Date will be 9 December 2016 at 5:00pm WST, unless otherwise extended.

The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

10.6 Application for Securities

Applications for Shares may only be made by investors at the direction of CPS Capital for the Company and must be made using the Application Form accompanying this Prospectus.

Completed Application Forms and accompanying cheques must be mailed to the Company as follows:

Delivery by post	Delivery by hand
Quest Minerals Limited	Quest Minerals Limited
PO Box 1788	C/- Winduss & Associates
Osborne Park DC WA 6916	Suite 1, 467 Scarborough Beach Road
	Osborne Park WA 6017

Cheques should be made payable to "Quest Minerals Limited" – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms and cheques must reach the address set out above by no later than the Closing Date.

10.7 Minimum subscription

The minimum subscription is 91,000,000 Shares comprising the Offer.

10.8 Oversubscriptions

Oversubscriptions will not be available.

10.9 Allocation and Issue of Shares

The issue of Shares under the Offers will take place as soon as practicable after the Closing Date. Application Moneys will be held in a separate subscription account until the Shares are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the Application Monies will be for the benefit of the Company and will be retained by the Company irrespective of whether any shares are issued and each applicant waives the right to claim any interest.

The Company reserves the right to reject any Application or to allocate to any Applicant fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an Application is not accepted or accepted in part only, the relevant portion of the Application Moneys will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of the Shares to Applicants. If the Offer or any part of it is cancelled, all Application Moneys, or the relevant Application Moneys will be refunded.

The Company also reserves the right to close the Offer or any part of it early, or extend the Offer or any part of it, or accept late Applications Forms either generally or in particular cases.

10.10 Not Underwritten

The Offer is not underwritten.

10.11 ASX Quotation

The Company's Shares have been suspended from trading on the ASX since 30 September 2013. The Company will apply to ASX within 7 days of the date of this Prospectus for the Shares and Options to be issued pursuant to this prospectus quoted on the ASX. If ASX does not grant permission for the quotation of the Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all applications will be dealt with in accordance with the Corporations Act including the return of all Application Moneys without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or Shares now offered for subscription.

ASX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Prospectus.

The Directors expect that trading of the Shares on the stock market conducted by ASX will commence as soon as practicable after approval for reinstatement to the Official List of ASX is granted and all conditions (if any) applicable thereto have been fulfilled.

10.12 Applicants outside Australia

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consent are required or whether any other formalities need to be considered and followed to enable them to acquire Shares.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

10.13 Privacy

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents,

contractors and third party service providers, including mailing houses and professional advisors, and to ASX and regulatory authorities.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

10.14 Restricted securities

The ASX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Company's Shares on ASX.

None of the Shares offered under this Prospectus will be treated as restricted securities and will be freely transferable from their date of allotment.

The Company has no voluntary escrow arrangements in place.

10.15 Commissions Payable

Commissions will be payable by the Company to CPS as follows:

- (a) a placing fee of 6%, plus GST, where applicable, for funds raised via the Offer; and
- (b) a fee of \$200,000 to be satisfied by the issue of 10,000,000 shares at a deemed issue price of \$0.02 per share.

10.16 Rights and liabilities attaching to Shares

Quest Shares to be issued under this prospectus will rank equally in all respects with existing Quest Shares on issue.

Full details of the rights attaching to Quest Shares are set out in Quest's Constitution, a copy of which can be inspected at the Company's registered office during business hours at Suite 1, 467 Scarborough Beach Road, Osborne Park Western Australia 6017 and as regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the principal rights and liabilities which are proposed to attach to Quest Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice:

(a) Voting Rights

Every holder of Quest Shares present in person or by proxy, attorney or representative at a meeting of Quest Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Quest Shares who is present in person or by proxy, attorney or representative has one vote for every Quest Share held by him or her. At any general meeting a resolution put to the vote of the meeting must be decided on a show of

hands unless a poll is effectively demanded and the demand is not withdrawn.

(b) Dividends

Dividends are payable out of Quest's profits and are declared by the Quest Directors.

Quest Shareholders are entitled to dividends as a result of ownership of their Quest Shares in accordance with the Constitution.

(c) Transfer of Quest Shares

An Quest Shareholder may transfer Quest Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in Quest Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Quest Directors.

The Quest Directors may refuse to register any transfer of Quest Shares, where Quest is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules or a Restriction Agreement.

(d) Meetings and notice

Each Quest Shareholder is entitled to receive notice of and to attend general meetings for Quest and to receive all notices, accounts and other documents required to be sent to Quest Shareholders under the Constitution, the Corporations Act or the Listing Rules.

(e) Liquidation rights

Quest has only issued one class of shares, which all rank equally in the event of liquidation. Once all the liabilities of Quest are satisfied, a liquidator may, with the authority of a special resolution of Quest Shareholders divide among the Quest Shareholders the whole or any part of the remaining assets of Quest. The liquidator can with the sanction of a special resolution of Quest Shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of Quest can be compelled to accept any shares or other securities in respect of which there is any liability.

(f) Quest Shareholder liability

Quest Shares are fully paid shares and are not subject to any calls for money by the Quest Directors and will therefore not become liable for forfeiture.

(g) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days' written notice, specifying the intention to propose the resolution as a special resolution must be given.

(h) Listing Rules

If Quest is admitted to the Official List of ASX, then despite anything in Quest's constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that

provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

(i) Election of directors

There must be a minimum of 3 but not more than 10 Directors. At every AGM one third of the Directors (rounded to the nearest whole number) must retire from office. Any Director who would have held office for more than 3 years if that Director remains in office until the next general meeting must retire. These retirement rules do not apply to certain appointments including the managing director.

(j) Indemnities

To the extent permitted by law the Company may indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

10.17 CHESS

The Company will apply to participate in the Clearing House Electronic Subregister System (CHESS), operated by ASX Settlement (a wholly owned subsidiary of ASX), in accordance with the ASX Settlement Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored subregister and an electronic CHESS subregister. These 2 subregisters together will make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive holding statements that set out the number of Shares each Shareholder owns. If a Shareholder is broker-sponsored, ASX Settlement will send the shareholder a CHESS statement. This statement will also advise investors of either their Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Security Holder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

A CHESS statement or issuer-sponsored statement will routinely be sent to Shareholders at the end of every calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time; however a charge may be imposed for additional statements.

10.18 Expenses of the Offer

Excluding placement commissions the total estimated expenses of this Offer are estimated to be \$290,000 to \$320,000 consisting of the following:

Nature of Expense	Minimum (\$)	Maximum (\$)
Corporate Advisory fees (agreed fixed fee)	200,000	200,000
Legal fees	56,000	76,000
Investigating Accountant's fee (agreed fixed fee)	4,400	4,400
Independent geologist's fees	6,600	6,600
ASIC filing fee	2,500	2,500
Prospectus design and printing	10,000	15,000
Other miscellaneous expenses	10,500	15,500
Total	290,000	320,000

10.19 Queries

This Prospectus provides information for investors to decide if they wish to invest in the Company and should be read in its entirety. If you have any questions about investing in the Company, please contact your stockbroker, financial planner, accountant, lawyer or other professional advisers.

Any queries regarding the Offer should be directed to the Company Secretary on +61 (8) 9217 9800.

11 ADDITIONAL INFORMATION

11.1 Offer for the purposes of section 708A(11) of the Corporations Act

For the purposes of section 708A(11) of the Corporations Act the Company offers one Share to a person nominated by the Directors at an issue price of \$0.02. The purpose of the offer is to allow holders of 10,000,000 Shares to be issued by the Company to unrelated advisors for services provided to be offered for sale without disclosure.

11.2 Offer of CPS Option

Under this prospectus the Company offers 30,000,000 Options to clients and nominees of CPS Capital at an issue price of A\$0.00001 per Option. The offer is conditional upon the Company satisfying the conditions to reinstatement of its Shares to trading on ASX.

Each new Option will have an exercise price of A\$0.03 and expiring on 30 September 2020 and otherwise be on the following terms.

- (a) Options are being issued at a price of \$0.00001 per Option.
- (b) Each Option entitles the holder to subscribe for and be allotted one Share, at an exercise price of \$0.03 (**Exercise Price**) on or before 30 September 2020.
- (c) The Company must, as soon as it is reasonably practicable to do so, issue shares on exercise of the Options in accordance with the Listing Rules and register the holder as a shareholder in the register of members in respect of the Shares so issued. No Option may be exercised if to do so would contravene the Corporations Act or the Listing Rules.
- (d) An Option is exercisable by the holder lodging a notice of exercise of option together with, subject to the Options terms, the Exercise Price for each Share to be issued on exercise, at the Company's registered office. The exercise of some Options only does not affect the holder's right to exercise other Options at a later time. Remittances must be made payable to the Company and cheques should be crossed "not negotiable".
- (e) The Options are freely transferrable.
- (f) An Option not exercised by 30 September 2020 lapses. There is no obligation to exercise the Options.
- (g) The Company must apply to the ASX for official quotation of the Shares issued on any exercise of an Option.
- (h) Shares issued on any exercise of an Option will rank pari passu with all existing Shares from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.
- (i) There are no participating rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered or made to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced. This will give the holder the opportunity to exercise Options prior to the date for determining entitlements to participate in any such issue.
- (j) There will be no change to the Exercise Price of an Option in the event of the Company making a pro rata issue of Shares or other securities to shareholders (other than a bonus issue).

- (k) If there is a bonus issue to shareholders (**Bonus Issue**), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
- (l) The rights of the holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation. The Company must give notice to the holder of any adjustment to the number of Shares that the holder is entitled to subscribe for or be issued on exercise of the Option or the exercise price per Share in accordance with the Listing Rules.

The CPS Options Offer is only open to clients and nominees of CPS Capital, and is not open to the public.

11.3 Related Party Offers

Under this prospectus the Company offers the following securities to related parties of the Company:

	Jerome Vitale	Paul Piercy	Dennis Gee	Stuart Third
Shares at \$0.02 per Share	2,500,000 Shares	500,000 Shares	500,000 Shares	500,000 Shares
Options at \$0.00001 per Option	2,500,000 Options	Nil	Nil	Nil
Performance Rights	2,500,000 Performance Rights	Nil	Nil	Nil

No cash consideration is payable for the Shares under the Related Party Offers as they are being issued in satisfaction of approximately \$80,000 of directors fees and company secretary fees accrued since the establishment of the DOCA.

The offer is conditional upon the Company satisfying the conditions to reinstatement of its Shares to trading on ASX.

The terms and conditions for the Performance Rights are as follows:

- (a) Each Right entitles the holder to be issued one fully paid ordinary Share upon the Company's Shares being reinstated to trading on ASX by no later than 4 January 2017.
- (b) Rights are not transferrable.
- (c) The Company must apply to the ASX for official quotation of the Shares issued upon vesting of Rights.
- (d) Shares issued on any vesting of Rights will rank pari passu with all existing Shares from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.

- (e) There are no participating rights or entitlements inherent in the Rights and the holder will not be entitled to participate in new issues of capital offered or made to shareholders during the currency of the Rights.
- (f) If there is a bonus issue to shareholders (Bonus Issue), the number of Shares issued upon vesting of a Right will be increased by the number of Shares which the holder would have received if the Right had vested before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
- (g) The rights of the holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation. The Company must give notice to the holder of any adjustment to the number of Shares that the holder is entitled to subscribe for or be issued on vesting of the Right in accordance with the Listing Rules.

11.4 Continuous disclosure

Upon admission to the official list of ASX the Company will be required to notify ASX of information which may have a material effect on the price or value of the Company's Shares. To comply with its continuous disclosure obligations, the Company will conduct regular board meetings with continuous disclosure a standing agenda item.

11.5 Privacy

The Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

11.6 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All prospective investors in the Company are urged to take independent financial advice about the taxation and any other consequences of investing in the Company.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to taxation and any other consequences of investing in the Company.

11.7 Interests of experts and advisors

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer.

Mills Oakley has acted as Australian legal advisor to the Company in connection with its application to be reinstated on ASX and has prepared the solicitor's report with respect to the Company's mining tenements. The Company has paid or will pay an aggregate of up to approximately A\$76,000 to Mills Oakley for these services. Mills Oakley has not provided other professional services to the Company during the last 2 years.

Agricola Mining Consultants Pty Ltd has prepared the Investigating Geologist's Report in this Prospectus. In respect of this work, the Company has paid or will pay a sum of \$6,600 for these services. Agricola has not provided other professional services to the Company during the last 2 years.

Grant Thornton Audit Pty Ltd has prepared the Investigating Accountant's Report in this Prospectus. In respect of this work, the Company has paid or will pay a sum of \$4,400 for these services. Other than fees for audit services amounting to \$49,500, Grant Thornton Audit Pty Ltd has not provided other professional services to the Company during the last 2 years.

11.8 Consents

Each of the persons referred to in this section:

- (a) has given and has not, before the date of lodgement of this Prospectus with ASIC withdrawn their written consent:
 - (i) to be named in the Prospectus in the form and context which it is named; and
 - (ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;
 - (iii) has not caused or authorised the issue of this Prospectus;
- (b) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

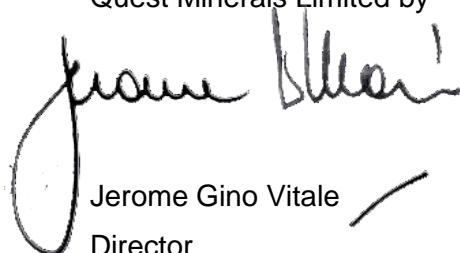
Name	Role	Statement/Report
Grant Thornton Audit Pty Ltd	Investigating Accountant	Investigating Accountants' Report in section 8.
Agricola Mining Consultants Pty Ltd	Independent Expert	Independent Geological Report in section 6.
Mills Oakley	Solicitors Report	Solicitor's Report On Tenements in section 9.
Mills Oakley	Solicitors to the Offer	Nil
Advanced Share Registry Limited	Share Registry Services	Nil

12 DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of the Shares pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Signed for and on behalf of
Quest Minerals Limited by



Jerome Gino Vitale
Director

13 GLOSSARY

Where the following terms are used in this Prospectus, which are not otherwise defined, have the following meanings:

\$	Australian dollars unless otherwise stated.
Application Moneys	The moneys received from persons applying for Shares under the applicable Offer.
ASIC	Australian Securities and Investment Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange (as the context requires).
ASX Settlement	ASX Settlement Pty Ltd (ACN 008 504 532).
ASX Settlement Rules	The operating rules of ASX Settlement.
Company or Quest	Quest minerals Limited (ACN 062 879 583).
Constitution	The constitution of the Company.
Corporations Act	The Corporations Act 2001 (Cth) as amended.
Creditors Trust	The Quest Creditors Trust between Quest and Adam Shepard in his capacity as Administrator of Quest dated 18 August 2014.
Deed Administrator	Adam Shepard of Farnsworth Shepard of Level 5, 2 Barrack Street, Sydney NSW 2000.
Director	A director of the Company and, where the context requires, any proposed director.
DOCA	The deed of company arrangement dated 18 August 2014 between the Deed Administrator and the Company.
Existing Shareholders	Shareholders as of the date of this Prospectus.
Listing Rules	The listing rules of the ASX.
Offers	The offers of securities to related and unrelated parties pursuant to this Prospectus
Official List	The Official List of the ASX.
Option	An option to acquire a Share.
Prospectus	This prospectus and includes the electronic version of this prospectus.
Recapitalisation	The recapitalisation of the Company as provided in section 3.2.
Share	A fully paid ordinary share in the share capital of the Company.
Shareholder	A registered holder of Shares or, where the context requires, CDIs over Shares.
Victory Bore Gold Project or Victor Bore	Exploration Licence E57/1036, comprising the Company's project situated in the Mid-West Region of Western Australia, near the town of Sandstone, 560 km north east of Perth and 450 km east of the shipping port of Geraldton.
WST	Western Standard Time in Perth, Western Australia.